

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2019

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HOUSE BILL 655  
Committee Substitute Favorable 7/9/19  
Committee Substitute #2 Favorable 9/18/19

Short Title: NC Health Care for Working Families.

(Public)

Sponsors:

Referred to:

April 10, 2019

A BILL TO BE ENTITLED

AN ACT TO PROVIDE HEALTH COVERAGE TO RESIDENTS OF NORTH CAROLINA UNDER THE NC HEALTH CARE FOR WORKING FAMILIES PROGRAM AND TO ESTABLISH THE NORTH CAROLINA RURAL ACCESS TO HEALTHCARE GRANT PROGRAM.

Whereas, there are 1,083,000 citizens in North Carolina who have no health insurance; and

Whereas, the majority of these uninsured individuals aged 19 to 64 are employed, but they are either not employed full-time or are not making enough money to afford health insurance coverage; and

Whereas, the State is currently incurring the cost of care for these uninsured individuals as they seek uncompensated care at one of the North Carolina hospital emergency departments; and

Whereas, because these uninsured individuals cannot afford preventive care, they do not seek care until they are very ill and the cost of care is very high; and

Whereas, these uninsured individuals lose time on the job, often become chronically ill, and may suffer advanced or even terminal illness because they are unable to afford early care; and

Whereas, the State has the opportunity to develop and implement a unique, carefully controlled program to address this coverage gap; and

Whereas, the North Carolina model addressing this coverage gap will include a work requirement for participants; and

Whereas, the North Carolina model addressing this coverage gap will be paid for with a combination of participant premiums, intergovernmental transfers, current hospital assessments, gross premiums tax revenue, newly enacted hospital assessments, and federal funds; and

Whereas, the North Carolina model addressing this coverage gap will not increase the cost to consumers or tax payers as a result of the increased gross premiums tax revenue and the new hospital assessment; and

Whereas, federal law directs that the federal share for the North Carolina model addressing the coverage gap is ninety percent (90%) for calendar year 2020 and each year thereafter under 42 U.S.C. § 1396d(y)(1)(E); and

Whereas, the North Carolina model addressing this coverage gap will not add to the national debt; Now, therefore,

The General Assembly of North Carolina enacts:



**PART I. NC HEALTH CARE FOR WORKING FAMILIES.**

**SECTION 1.** NC Health Care for Working Families. – It is the intent of the General Assembly to facilitate the design of a health care program that addresses the needs of citizens of North Carolina committed to a healthy lifestyle who are ineligible for Medicaid due to their income levels, but who are otherwise unable to afford health insurance. To meet these needs, the Department of Health and Human Services (DHHS) shall design a program to be known as "NC Health Care for Working Families." DHHS is encouraged to advocate to the federal government for any changes to the current operations of the Medicaid program at the federal level as may be needed to obtain approval for the program with the maximum federal financial participation possible. In designing the NC Health Care for Working Families program, DHHS shall comply with the components of the program outlined in this act and shall have the authority to determine specific details relating to each of the program components.

**SECTION 2.** Population to be covered. – The Department of Health and Human Services shall provide NC Health Care for Working Families program coverage to residents of North Carolina who meet all of the following criteria:

- (1) The resident meets all federal Medicaid citizenship and immigration requirements.
- (2) The resident is not eligible for Medicaid under the currently established North Carolina Medicaid program eligibility criteria.
- (3) The resident's modified adjusted gross income (MAGI) does not exceed one hundred thirty-three percent (133%) of the federal poverty level.
- (4) The resident is not entitled to or enrolled in Medicare Part A or Medicare Part B benefits.
- (5) The resident is an adult who is no younger than age 19 and no older than age 64.

In defining residency for the purposes of eligibility for the NC Health Care for Working Families program, the Department of Health and Human Services shall do so in a manner consistent with the residency requirements under North Carolina's Medicaid State Plan.

**SECTION 3.** Health care coverage. – The benefit package designed by the Department of Health and Human Services (DHHS) shall be similar to the coverage provided under North Carolina's 2017 Essential Health Benefits Benchmark Plan and the Blue Cross and Blue Shield of North Carolina Blue Options Preferred Provider Organization (PPO) Plan and shall comply with applicable federal requirements governing Alternative Benefit Plans. The benefit package designed by DHHS shall also focus on preventive care and participant wellness. Prepaid Health Plans, as defined under G.S. 108D-1, shall manage the benefits for the population covered by the NC Health Care for Working Families program through capitated contracts.

