

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1993

S

1

SENATE BILL 742

Short Title: State Health Plan.

(Public)

---

Sponsors: Senators Sherron; and Carpenter.

---

Referred to: State Personnel and State Government.

---

April 8, 1993

- 1 A BILL TO BE ENTITLED  
2 AN ACT TO MODIFY THE ADMINISTRATIVE STRUCTURE OF THE  
3 TEACHERS' AND STATE EMPLOYEES' COMPREHENSIVE MAJOR  
4 MEDICAL PLAN.  
5 The General Assembly of North Carolina enacts:  
6 Section 1. G.S. 135-38 reads as rewritten:  
7 **"§ 135-38. Committee on Employee Hospital and Medical Benefits.**  
8 (a) The Committee on Employee Hospital and Medical Benefits shall consist of  
9 12 members as follows:  
10 (1) ~~The President Pro Tempore of the Senate;~~  
11 (2) ~~The Majority Leader of the Senate;~~  
12 (3) ~~The Chairman of the Senate Committee on Appropriations;~~  
13 (4) ~~Repealed by Session Laws 1987, c. 61, s. 1.~~  
14 (5) ~~A Cochairman of the Senate Committee on Finance designated by the~~  
15 ~~President of the Senate;~~  
16 (6) ~~Two other members of the Senate appointed by the President of the~~  
17 ~~Senate; and~~  
18 (7) ~~(10) Repealed by Session Laws 1989 (Reg. Sess., 1990), c. 1038, s.~~  
19 ~~19.1.~~  
20 (11) ~~Six members of the House appointed by the Speaker.~~  
21 (1) Six members of the House of Representatives appointed by the  
22 Speaker of the House of Representatives; and  
23 (2) Six members of the Senate appointed by the President Pro Tempore of  
24 the Senate.

1 (b) ~~The members of the Committee who are members because of the offices they~~  
2 ~~hold shall remain on the Committee for the duration of their terms in those offices.—The~~  
3 ~~President Pro Tempore of the Senate and Speaker of the House of Representatives shall~~  
4 ~~appoint the other members of the Committee for two-year terms beginning on July 1 of~~  
5 ~~odd-numbered years.~~

6 (c) ~~The Committee shall~~ shall:

7 (1) ~~review—Review existing and proposed programs of hospital, medical~~  
8 ~~and related care provided by Part 3 of this Article—Article. as~~  
9 ~~recommended by the Executive Administrator and Board of Trustees of the~~  
10 ~~Plan.—The Executive Administrator and the Board of Trustees shall~~  
11 ~~provide the Committee with any information or assistance requested~~  
12 ~~by the Committee in performing its duties under this Article—Article;~~

13 (2) Meet at least quarterly; and

14 (3) Scrutinize systematically the actions of the Executive Administrator,  
15 the Board of Trustees, the Claims Processor, and the State Health Plan.

16 (d) ~~The time members spend on Committee business shall be considered official~~  
17 ~~legislative business for purposes of G.S. 120-3."~~

18 Sec. 2. G.S. 135-39 reads as rewritten:

19 "**§ 135-39. Board of Trustees established.**

20 (a) ~~There is hereby established the Board of Trustees of the Teachers' and State~~  
21 ~~Employees' Comprehensive Major Medical Plan.~~

22 (a1) ~~The Board of Trustees of the Teachers' and State Employees' Comprehensive~~  
23 ~~Major Medical Plan shall consist of nine members. Members who are not teachers,~~  
24 ~~employees or retired employees, enrolled in the Plan shall possess professional~~  
25 ~~experience in health affairs, health economics, health insurance, health claims~~  
26 ~~administration, health claims processing, related employee fringe benefit administration,~~  
27 ~~or other related business or financial affairs.~~

28 (b) ~~Three members shall be appointed by the Governor. Of the initial members,~~  
29 ~~one shall serve a term to expire June 30, 1983, and two shall serve terms to expire June~~  
30 ~~30, 1984. Subsequent terms shall be for two years. Vacancies shall be filled by the~~  
31 ~~Governor.~~

