

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009**

**SESSION LAW 2009-568
HOUSE BILL 212**

AN ACT TO AUTHORIZE THE ESTABLISHMENT OF ONE HEALTH INSURANCE PILOT DEMONSTRATION PROJECT TO PROVIDE A MODEL FOR AFFORDABLE EMPLOYER-BASED HEALTH INSURANCE; TO RECOGNIZE CREDENTIALLED HEALTH CARE PROVIDERS OF THE STATE HEALTH PLAN AND OTHER EXISTING MANAGED CARE PLANS FOR RAPID DEMONSTRATION PROJECT PROVIDER NETWORK DEVELOPMENT; AND TO ASSURE NETWORK PROVIDERS' CONTINUED PARTICIPATION IN THE STATE HEALTH PLAN AND OTHER MANAGED CARE PLANS, WHILE PARTICIPATING IN THE DEMONSTRATION PROJECT NETWORK.

The General Assembly of North Carolina enacts:

SECTION 1. Notwithstanding any other provision of law to the contrary, a single health insurance demonstration project (Demonstration Project) for both large and small employers may be established in the State. The Demonstration Project, the goal of which is to reduce the number of uninsured North Carolinians and to reduce the cost of health insurance for all purchasers of health insurance in the Demonstration Project area, shall begin offering coverage not later than December 1, 2010, and may continue through December 31, 2014. Entities that are eligible under subdivisions (b)(1) or (b)(1a) of G.S. 58-51-80, subsection (e) of G.S. 58-65-60, or subsection (a) of G.S. 58-67-85, to issue a policy of group health insurance are eligible to be the Demonstration Project Sponsor. The Demonstration Project authorized under this act shall comply with the following:

- (1) The products for any pooling of groups are fully insured by an insurer authorized to issue health insurance coverage in North Carolina.
- (2) The insurance is issued through a group master contract with a bona fide association as defined in G.S. 58-68-25 or a trust or other legal entity that, pursuant to G.S. 58-51-80, 58-65-60, or 58-67-85, is capable of entering into a group master contract.
- (3) The pooling arrangement requires that all large and small employers desiring to join and meeting the eligibility requirements for the group be accepted and that all eligible employees of each employer who elect coverage through the participating employers be included in the pool.
- (4) Each employer participating in the pooling arrangement and its employees are offered the same benefit plans.
- (5) Notwithstanding subsection (2) of Section 3 of this act, any plan offered to eligible employers shall provide for coverage that equals or exceeds the coverage in the standard health care plan, as defined in G.S. 58-50-110(24).

SECTION 2. Any employer that participates in the Demonstration Project and is either (i) a health care provider or pharmacy regulated under Chapter 90 of the General Statutes or (ii) a health service facility regulated under Chapter 131E of the General Statutes shall comply with the following:



- (1) If the employer by contract, either directly with an insurer licensed under Chapter 58 of the General Statutes, with the State Health Plan for Teachers and State Employees (State Health Plan) or its Third Party Administrator (TPA), or through an independent provider network contracted with those entities, has been credentialed by and provides health care services to members of managed health care plans of those entities, the employer may, subject to the Demonstration Project insurer's health care provider contractual provisions and fee schedules, participate in any provider network without being recredentialed by the Demonstration Project's insurer.
- (2) If the employer by contract, either directly with an insurer licensed under Chapter 58 of the General Statutes, with the State Health or its TPA, or through an independent provider network, is contracted with any of those entities for provision of health care services to their members, and any such contract with any of those entities terminates subsequent to the employer becoming a Demonstration Project participating employer, the participating employer shall for the duration of the Demonstration Project continue to honor the contracted rates for any covered services provided to those health plan members affected by the termination.

SECTION 3. The Demonstration Project authorized under Section 1 of this act may contain the following components:

- (1) Use of matching funds from State, federal, and private sources to subsidize private health insurance premiums paid by eligible small employers and low-wage employees participating in the Demonstration Project.
- (2) Offering of a health benefits package with defined tiers of benefits and premium payment mechanisms as optional alternatives to the standard large group health benefits package to be applied to eligible small employers in achieving affordable health insurance premiums for employees and employers.