**SECTION 4.** Participant contributions. – NC Health Care for Working Families program participants shall pay an annual premium, billed monthly, that is set at two percent (2%) of the participant's household income. Participant contributions shall be utilized to fund the program as required by Section 7 of this act. Failure of a program participant to make a premium contribution within 120 days of its due date shall result in the suspension of the program participant from the program unless that program participant shows that he or she is exempt from the premium requirements prior to the expiration of that 120-day period. An individual who was suspended from the program for nonpayment of the monthly premium may reactivate coverage if that individual meets the eligibility requirements and pays the total amount in previously unpaid premiums owed by the individual. The Department of Health and Human Services (DHHS) shall adopt rules related to premium requirements, including exemptions from the requirements. Exemption from the premium requirements shall include only the following criteria:

- 1 (1) The participant's household income is below fifty percent (50%) of the federal
- 2 poverty guidelines.
- 3 (2) The participant has a medical hardship.
- 4 (3) The participant has a financial hardship.
- 5 (4) The participant is an Indian Health Services beneficiary.
- 6 (5) The participant is a veteran in transition but actively seeking employment.

7 DHHS shall develop cost-effective methods of accepting participant contributions  
8 that facilitate the ability of participants to make the required contribution. DHHS shall take into  
9 consideration the methods of payment utilized by Indiana to accept Personal Wellness and  
10 Responsibility (POWER) account payments under its Healthy Indiana Plan.

11 **SECTION 5.** Program requirements. – In addition to the monthly premium  
12 contributions required by Section 4 of this act, the NC Health Care for Working Families program  
13 shall include the following requirements:

- 14 (1) Co-payments. – Co-payments under the program shall be comparable with the  
15 co-payments applied under the North Carolina Medicaid State Plan.
- 16 (2) Preventive care and wellness activities. – To promote health and wellness, the  
17 Department of Health and Human Services shall establish preventive care and  
18 wellness activities. Preventive care and wellness activities shall include  
19 routine physicals, immunizations, routine screenings such as mammograms  
20 and colonoscopies, and weight management programs, as medically  
21 appropriate for the individual participant.
- 22 (3) Mandatory employment activities. – To increase employment, the Department  
23 of Health and Human Services shall establish employment activities for  
24 program participants that adhere to federal guidance and are aligned with the  
25 work requirements of the Able-Bodied Adults Without Dependents  
26 (ABAWDs) policy under the Supplemental Nutrition Assistance Program as  
27 much as possible, provided that exemptions from mandatory employment  
28 activities shall be limited to the following individuals:
  - 29 a. Individuals living in the home with, and serving as the primary  
30 caregiver for, a dependent minor child; a disabled or medically frail  
31 adult child; or a disabled parent, disabled spouse, or other disabled and  
32 medically frail relative.
  - 33 b. Individuals who are in active treatment for a substance abuse disorder.
  - 34 c. Individuals determined to be medically frail or with an acute medical  
35 condition that would prevent the individual from complying with the  
36 employment requirements.
  - 37 d. Pregnant and postpartum women.
  - 38 e. Indian Health Services beneficiaries.
  - 39 f. Any other category of individuals required to be exempt by the Centers  
40 for Medicare and Medicaid Services.

41 **SECTION 6.** Defined measures and goals. – The NC Health Care for Working  
42 Families program shall be built on defined measures and goals for risk-adjusted health outcomes,  
43 quality of care, patient satisfaction, access, and cost. Each component shall be subject to specific  
44 accountability measures, including penalties. The Department of Health and Human Services  
45 may use organizations such as the National Committee for Quality Assurance (NCQA), the  
46 Physician Consortium for Performance Improvement (PCPI), or any others necessary to develop  
47 effective measures for outcomes and quality.

