

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2005

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SENATE BILL 751  
Select Committee on Employee Hospital and Medical Benefits Committee  
Substitute Adopted 5/31/05  
Third Edition Engrossed 6/1/05

Short Title: State Health Plan/Options.

(Public)

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Sponsors:

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Referred to:

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April 11, 2005

A BILL TO BE ENTITLED

AN ACT TO MAKE CHANGES TO THE TEACHERS' AND STATE EMPLOYEES'  
COMPREHENSIVE MAJOR MEDICAL PLAN IN ORDER TO PROVIDE  
AFFORDABLE HEALTH BENEFIT OPTIONS TO COVERED EMPLOYEES.

The General Assembly of North Carolina enacts:

**SECTION 1.(a)** G.S. 135-39.5B reads as rewritten:

**"§ 135-39.5B. Prepaid plans.**

(a) The Executive Administrator and Board of Trustees may, after consultation with the Committee on Employee Hospital and Medical Benefits, provide for optional prepaid hospital and medical benefits plans. Benefits offered under such optional plans shall be comparable to those offered under the Plan. The amounts of State funds contributed for such optional plans shall not be more than the amounts contributed for each person eligible under G.S. 135-40.2 on a noncontributory Employee Only basis, with the person selecting an optional plan paying any excess, if necessary. The amount of State funds contributed to such optional plans shall also not exceed the amount of an optional plan's cost for Employee Only coverage. The Executive Administrator and Board of Trustees are authorized to assess and collect fees from participating optional plans provided by this section for administrative purposes and for risk management purposes. Such fees may be based upon the enrollees' risk factors and the number and types of contracts enrolled by each participating optional plan, and may be collected by the Plan in a manner prescribed by the Executive Administrator and Board of Trustees. In no instance shall benefits be paid under Part 3 of this Article for persons enrolled in an optional prepaid hospital and medical benefit plan authorized under this section on and after the effective date of enrollment in the optional prepaid plan, except in cases of continuous hospital confinement approved by the Executive Administrator.

(b) The Executive Administrator and Board of Trustees may, after consulting with the Committee on Employee Hospital and Medical Benefits, adopt an arrangement

1 for an optional hospital and medical benefits program other than the one specified in  
2 subsection (a) of this section. The optional program may include one that is purchased  
3 or underwritten by the State, and may be a PPO, HMO, or other type optional program.  
4 Optional programs under this section are not subject to benefits and cost-sharing  
5 requirements under G.S. 135-40.5 through G.S. 135-40.9. Contracts for an optional  
6 program under this subsection are not subject to Article 3 of Chapter 143 of the General  
7 Statutes."

8 **SECTION 1.(b)** G.S. 135-40.4(a) reads as rewritten:

9 **"§ 135-40.4. Benefits in general.**

10 (a) In the event a covered person, as a result of accidental bodily injury, disease  
11 or pregnancy, incurs covered expenses, the Plan will pay benefits up to the amounts  
12 described in G.S. 135-40.5 through G.S. 135-40.9.

13 The Plan is divided into two parts. The first part includes certain benefits which are  
14 not subject to a deductible or coinsurance. The second part is a comprehensive plan and  
15 includes those benefits which are subject to both a three hundred fifty dollar (\$350.00)  
16 deductible for each covered individual to an aggregate maximum of one thousand fifty  
17 dollars (\$1,050) per employee and child(ren) or employee and family coverage contract  
18 and coinsurance of 80%/20%. There is a limit on out-of-pocket expenses under the  
19 second part.

20 Notwithstanding the provisions of this Article, the Executive Administrator and  
21 Board of Trustees of the Teachers' and State Employees' Comprehensive Major Medical  
22 Plan may contract with providers of institutional and professional medical care and  
23 services to established preferred provider networks. The terms pertaining to  
24 reimbursement rates or other terms of consideration of any contract between hospitals,  
25 hospital authorities, doctors or other medical providers, an optional program contract  
26 authorized under G.S. 135-39B(b), or a pharmacy benefit manager and the Plan shall  
27 not be a public record under Chapter 132 of the General Statutes for a period of thirty  
28 months after the date of the expiration of the contract. Provided, however, nothing in  
29 this subsection shall be deemed to prevent or restrict the release of any information  
30 made not a public record under this subsection to the State Auditor, the Attorney  
31 General, the Director of the State Budget, the Plan's Executive Administrator, and the  
32 Committee on Employee Hospital and Medical Benefits solely and exclusively for their  
33 use in the furtherance of their duties and responsibilities. The design, adoption, and  
34 implementation of the preferred provider contracts and networks are not subject to the  
35 requirements of Chapter 143 of the General Statutes, provided that for any hospital  
36 preferred provider network all hospitals will have an opportunity to contract with the  
37 Plan if they meet the contract requirements. The Executive Administrator and Board of  
38 Trustees shall, under the provisions of G.S. 135-39.5(12), pursue such preferred  
39 provider contracts on a timely basis and shall make reports as requested to the President  
40 of the Senate, the President Pro Tempore of the Senate, the Speaker of the House of  
41 Representatives, and the Committee on Employee Hospital and Medical Benefits on its  
42 progress in negotiating the preferred provider contracts. The Executive Administrator  
43 and Board of Trustees shall implement a refined diagnostic-related grouping or

- 1 diagnostic-related grouping-based reimbursement system for hospitals as soon as  
2 practicable, but no later than January 1, 1995."  
3           **SECTION 2.** This act becomes effective July 1, 2005.