32 ~~The member appointed by the Governor to serve a term beginning July 1, 1985, shall~~  
33 ~~be an employee enrolled in the Plan. Any successor to such member shall also be an~~  
34 ~~employee enrolled in the Plan.~~

35 (c) ~~Three members shall be appointed by the General Assembly upon the~~  
36 ~~recommendation of the Speaker of the House of Representatives in accordance with~~  
37 ~~G.S. 120-121. Of the initial members, two shall serve terms expiring June 30, 1983, and~~  
38 ~~one shall serve a term expiring June 30, 1984. Vacancies shall be filled in accordance~~  
39 ~~with G.S. 120-122.~~

40 ~~One of the members appointed by the General Assembly upon the recommendation~~  
41 ~~of the Speaker of the House of Representatives may be a retired employee enrolled in~~  
42 ~~the Plan.~~

43 (d) ~~Three members shall be appointed by the General Assembly upon the~~  
44 ~~recommendation of the President of the Senate in accordance with G.S. 120-121. Of the~~

1 initial members, two shall serve terms expiring June 30, 1983, and one shall serve a  
2 term expiring June 30, 1984. Vacancies shall be filled in accordance with G.S. 120-122.

3 One of the members appointed by the General Assembly upon the recommendation  
4 of the President of the Senate for a term beginning July 1, 1985, shall be an employee  
5 enrolled in the Plan. Any successor to such member shall also be an employee enrolled  
6 in the Plan.

7 (d1) Repealed by Session Laws 1985, c. 732, s. 60.

8 (b1) One member shall be appointed by the Governor, and shall serve a term to  
9 expire June 30, 1994. Subsequent terms shall be for two years. Vacancies shall be  
10 filled by the Governor.

11 (c1) Four members shall be appointed by the General Assembly upon the  
12 recommendation of the Speaker of the House of Representatives in accordance with  
13 G.S. 120-121. Terms shall be for two years. Vacancies shall be filled in accordance  
14 with G.S. 120-122. One member shall be an employee enrolled in the Plan, and one  
15 member shall be a retired employee enrolled in the Plan.

16 (d2) Four members shall be appointed by the General Assembly upon the  
17 recommendation of the President Pro Tempore of the Senate in accordance with G.S.  
18 120-121. Terms shall be for two years. Vacancies shall be filled in accordance with  
19 G.S. 120-122. One member shall be an employee enrolled in the Plan, and one member  
20 shall be a teacher, as described in Article 20 of G.S. 115C, enrolled in the Plan.

21 (e) The Governor shall have the power to remove ~~any~~ the member appointed by  
22 him under subsection ~~(b)~~ (b1). The General Assembly may remove any member  
23 appointed under subsections ~~(c)~~ (c1) or ~~(d)~~ (d1).

24 (f) The members of the Board of Trustees shall receive one hundred dollars  
25 (\$100.00) per day, except employees eligible to enroll in the Plan, whenever the full  
26 Board of Trustees holds a public session, and travel allowances under G.S. 138-6 when  
27 traveling to and from meetings of the Board of Trustees or hearings under G.S. 135-  
28 39.7, but shall not receive any subsistence allowance or per diem under G.S. 138-5,  
29 except when holding a meeting or hearing where this section does not provide for  
30 payment of one hundred dollars (\$100.00) per day.

31 (g) No State employee, member of the General Assembly, State officer, or  
32 anyone who is receiving benefits under the Plan or who is eligible to receive benefits  
33 under the Plan or who provides services, equipment or supplies under the Plan shall be  
34 eligible for membership on the Board of Trustees, except for the designated ~~employees~~  
35 employees, teacher, and retired employee appointed under subsections ~~(b)~~ (b1) through  
36 ~~(d)~~ (d1) of this section, provided that such designated persons may not serve on the  
37 executive committee.

38 (h) No member of the Board of Trustees may serve more than three consecutive  
39 two-year terms.