48 **SECTION 7.** Funding. – The following three sources shall be the only sources of  
49 funding for the NC Health Care for Working Families program:

- 1 (1) Federal funds. – The Department of Health and Human Services is required  
2 to seek the highest federal financial participation percentage available to fund  
3 the program.
- 4 (2) Participant contributions. – Participants in the program shall make monthly  
5 premium payments as required by Section 4 of this act.
- 6 (3) State and county funds. – The State and county share of costs that are not  
7 covered by federal funds or participant contributions will be funded through  
8 intergovernmental transfers, gross premiums tax revenue, and hospital  
9 assessments. It is the intent of the General Assembly that all State funds  
10 needed for the program shall be generated through increased revenue from the  
11 gross premiums tax, hospital assessments, and intergovernmental transfers, as  
12 well as new revenue from an additional hospital assessment that the General  
13 Assembly intends to enact to meet the requirements of this act.

14 **SECTION 8.** Submission of State Plan amendments and implementation time line.

15 – The Department of Health and Human Services shall submit all State Plan amendments and  
16 modifications to the 1115 demonstration waiver for Medicaid transformation as necessary to  
17 implement coverage under the NC Health Care for Working Families program required by this  
18 act. Subject to the contingencies in Section 9 of this act, coverage for newly eligible adults under  
19 this act shall begin no later than the earlier of the following:

- 20 (1) One hundred twenty days after the approval by the Center for Medicare and  
21 Medicaid Services of all State Plan amendments or amendments to the 1115  
22 demonstration waiver submitted under this Section.
- 23 (2) July 1, 2020.

24 **SECTION 9.** Implementation and program continuation contingencies. – The State

25 shall not be bound to provide coverage under the NC Health Care for Working Families program.  
26 Coverage under the NC Health Care for Working Families program shall not be implemented or  
27 shall be terminated if any of the following occurs:

- 28 (1) If the program approved by the Center for Medicare and Medicaid Services  
29 (CMS) fails to materially comply with the program components required by  
30 this act, including the participant contributions authorized under Section 4 of  
31 this act or any of the program requirements authorized under Section 5 of this  
32 act, then the NC Health Care for Working Families program shall not be  
33 implemented and the Department of Health and Human Services (DHHS)  
34 shall stop all activities related to implementation. If the State is enjoined,  
35 stayed, or otherwise prohibited from implementing any program component  
36 approved by CMS, then DHHS shall not provide NC Health Care for Working  
37 Families program coverage until all program components can be  
38 implemented.
- 39 (2) If legislation necessary to ensure that the State and county share of costs that  
40 are not covered by federal funds, participant contributions, or increased gross  
41 premiums tax revenue will be funded through a new hospital assessment is not  
42 enacted, as required by subdivision (3) of Section 7 of this act, then the NC  
43 Health Care for Working Families program shall not be implemented and  
44 DHHS shall continue to seek federal approval of the program if approval has  
45 not already been given, but shall stop all other activities related to  
46 implementation until the necessary legislation is enacted.
- 47 (2a) If legislation necessary to ensure that the premiums tax levied under  
48 G.S. 105-228.5 applies to capitation payments received by Prepaid Health  
49 Plans, as defined in G.S. 108D-1, in the same manner in which the tax is  
50 applied to the gross premiums from business done in this State for all other  
51 health care plans and contracts of insurance provided by insurers or health

1 maintenance organizations subject to the tax is not enacted, then the NC  
2 Health Care for Working Families program shall not be implemented and  
3 DHHS shall continue to seek federal approval of the program if approval has  
4 not already been given, but shall stop all other activities related to  
5 implementation until the necessary legislation is enacted.

6 (2b) If the program approved by the Center for Medicare and Medicaid Services  
7 (CMS) does not allow for participant contributions collected by the State to  
8 be treated as State funds eligible for federal matching funds, then the NC  
9 Health Care for Working Families program shall not be implemented and  
10 DHHS shall stop all activities related to implementation.

11 (3) If the combination of funding sources identified in Section 7 of this act is not  
12 sufficient to initially fund or to provide a sustainable funding source to cover  
13 all costs of the program, then the NC Health Care for Working Families  
14 program shall not be implemented and DHHS shall stop all activities related  
15 to implementation.

16 (4) If the Federal Medical Assistance Percentage (FMAP) for services provided  
17 through the program is less than ninety percent (90%), then the NC Health  
18 Care for Working Families program shall not be implemented and DHHS shall  
19 stop all activities related to implementation.

