

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1989

S

1

SENATE BILL 348*

Short Title: Indigent Care Study Recommendations.

(Public)

Sponsors: Senator Johnson of Cabarrus.

Referred to: Insurance.

March 6, 1989

1 A BILL TO BE ENTITLED
2 AN ACT TO REMOVE BARRIERS TO COVERAGE IN EMPLOYER-SPONSORED
3 GROUP HEALTH PLANS.

4 The General Assembly of North Carolina enacts:

5 Section 1. G.S. 58-254.4(b) reads as rewritten:

6 "(b) No policy or contract of group accident, group health or group accident and
7 health insurance shall be delivered or issued for delivery in this State unless the group
8 of persons thereby insured conforms to the requirements of the following
9 ~~paragraph~~ subdivisions:

10 (1) Under a policy issued to an employer, principal, or to the trustee of a
11 fund established by an employer or two or more employers in the same
12 industry or kind of business, or by a principal or two or more
13 principals in the same industry or kind of business, which employer,
14 principal, or trustee shall be deemed the policyholder, covering, except
15 as hereinafter provided, only employees, or agents, of any class or
16 classes thereof determined by conditions pertaining to employment, or
17 agency, for amounts of insurance based upon some plan which will
18 preclude individual selection. The premium may be paid by the
19 employer, by the employer and the employees jointly, or by the
20 employee; and where the relationship of principal and agent exists, the
21 premium may be paid by the principal, by the principal and agents,
22 jointly, or by the agents. If the premium is paid by the employer and
23 the employees jointly, or by the principal and agents jointly, or by the

1 employees, or by the agents, the group shall be structured on an
2 actuarially sound basis.

3 (2) For groups of 20 more persons no evidence of individual insurability
4 may be required at the time the person first becomes eligible for
5 insurance within 31 days thereafter except for any insurance
6 supplemental to the basic coverage for which evidence of individual
7 insurability may be required. With respect to trustee groups the
8 phrase 'groups of 20' must be applied on a participating unit basis for
9 the purpose of requiring individual evidence of insurability.

10 (3) Policies may contain a provision limiting coverage for
11 preexisting conditions. Preexisting conditions must be covered no
12 later than six months after the effective date of coverage.
13 Preexisting conditions are defined as 'those conditions for which
14 medical advice or treatment was received or recommended or which
15 could be medically documented within the six-month period
16 immediately preceding the effective date of the person's coverage.'
17 Once coverage is in force, benefits for pregnancy and prenatal care
18 must be provided and may not be excluded from coverage on the
19 basis that the onset of the pregnancy occurred within the six-month
20 period immediately preceding the effective date of coverage or
21 employment, whichever period is longer. Preexisting conditions
22 exclusions may not be implemented by any successor plan as to any
23 covered persons who have already met all or part of the waiting
24 period requirements under any prior group plan. Credit must be
25 given for that portion of the waiting period which was met under the
26 prior plan."

27 Sec. 2. G.S. 58-254.4(c) reads as rewritten:

28 "(c) The term 'employees' as used in this section shall be deemed to include, for
29 the purposes of insurance hereunder, employees of a single employer, the officers,
30 managers, and employees of the employer and of subsidiary or affiliated corporations of
31 a corporation employer, and the individual proprietors, partners, and employees of
32 individuals and firms of which the business is controlled by the insured employer
33 through stock ownership, contract or otherwise. Employees shall be added to the group
34 coverage no later than 90 days after their first day of employment. Any preexisting
35 condition waiting periods shall be computed from the first day of employment, and not
36 from the first day of coverage under the group plan. Employment shall be considered
37 continuous and not be considered broken except for unexcused absences from work for
38 reasons other than illness or injury. The term 'employee' is defined as any person
39 working 17 and a half hours in any one work week. The term 'employer' as used herein
40 may be deemed to include the State of North Carolina, any county, municipality or
41 corporation, or the proper officers, as such, of any unincorporated municipality or any
42 department or subdivision of the State, county, such corporation, or municipality
43 determined by conditions pertaining to the employment."

1 Sec. 3. Article 26 of Chapter 58 of the General Statutes is amended by
2 adding a new section to read:

3 **"§ 58-254.4A. Renewal, discontinuance, or replacement of group health insurance.**

4 (a) This section applies to group accident, group health, or group accident and
5 health policies or certificates that are delivered, issued for delivery, renewed, or used in
6 this State which provide hospital, surgical, or major medical expense insurance, or any
7 combination of these coverages, on an expense incurred or service basis. It specifically
8 includes a certificate issued under a policy that was issued to a trust located out of this
9 State, but which includes participating employers located in this State. Renewal of
10 these policies or certificates is presumed to occur on the anniversary date that the
11 coverage was first effective on the employees of the employer.

12 (b) Whenever a contract described in subsection (a) of this section are
13 replaced by another group contract, the liability of the succeeding insurer for insuring
14 persons covered under the previous group contract is:

15 (1) Each person who is eligible for coverage in accordance with the
16 succeeding insurer's plan of benefits with respect to classes eligible
17 and activity at work and nonconfinement rules must be covered by the
18 succeeding insurer's plan of benefits; and

19 (2) Each person not covered under the succeeding insurer's plan of
20 benefits in accordance with subdivision (b)(1) of this section must
21 nevertheless be covered by the succeeding insurer if that person was
22 validly covered, including benefit extension, under the prior plan on
23 the date of discontinuance and if the person is a member of the class of
24 persons eligible for coverage under the succeeding insurer's plan."

25 Sec. 4. The provisions of this act also apply to Chapters 57 and 57B of the
26 General Statutes where applicable to effect similar changes to hospital and medical
27 service corporations and health maintenance organizations.

28 Sec. 5. This act shall become effective January 1, 1990.