GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2005

HOUSE BILL 1059
RATIFIED BILL

AN ACT TO MAKE CHANGES TO THE TEACHERS' AND STATE EMPLOYEES' COMPREHENSIVE MAJOR MEDICAL PLAN; TO CLARIFY ENROLLMENT IN THE PPO OPTIONAL PROGRAM ESTABLISHED PURSUANT TO PART 2 OF ARTICLE 3 OF CHAPTER 135 OF THE GENERAL STATUTES; AND TO AUTHORIZE THE EXECUTIVE ADMINISTRATOR AND BOARD OF TRUSTEES OF THE TEACHERS' AND STATE EMPLOYEES' COMPREHENSIVE MAJOR MEDICAL PLAN TO PERMIT A CERTAIN NUMBER OF LOCAL GOVERNMENTS OPTIONAL COVERAGE UNDER THE PLAN.

The General Assembly of North Carolina enacts:

SECTION 1.(a) Cost-Saving Initiatives. – Coverage of Over-the-Counter Medications. – Notwithstanding any other provision of law to the contrary, the Executive Administrator and Board of Trustees may authorize coverage for over-the-counter medications as recommended by the Plan's pharmacy and therapeutics committee. In approving for coverage one or more over-the-counter medications, the Executive Administrator and Board of Trustees shall ensure that each recommended over-the-counter medication has been analyzed to ensure medical effectiveness and Plan member safety. The analysis shall also address the financial impact on the Plan. The Executive Administrator and Board of Trustees may impose a co-payment to be paid by each covered individual for each packaged over-the-counter medication. The Executive Administrator and Board of Trustees may adopt policies establishing limits on the amount of coverage available for over-the-counter medications for each covered individual over a 12-month period. Prior to implementing policy and co-payment changes authorized under this section, the Executive Administrator and Board of Trustees shall submit the proposed policies and co-payments to the Committee on Employee Hospital and Medical Benefits for its review.

SECTION 1.(b) Incentive Programs. – For the purposes of helping Plan members to achieve and maintain a healthy lifestyle without impairing patient care, and to increase cost effectiveness in Plan coverage, the Executive Administrator and Board of Trustees may adopt programs offering incentives to Plan members to encourage changes in member behavior or lifestyle designed to improve member health and promote cost-efficiency in the Plan. Participation in one or more incentive programs is voluntary on the part of the Plan member. Before adopting an incentive program, the Executive Administrator and Board of Trustees shall conduct an impact analysis on the proposed incentive program to determine (i) whether the program is likely to result in significant member satisfaction, (ii) that it will not adversely affect quality of care, and (iii) whether it is likely to result in significant cost savings to the Plan. The impact analysis may be conducted by a committee of the Plan, in conjunction with the Plan's consulting actuary, provided that the Plan's medical director participates in the analysis. An approved incentive plan may provide for a waiver of deductibles, co-payments, and coinsurance required under this Article in order to determine the effectiveness of the incentive program in promoting healthy lifestyles for members and increasing cost-effectiveness to the Plan. The Executive Administrator and Board of Trustees shall, before implementing incentive programs authorized under this section, submit the

proposed programs to the Committee on Employee Hospital and Medical Benefits for review.

SECTION 2.(a) Technical Changes. – G.S. 135-40.5(g) reads as rewritten:

"(g) Prescription Drugs. – The Plan's allowable charges for prescription legend drugs to be used outside of a hospital or skilled nursing facility are to be determined by the Plan's Executive Administrator and Board of Trustees. The Plan will pay allowable charges for each outpatient prescription drug less a copayment to be paid by each covered individual equal to the following amounts: pharmacy charges up to ten dollars ($10.00) for each generic prescription, twenty five dollars ($25.00) for each preferred branded prescription, and forty dollars ($40.00) for each preferred branded prescription with a generic equivalent drug, and fifty dollars ($50.00) for ~~each~~ each nonpreferred branded or generic ~~prescription not on a formulary used by the Plan.~~prescription.

Allowable charges shall not be greater than a pharmacy's usual and customary charge to the general public for a particular prescription. Prescriptions shall be for no more than a 34-day supply for the purposes of the copayments paid by each covered individual. By accepting the copayments and any remaining allowable charges provided by this subsection, pharmacies shall not balance bill an individual covered by the Plan. A prescription legend drug is defined as an article the label of which, under the Federal Food, Drug, and Cosmetic Act, is required to bear the legend: "Caution: Federal Law Prohibits Dispensing Without Prescription." Such articles may not be sold to or purchased by the public without a prescription order. Benefits are provided for insulin even though a prescription is not required. The Plan may use a pharmacy benefit manager to help manage the Plan's outpatient prescription drug coverage. In managing the Plan's outpatient prescription drug benefits, the Plan and its pharmacy benefit manager shall not provide coverage for erectile dysfunction, growth hormone, antiwrinkle, weight loss, and hair growth drugs unless such coverage is medically necessary to the health of the member. The Plan and its pharmacy benefit manager shall not provide coverage for growth hormone and weight loss drugs and antifungal drugs for the treatment of nail fungus and botulinium toxin without approval in advance by the pharmacy benefit manager. Any formulary used by the Plan's Executive Administrator and pharmacy benefit manager shall be an open formulary. Plan members shall not be assessed more than two thousand five hundred dollars ($2,500) per person per fiscal year in copayments required by this subsection."