20 (5) If, after the implementation of the program, the Federal Medical Assistance  
21 Percentage (FMAP) for services provided through the NC Health Care for  
22 Working Families program falls below ninety percent (90%), then, upon  
23 receipt of information indicating that the FMAP will be lower than ninety  
24 percent (90%), the Secretary of DHHS shall promptly provide notice of the  
25 change in the FMAP to the Chairs of the Joint Legislative Oversight  
26 Committee on Medicaid and NC Health Choice and to the Fiscal Research  
27 Division. Coverage under the NC Health Care for Working Families program  
28 shall terminate on the last day the FMAP is ninety percent (90%) or greater.

29 (6) If, after implementation of the program, the combination of funding sources  
30 identified in Section 7 of this act is no longer sufficient to fund or provide a  
31 sustainable funding source to cover all costs of the program, then coverage  
32 under the NC Health Care for Working Families program shall terminate on  
33 the last day of the fiscal year in which the funding is no longer sufficient.

34 **SECTION 10.** Report. – No later than March 1, 2020, the Department of Health and  
35 Human Services (DHHS) shall submit to the Joint Legislative Oversight Committee on Medicaid  
36 and NC Health Choice a report with a design proposal for the NC Health Care for Working  
37 Families program. The report shall contain a strategy for obtaining approval for federal funding  
38 for the program. The report shall include the Federal Medical Assistance Percentage (FMAP)  
39 sought by DHHS and an analysis of the fiscal impact to the State that would result from the  
40 proposal. The report shall also include long-term strategies to fund the NC Health Care for  
41 Working Families program in such a way that the sources of funding identified in Section 7 of  
42 this act remain the only sources of funding for the program. As part of its report, DHHS shall  
43 submit a copy of any draft demonstration waiver under Section 1115 of the Social Security Act,  
44 and any draft modifications to the 1115 demonstration waiver for Medicaid transformation,  
45 necessary to effectuate the NC Health Care for Working Families program.

46 **SECTION 10.1.** Quarterly reports. – Beginning October 1, 2020, and ending after  
47 the initial approval term of the approval by the Centers for Medicare and Medicaid Services of  
48 the NC Health Care for Working Families program, the Department of Health and Human  
49 Services (DHHS) shall quarterly publish the following information on its Web site:

50 (1) The estimated number of individuals eligible to participate in the NC Health  
51 Care for Working Families program.

- 1 (2) The number of individuals who are participating in the program for that  
2 quarter.
- 3 (3) Demographic data, including race, gender, and socioeconomic status, as  
4 determined by DHHS, for individuals that are participating in the program for  
5 that quarter. No personally identifiable information shall be published.
- 6 (4) Comparative data, including the demographics outlined in subdivision (3) of  
7 this section, comparing the population that is eligible for participation in the  
8 NC Health Care for Working Families program with the population that is  
9 actually participating in the program.

10  
11 **PART II. THE NORTH CAROLINA RURAL ACCESS TO HEALTHCARE GRANT**  
12 **PROGRAM**

13 **SECTION 11.(a)** The title of Chapter 108B of the General Statutes is renamed to be  
14 "Community Action Programs and Rural Health Grants."

15 **SECTION 11.(b)** Chapter 108B of the General Statutes is amended by adding a new  
16 Article to read:

17 "Article 3.

18 "Rural Access to Healthcare Grants.

19 **"§ 108B-30. Definitions.**

20 The following definitions apply in this Article:

- 21 (1) Fund. – North Carolina Rural Access to Healthcare Grant Fund.
- 22 (2) Office of Rural Health. – Department of Health and Human Services, Division  
23 of Central Management, Office of Rural Health.
- 24 (3) Qualified applicant. – An individual or entity that meets criteria for applying  
25 for funds distributed under the Rural Access to Healthcare Grant Program, as  
26 established by the Office of Rural Health.

27 **"§ 108B-31. Rural Access to Healthcare Grant Fund.**

28 (a) Establishment. – The North Carolina Rural Access to Healthcare Grant Fund is  
29 established as a special fund in the Department of Health and Human Services, Division of  
30 Central Management, Office of Rural Health. The fund may receive funds appropriated by the  
31 General Assembly and any gifts, grants, or donations from any public or private source.