40 ~~(i) Meetings of the Board of Trustees may be called by the Executive~~  
41 ~~Administrator, the Chairman, or by any three members."~~

42 Sec. 3. G.S. 135-39.2 reads as rewritten:

43 "**§ 135-39.2. Officers, quorum, meetings.**

1 (a) The Board of Trustees shall elect from its own membership such officers as it  
2 sees fit.

3 (b) Six members of the Board of Trustees in office shall constitute a quorum.  
4 Decisions of the Board of Trustees shall be made by a majority vote of the Trustees  
5 present, except as otherwise provided in this Part.

6 ~~(e) Meetings may be called by the Chairman, or at the written request of three~~  
7 ~~members.~~

8 (c) The Board of Trustees shall meet at least monthly. Special meetings may be  
9 called by the Executive Administrator, the Chairman, or at the written request of three  
10 members."

11 Sec. 4. Part 2 of Article 3 of Chapter 135 of the General Statutes is amended  
12 by adding a new section to read:

13 "**§ 135-39.11. Board of Trustees.**

14 The Board of Trustees shall have the following powers and duties:

15 (1) Provide general direction to the Executive Administrator;

16 (2) Preparing and submitting to the Governor and the General Assembly  
17 annual cost estimates for the health benefits plan, including those  
18 required by Article 15 of Chapter 120 of the General Statutes;

19 (3) Recommending to the Governor and the General Assembly changes or  
20 additions to the health benefits program and health care cost  
21 containment programs, together with statements of financial and  
22 actuarial effects as required by Article 15 of Chapter 120 of the  
23 General Statutes;

24 (4) In case of termination of the contract under G.S. 135-39.5A, to select a  
25 new Claims Processor, after competitive bidding procedures approved  
26 by the Department of Administration;

27 (5) Implementing pilot programs necessary to evaluate proposed cost  
28 containment measures which are not in direct conflict with Part 3 of  
29 this Article, and expending funds necessary for the implementation of  
30 such programs; and

31 (6) Authorizing coverage for alternative forms of care not otherwise  
32 provided by the Plan in individual cases when medically necessary,  
33 medically equivalent to services covered by the Plan, and when such  
34 alternatives would be less costly than would have been otherwise."

35 Sec. 5. G.S. 135-39.4A reads as rewritten:

36 "**§ 135-39.4A. Executive Administrator.**

37 (a) The Plan shall have an Executive Administrator.

38 (b) The Executive Administrator shall be appointed by the Commissioner of  
39 Insurance. The term of employment and salary of the Executive Administrator shall be  
40 set by the Commissioner of Insurance upon the advice of ~~an executive committee of the~~  
41 Committee on Employee Hospital and Medical Benefits. The Executive Administrator  
42 may be removed from office by the Commissioner of Insurance, upon the advice of ~~an~~  
43 ~~executive committee of the~~ Committee on Employee Hospital and Medical Benefits, and  
44 any vacancy in the office of Executive Administrator may be filled by the

1 Commissioner of Insurance with the term of employment and salary set upon the advice  
2 of ~~an executive committee of the~~ Committee on Employee Hospital and Medical Benefits.

3 (c) to (e) Repealed by Session Laws 1987, c. 857, s. 5, effective July 1,  
4 1987.

5 (f) The Executive Administrator may employ such clerical and professional staff,  
6 and such other assistance as may be necessary to assist the Executive Administrator and  
7 the Board of Trustees in carrying out their duties and responsibilities under this Article.  
8 The Executive Administrator may also negotiate, renegotiate and execute contracts with  
9 third parties in the performance of his duties and responsibilities under this Article;  
10 provided any contract negotiations, renegotiations and execution with a Claims  
11 Processor or with an optional prepaid hospital and medical benefit plan or with a  
12 preferred provider of institutional or professional hospital and medical care shall be  
13 done only after consultation with the Committee on Employee Hospital and Medical  
14 ~~Benefits.~~ Benefits and approval by the Board of Trustees.