SECTION 4. The premium rates charged to individuals covered under employers participating in the group master contract shall be based on a community rate that reflects the experience of all the employers participating in the pool and are not subject to G.S. 58-50-130(b). The community rate may be adjusted in order to determine premiums for each employee based only on the following factors: the benefit plan option selected by the participating employer or individual employee, family composition, age, and gender.

SECTION 5. The large risk pool authorized in this act shall not be established, and a group master insurance contract shall not be executed with an insurer unless and until reviewed and approved by the Department of Insurance. Department approval shall be given if the Department determines that the pool satisfies the requirement of Section 1 of this act and that the group master contract, certificates of coverage, and premium rates of the insurer desiring to issue the coverage satisfy all applicable requirements of Chapter 58 of the General Statutes. The Department may not approve the establishment of the large risk pool authorized in this act if Department review indicates that the pool would fail to comply with any of the applicable requirements of Chapter 58 of the General Statutes.

SECTION 6.(a) The Demonstration Project Sponsor shall prepare an evaluation of the Demonstration Project. A report on this evaluation shall be submitted to the Department of Insurance and to the Joint Legislative Health Care Oversight Committee not later than February 1, 2014. The report shall include a recommendation as to whether the Demonstration Project authority should be extended, made permanent, or expire on its scheduled expiration date. The Department of Insurance shall evaluate the Demonstration Project authority, taking into account the impact that the Demonstration Project has on the overall insurance market. A report on the Department's evaluation shall be submitted to the Joint Legislative Health Care

Oversight Committee not later than May 1, 2014. The report shall include a recommendation as to whether the Demonstration Project authority should be extended, made permanent, or expire on its scheduled expiration date.

The Department of Insurance and the Demonstration Project Sponsor may submit interim reports to the Joint Legislative Health Care Oversight Committee. If the Commissioner of Insurance determines that the Demonstration Project or the Demonstration Project authority is not in the public's interest or is detrimental to the small group or large group health insurance markets, the Commissioner may recommend early termination of the Demonstration Project or the Demonstration Project authority to the Joint Legislative Health Care Oversight Committee.

SECTION 6.(b) The evaluation performed by the Department of Insurance shall analyze the impact that the Demonstration Project has on the small and large group insurance markets, both statewide and in the demonstration areas. The analysis shall include, but not be limited to, consideration of the impact that the Demonstration Project has had on the following:

- (1) Incurred loss ratios.
- (2) Administrative costs.
- (3) Annual premiums.
- (4) Total number of covered groups and covered lives.
- (5) Age and gender composition of covered lives.

SECTION 6.(c) The Department of Insurance may adopt rules concerning the collection of pertinent data from all insurers covering small and large employer groups in the State, whether through the Demonstration Project or through the traditional small and large group markets, to conduct the evaluation authorized by this act. Data collected pursuant to this section shall be the minimum that the Department deems necessary to perform its evaluation, and data collection shall not occur more frequently than on an annual basis during the life of the Demonstration Project authority.

SECTION 6.(d) The evaluation performed by the Demonstration Project Sponsor shall address the following:

- (1) The impact on the number of uninsured persons in the Demonstration Project area and the cost and source of their care.
- (2) The impact of any unique, local structures for disease management and health promotion on the health and costs for enrollees through small employers.
- (3) Approaches to achieve prudent and appropriate use of high technology health care resources to the population enrolled in the Demonstration Project among large and small employers.
- (4) Integration of primary care for the increased insured population with the ongoing programs of care for the remaining uninsured to enhance access to care and improve quality and continuity of care.
- (5) The impact on the cost of care to uninsured and insured populations in the Demonstration Project communities.

SECTION 7. This act is effective when it becomes law and expires December 31, 2014.

In the General Assembly read three times and ratified this the 6th day of August, 2009.

s/ Marc Basnight
President Pro Tempore of the Senate

s/ Joe Hackney

Speaker of the House of Representatives

s/ Beverly E. Perdue
Governor

Approved 2:08 p.m. this 28th day of August, 2009