32 (b) Purposes. – Funds in the North Carolina Rural Access to Healthcare Grant Fund shall  
33 be used, as available, to address the health care needs of citizens residing in the rural areas of this  
34 State.

35 (c) Statutory Appropriation. – An appropriation under this section is a statutory  
36 appropriation as defined in G.S. 143C-1-1(d)(28). When developing the base budget, as defined  
37 by G.S. 143C-1-1, the Director of the Budget shall include the following appropriations to the  
38 North Carolina Rural Access to Healthcare Grant Fund:

- 39 (1) For the 2020-2021 fiscal year, twenty-five million dollars (\$25,000,000).
- 40 (2) For the 2021-2022 fiscal year, thirty million dollars (\$30,000,000).
- 41 (3) For the 2022-2023 fiscal year and every fiscal year thereafter, fifty million  
42 dollars (\$50,000,000).

43 **"§ 108B-32. Rural Access to Healthcare Grant Program.**

44 (a) Any qualified applicant may apply for a grant from the Fund for any eligible activity.  
45 Eligible activities may include the following:

- 46 (1) Health care provider recruitment to rural areas of the State.
- 47 (2) Loan forgiveness programs or activities for health care providers practicing in  
48 rural areas of the State. Any loan forgiveness programs or activities must be  
49 administered by the Department of Health and Human Services, Division of  
50 Central Management, Office of Rural Health.
- 51 (3) Rural health care provider retention incentive programs.

- 1           (4)    Expansion of telehealth into rural areas of the State.  
2           (5)    Programs that enhance and modernize medical technology utilized in rural  
3           areas of the State.  
4           (6)    New clinical patient services for patients in rural areas of the State.  
5           (7)    Activities that address and combat the abuse of opioids by citizens in rural  
6           areas of the State.  
7           (8)    Infant mortality reduction efforts.  
8           (9)    Modernization of health information technology systems in rural areas of the  
9           State.  
10          (10)   Expansion of mental health services into rural areas of the State, including  
11          crisis services.  
12          (11)   Activities that reduce or eliminate health disparities.  
13          (b)    The Office of Rural Health shall specify the form and the contents of the application  
14          for a grant from the Fund, including procedures for the submission of applications electronically.  
15          (c)    The Office of Rural Health shall determine the meaning of the term "rural" as it  
16          applies to grants under this Article and shall define the term in a way that is consistent with the  
17          use of the term as it relates to other programs within the Office of Rural Health.  
18          (d)    No single grant award from the Fund shall exceed one million dollars (\$1,000,000)  
19          per year.  
20          (e)    A recipient of a grant from the Fund may reapply for an additional grant under this  
21          section annually but shall be limited to a reapplication period of five years from the date the first  
22          grant award was made to the recipient.  
23          (f)    In awarding grants, the Office of Rural Health shall consider the availability of other  
24          funds for the applicant, including whether the applicant is receiving a Community Health Grant,  
25          the incidence of poverty in the area addressed by the grant, and the number of individuals  
26          impacted by the eligible activity of the applicant.  
27          (g)    The Office of Rural Health shall require grant recipients to report on objective,  
28          measurable quality health outcomes to the Office of Rural Health on an annual basis so long as  
29          the grantee is continuing to receive funds.

30          **"§ 108B-33. Rule-making authority.**

31           The Office of Rural Health shall adopt rules to implement this Article."

32           **SECTION 11.(c)** The funds appropriated to the North Carolina Rural Access to  
33           Healthcare Grant Fund under G.S. 108B-31, as enacted under subsection (b) of Section 11 of this  
34           act, are intended to represent a portion of the amount of revenue from the gross premiums tax  
35           that is attributable to capitation payments received by Prepaid Health Plans as a result of the  
36           implementation of the NC Health Care for Working Families program required by Part I of this  
37           act. Therefore, this section is effective only if legislation necessary to ensure that the premiums  
38           tax levied under G.S. 105-228.5 applies to capitation payments received by Prepaid Health Plans,  
39           as defined in G.S. 108D-1, in the same manner in which the tax is applied to the gross premiums  
40           from business done in this State for all other health care plans and contracts of insurance provided  
41           by insurers or health maintenance organizations subject to the tax is enacted.

42           **SECTION 12.** Except as otherwise provided, this act is effective when it becomes  
43           law.