15 (f1) The Executive Administrator shall assist the Board of Trustees in carrying out  
16 its powers and duties.

17 (g) The Executive Administrator shall be responsible for:

- 18 (1) Cost management programs;
- 19 (2) Education and illness prevention programs;
- 20 (3) Training programs for Health Benefit Representatives;
- 21 (4) Membership functions;
- 22 (5) Long-range planning;
- 23 (5a) Establishing and operating a hospital bill audit program and a fraud  
24 detection program;
- 25 (6) Provider and participant relations; and
- 26 (7) Communications.

27 (h) The Executive Administrator shall make reports and recommendations on the  
28 Plan to the President Pro Tempore of the Senate, the Speaker of the House of  
29 Representatives and the Committee on Employee Hospital and Medical Benefits."

30 Sec. 6. G.S. 135-39.5 reads as rewritten:

31 **"§ 135-39.5. Powers and duties of the Executive Administrator and Board of**  
32 **Trustees.**

33 The Executive Administrator and Board of Trustees of the Teachers' and State  
34 Employees' Comprehensive Major Medical Plan shall have the following powers and  
35 duties:

- 36 (1) Supervising and monitoring of the Claims Processor.
- 37 (2) Providing for enrollment of employees in the Plan.
- 38 (3) Communicating with employees enrolled under the Plan.
- 39 (4) Communicating with health care providers providing services under  
40 the Plan.
- 41 (5) Making payments at appropriate intervals to the Claims Processor for  
42 benefit costs and administrative costs.
- 43 (6) Conducting administrative reviews under G.S. 135-39.7.
- 44 (7) Annually assessing the performance of the Claims Processor.

- 1           (8) ~~Preparing and submitting to the Governor and the General Assembly~~  
2 ~~cost estimates for the health benefits plan, including those required by~~  
3 ~~Article 15 of Chapter 120 of the General Statutes.~~
- 4           (9) ~~Recommending to the Governor and the General Assembly changes or~~  
5 ~~additions to the health benefits program and health care cost~~  
6 ~~containment programs, together with statements of financial and~~  
7 ~~actuarial effects as required by Article 15 of Chapter 120 of the~~  
8 ~~General Statutes.~~
- 9           (10) Working with State employee groups to improve health benefit  
10 programs.
- 11           (11) Repealed by Session Laws 1985, c. 732, s. 9.
- 12           (12) Determining basis of payments to health care providers, including  
13 payments in accordance with G.S. 58-260.6.
- 14           (13) Requiring bonding of the Claims Processor in the handling of State  
15 funds.
- 16           (14) Repealed by Session Laws 1985, c. 732, s. 7.
- 17           (15) ~~In case of termination of the contract under G.S. 135-39.5A, to select a~~  
18 ~~new Claims Processor, after competitive bidding procedures approved~~  
19 ~~by the Department of Administration.~~
- 20           (16) Notwithstanding the provisions of Part 3 of this Article, to formulate  
21 and implement cost-containment measures which are not in direct  
22 conflict with that Part.
- 23           (17) ~~Implementing pilot programs necessary to evaluate proposed cost~~  
24 ~~containment measures which are not in direct conflict with Part 3 of~~  
25 ~~this Article, and expending funds necessary for the implementation of~~  
26 ~~such programs.~~
- 27           (18) ~~Authorizing coverage for alternative forms of care not otherwise~~  
28 ~~provided by the Plan in individual cases when medically necessary,~~  
29 ~~medically equivalent to services covered by the Plan, and when such~~  
30 ~~alternatives would be less costly than would have been otherwise.~~
- 31           (19) ~~Establishing and operating a hospital and other providerbill audit~~  
32 ~~program and a fraud detection program.~~
- 33           (20) Determining administrative and medical policies that are not in direct  
34 conflict with Part 3 of this Article upon the advice of the Claims  
35 Processor and upon the advice of the Plan's consulting actuary when  
36 Plan costs are involved.
- 37           (21) Supervising the payment of claims and all other disbursements under  
38 this Article, including the recovery of any disbursements that are not  
39 made in accordance with the provisions of this Article."