SECTION 2.(b) Prior Approval. – G.S. 135-40.6A(b) is amended by adding the following new subdivision to read:

…

"(b) The Executive Administrator and Board of Trustees may establish procedures to require prior medical approvals for the following services:

…

(12) Bone Anchored Hearing Aids (BAHA) surgically implanted for the treatment of hearing loss."

SECTION 3. Personnel. – For the purpose of improving efficiency and cost-effectiveness of Plan operations, the Executive Administrator and Board of Trustees of the North Carolina State Health Plan may create eight new full-time positions, five of which shall be subject to the State Personnel Act under G.S. 126-5, and three of which shall be exempt from the State Personnel Act under G.S. 126-5(c). The Executive Administrator and Board of Trustees may use up to five hundred sixty-three thousand one hundred six dollars ($563,106) of available funds to support these positions.

SECTION 4.(a) Pharmacy Benefit Authorization and Enrollment Clarification. – G.S. 135-39.5B(b) reads as rewritten:

"(b) The Executive Administrator and Board of Trustees may, after consulting with the Committee on Employee Hospital and Medical Benefits, adopt an arrangement for an optional hospital and medical benefits program other than the one specified in subsection (a) of this section. The optional program may include one that is purchased

or underwritten by the State and may be a PPO or other type optional program. Optional programs under this section are not subject to benefits and cost-sharing requirements under G.S. 135-40.5 through ~~G.S. 135-40.9.~~G.S. 135-40.9, except that if a pharmacy benefit is not provided under the optional program, the pharmacy benefit under G.S. 135-40.59(g) shall apply. The Executive Administrator and Board of Trustees may set premium rates for coverage under an optional program on a partially contributory basis, provided that the amounts of State funds contributed for coverage on a partially contributory basis shall not be more than the Plan's total noncontributory premium for Employee Only coverage, with the person selecting the optional program coverage paying the balance of the partially contributory premium not paid by the Plan. The amount of State funds contributed for purchased optional programs shall not exceed the amount of a purchased optional program's cost for Employee Only coverage. Contracts for an optional program under this subsection are not subject to Article 3 of Chapter 143 of the General Statutes. In no instance shall benefits be paid under Part 3 of this Article for persons enrolled in an optional prepaid hospital and medical benefits program authorized under this subsection 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."

SECTION 4.(b) G.S. 135-39.5(12) reads as rewritten:

"(12) Determining basis of payments to health care providers, including payments in accordance with G.S. 58-50-56. The Comprehensive Major Medical Plan and optional plans and programs adopted pursuant to G.S. 135-39.5B shall comply with G.S. 58-3-225."

SECTION 5. The Executive Administrator and Board of Trustees of the Teachers' and State Employees' Comprehensive Major Medical Plan ("Plan") may admit up to four additional local government employers to participate in the Plan upon application in accordance with G.S. 135-40.1(6), as enacted in Section 31.26 of S.L. 2004-424. The Executive Administrator and Board of Trustees shall have discretion in selecting the additional local government employers based on sound criteria developed by the Executive Administrator to evaluate the financial impact on the operations of the Plan. The Executive Administrator shall report the proposed selections and the criteria used in making the selections to the Committee on Employee Hospital and Medical Benefits prior to submitting the selections to the Board of Trustees for its approval. The local government employers selected by the Executive Administrator and the Board of Trustees in accordance with this section shall be in addition to local government employers participating in the Plan on July 1, 2006. In admitting local government employers into the Plan, the Executive Administrator shall ensure compliance with the requirements of the Employee Retirement Income Security Act of 1974 (ERISA), as amended, 29 U.S.C.S. §1003(b).

SECTION 6. Effective Date. – Sections 1 through 5 of this act become effective July 1, 2006. Section 1 of this act expires July 1, 2009. The remainder of this act is effective when it becomes law.

In the General Assembly read three times and ratified this the 27th day of July, 2006.

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Beverly E. Perdue
President of the Senate

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James B. Black
Speaker of the House of Representatives

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Michael F. Easley
Governor

Approved _____.m. this _____ day of _____, 2006