

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009**

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**HOUSE BILL 212
Committee Substitute Favorable 3/16/09
Senate Commerce Committee Substitute Adopted 8/4/09**

Short Title: Health Insurance Pool Pilot Program.

(Public)

Sponsors:

Referred to:

February 18, 2009

A BILL TO BE ENTITLED

1 AN ACT TO AUTHORIZE THE ESTABLISHMENT OF ONE HEALTH INSURANCE
2 PILOT DEMONSTRATION PROJECT TO PROVIDE A MODEL FOR AFFORDABLE
3 EMPLOYER-BASED HEALTH INSURANCE; TO RECOGNIZE CREDENTIALLED
4 HEALTH CARE PROVIDERS OF THE STATE HEALTH PLAN AND OTHER
5 EXISTING MANAGED CARE PLANS FOR RAPID DEMONSTRATION PROJECT
6 PROVIDER NETWORK DEVELOPMENT; AND TO ASSURE NETWORK
7 PROVIDERS' CONTINUED PARTICIPATION IN THE STATE HEALTH PLAN AND
8 OTHER MANAGED CARE PLANS, WHILE PARTICIPATING IN THE
9 DEMONSTRATION PROJECT NETWORK.
10

11 The General Assembly of North Carolina enacts:

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

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



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

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

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

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

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

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

48 **SECTION 6.(a)** The Demonstration Project Sponsor shall prepare an evaluation of
49 the Demonstration Project. A report on this evaluation shall be submitted to the Department of
50 Insurance and to the Joint Legislative Health Care Oversight Committee not later than February
51 1, 2014. The report shall include a recommendation as to whether the Demonstration Project

1 authority should be extended, made permanent, or expire on its scheduled expiration date. The
2 Department of Insurance shall evaluate the Demonstration Project authority, taking into
3 account the impact that the Demonstration Project has on the overall insurance market. A report
4 on the Department's evaluation shall be submitted to the Joint Legislative Health Care
5 Oversight Committee not later than May 1, 2014. The report shall include a recommendation as
6 to whether the Demonstration Project authority should be extended, made permanent, or expire
7 on its scheduled expiration date.

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

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

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

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

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

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

45 **SECTION 7.** This act is effective when it becomes law and expires December 31,
46 2014.