40           Sec. 7. G.S. 135-39.5A reads as rewritten:

41 **"§ 135-39.5A. Termination.**

42           The ~~Executive Administrator and~~ Board of Trustees may terminate the contract with  
43 the Claims Processor as provided in the request for proposal."

44           Sec. 8. G.S. 135-39.5B reads as rewritten:

1 **"§ 135-39.5B. Prepaid plans.**

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

20 Sec. 9. G.S. 135-39.6A reads as rewritten:

21 **"§ 135-39.6A. Premiums set.**

22 The ~~Executive Administrator and~~ Board of Trustees shall, from time to time, and after  
23 consulting with the Committee on Employee Hospital and Medical Benefits, establish  
24 premium rates for the Comprehensive Major Medical Plan except as they may be  
25 established by the General Assembly in the Current Operations Appropriations Act, and  
26 establish regulations for payment of the premiums. Premium rates shall be established  
27 for coverages where Medicare is the primary payer of health benefits separate and apart  
28 from the rates established for coverages where Medicare is not the primary payer of  
29 health benefits."

30 Sec. 10. G.S. 135-39.7 reads as rewritten:

31 **"§ 135-39.7. Administrative review.**

32 If, after exhaustion of internal appeal handling as outlined in the contract with the  
33 Claims Processor any person is aggrieved, the Claims Processor shall bring the matter to  
34 the attention of the Executive Administrator and Board of Trustees, which may make a  
35 binding decision on the matter in accordance with procedures established by the  
36 ~~Executive Administrator and~~ Board of Trustees. The decision is appealable under the  
37 contested case provisions of Chapter 150B of the General Statutes. The Executive  
38 Administrator and Board of Trustees shall provide a written summary of the decisions  
39 made pursuant to this section to all employing units, all health benefit representatives,  
40 the oversight team provided for in G.S. 135-39.3, all relevant health care providers  
41 affected by a decision, and to any other parties requesting a written summary and  
42 approved by the Executive Administrator and Board of Trustees to receive a summary  
43 immediately following the issuance of a decision."

44 Sec. 11. G.S. 135-39.8 reads as rewritten:

1 **"§ 135-39.8. Rules and regulations.**

2 The Executive Administrator and Board of Trustees may issue rules and regulations  
3 to implement Parts 2 and 3 of this Article. Rules and regulations of the Board of  
4 Trustees shall remain in effect until amended or repealed by the Executive  
5 Administrator and Board of Trustees. The Executive Administrator and Board of  
6 Trustees shall provide a written description of the rules and regulations issued under this  
7 section to all employing units, all health benefit representatives, the oversight team  
8 provided for in G.S. 135-39.3, all relevant health care providers affected by a rule or  
9 regulation, and to any other parties requesting a written description and approved by the  
10 Executive Administrator and Board of Trustees to receive a description on a timely  
11 basis. The Plan is exempt from the rule-making requirements of Chapter 150B of the  
12 General Statutes."

13 Sec. 12. G.S. 135-39.9 is repealed.

14 Sec. 13. G.S. 135-39.10 reads as rewritten:

15 **"§ 135-39.10. Meaning of 'Executive Administrator and Board of Trustees'.**

16 Whenever in this Article the words 'Executive Administrator and Board of Trustees'  
17 appear, they mean that the ~~Executive Administrator Board of Trustees of the Teachers'~~  
18 ~~and State Employees' Comprehensive Major Medical Plan~~ shall have the power, duty,  
19 right, responsibility, privilege or other function mentioned, after consulting with the  
20 ~~Board of Trustees of the Teachers' and State Employees' Comprehensive Major Medical Plan~~  
21 Executive Director."

22 Sec. 14. This act shall not be construed to obligate the General Assembly to  
23 make any appropriation to implement the provisions of this act.

24 Sec. 15. This act becomes effective October 1, 1993.