

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2005

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SENATE BILL 741\*

Short Title: UNC Health Plan Pilot.

(Public)

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Sponsors: Senator Rand.

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Referred to: Select Committee on Employee Hospital and Medical Benefits.

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April 11, 2005

A BILL TO BE ENTITLED

1 AN ACT TO ALLOW THE UNIVERSITY OF NORTH CAROLINA TO PROCEED  
2 WITH A HEALTH CARE INITIATIVE FOR ITS EMPLOYEES AND TO  
3 ESTABLISH A PILOT PROJECT OF THE STATE HEALTH PLAN TO  
4 IMPROVE EMPLOYEE CHOICE, INCREASE AFFORDABILITY OF  
5 DEPENDENT COVERAGE, AND INCREASE EMPHASIS ON WELLNESS  
6 AND DISEASE MANAGEMENT.  
7

8 The General Assembly of North Carolina enacts:

9 **SECTION 1.** G.S. 135-40 is amended by adding a new subsection to read:

10 "(e) The Board of Governors of The University of North Carolina may establish  
11 an alternative comprehensive major medical plan to serve its active employees and their  
12 dependents on a pilot basis starting July 1, 2006, or as soon thereafter as it is practical to  
13 do so, and continuing until July 1, 2012. This pilot plan shall be operated in accordance  
14 with G.S. 135-40.14. The provisions of G.S. 135-40.1 through G.S. 135-40.13 do not  
15 apply to the pilot plan established under this subsection. If the pilot plan is not extended  
16 beyond July 1, 2012, the eligible employees of The University of North Carolina, and  
17 their eligible dependents who were enrolled in the pilot plan, shall be eligible to enroll  
18 in the Plan established pursuant to this section without a waiting period and without  
19 disallowance based on any preexisting condition."

20 **SECTION 2.** Article 3 of Chapter 135 of the General Statutes is amended by  
21 adding a new section to read:

22 **"§ 135-40.14A. University of North Carolina Health Care Initiative.**

23 (a) The Board of Governors of The University of North Carolina may establish  
24 an alternative comprehensive major medical plan to serve its active employees and their  
25 dependents on a pilot basis starting July 1, 2006, or as soon thereafter as it is practical to  
26 do so, and continuing until July 1, 2012. This alternative comprehensive major medical  
27 plan shall be known as the University Employee Health Care Initiative, and may be  
28 referred to in this section as "the Initiative."

1       (b) The Board of Governors shall establish a Board of Trustees for the University  
2 Employee Health Care Initiative and shall delegate to the Board of Trustees such  
3 powers and duties as it deems to be necessary or appropriate for the Board of Trustees  
4 to be able to administer the Initiative. The Board of Trustees shall include at least  
5 persons knowledgeable about health care delivery, health insurance administration, and  
6 wellness promotion and condition management; representatives of the faculty, the  
7 employees of The University subject to the State Personnel Act, and the nonfaculty  
8 employees not subject to the State Personnel Act; a representative of the Office of State  
9 Personnel designated by the Governor; and the Executive Administrator of the State  
10 Comprehensive Major Medical Plan or the Executive Administrator's designee.  
11 Employees of The University are eligible to serve on the Board of Trustees.

12       (c) The Board of Governors, on the recommendation of the Board of Trustees of  
13 the Initiative, shall establish premium charges, compensable and noncompensable  
14 services, deductible rates and the services to which deductibles apply, coinsurance rates  
15 and limits and the services to which coinsurance requirements apply, and definitions of  
16 and requirements for eligible employees and dependents. The Board of Governors shall  
17 operate the Initiative at all times in accordance with a plan that has been determined by  
18 a health care actuary to be fiscally sound.

19       (d) The Initiative may include more than one health care plan from which an  
20 employee may choose coverage. The Initiative must include at least one core plan that is  
21 fully paid by The University for eligible employees and for which dependent coverage  
22 is no more expensive than is dependent coverage under the State Plan. The Board of  
23 Governors, on recommendation of the Board of Trustees, shall establish premium rates  
24 for coverage of employees' dependents who opt to enroll in the plan and may establish  
25 premium rates for alternative plans in which employees may opt to enroll. These  
26 premiums may be on a sliding scale such that employees who earn higher salaries are  
27 charged higher premiums than employees who earn lower salaries.

28       (e) Payroll deduction shall be available of amounts not paid by The University  
29 for employee or dependent coverage under any health plan offered by the Initiative.  
30 Notwithstanding any other provisions of the Initiative, the Board of Governors and  
31 Board of Trustees are specifically authorized to use all appropriate means to secure tax  
32 qualification of the Initiative under any applicable provisions of the Internal Revenue  
33 Code of 1954 as amended. The Board of Governors and Board of Trustees shall  
34 furthermore comply with all applicable provisions of the Internal Revenue Code as  
35 amended, to the extent that this compliance is not prohibited by applicable portions of  
36 this Article.

37       (f) The University shall establish an institutional trust fund pursuant to  
38 G.S. 116-36.1 for premiums paid to the Initiative. The University shall pay into the trust  
39 fund premiums for its employees at the same rate that State agencies pay the Plan for  
40 coverage of full-time active State employees. The University may collect premiums that  
41 employees pay for coverage of their dependents and premiums that employees pay for  
42 optional coverage through payroll deductions. These payroll deductions shall also be  
43 placed into the institutional trust fund for the Initiative. The funds in the Initiative's  
44 institutional trust fund may be expended for administrative costs of the Initiative, to pay

1 claims incurred on behalf of the Initiative's enrollees, to establish reserves for payment  
2 of claims, and to establish wellness and disease or condition management programs.

3 (g) The University may enter into contracts for the administration of the Initiative  
4 and may enter into preferred provider or other provider contracts for the provision of  
5 health care or wellness services to the Initiative's enrollees. The terms pertaining to  
6 reimbursement rates or other terms of consideration of any contract between hospitals,  
7 hospital authorities, doctors or other medical providers, or a pharmacy benefit manager  
8 and The University shall not be a public record under Chapter 132 of the General  
9 Statutes for a period of 30 months after the date of the expiration of the contract.  
10 Provided, however, nothing in this subsection shall be deemed to prevent or restrict the  
11 release of any information made not a public record under this subsection to the State  
12 Auditor, the Attorney General, the Director of the State Budget, the Board of  
13 Governors, the Board of Trustees of the Initiative, and the administrators of the  
14 Initiative solely and exclusively for their use in the furtherance of their duties and  
15 responsibilities. The design, adoption, and implementation of the preferred provider  
16 contracts and networks are not subject to the requirements of Chapter 143 of the  
17 General Statutes, provided that for any hospital preferred provider network all hospitals  
18 will have an opportunity to contract with The University if they meet the contract  
19 requirements.

20 (h) The Initiative may include wellness and disease or condition management  
21 programs. The Initiative may receive grants or gifts to fund these programs and The  
22 University may expend any available unrestricted funds for the start-up costs of these  
23 programs. The Initiative may offer incentives for University employees and other  
24 Initiative enrollees for participating in these programs.

25 (i) The Board of Governors shall evaluate the Initiative on an annual basis  
26 including its cost, health care utilization, dependent participation rates, effectiveness of  
27 any wellness or disease or condition management program it establishes, and any other  
28 indicia of the effectiveness of the Initiative that it deems appropriate. The Board of  
29 Governors shall report to the General Assembly on the implementation of this section  
30 by March 1, 2006, and annually thereafter. On or before March 1, 2008, the Board of  
31 Governors shall recommend to the General Assembly whether or not the Initiative  
32 should be extended to retired employees of The University."

33 **SECTION 3.** This act is effective when it becomes law.