

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1991

H

1

HOUSE BILL 460

Short Title: HMO Amendments.

(Public)

Sponsors: Representatives Miller; and Lineberry.

Referred to: Commerce.

April 1, 1991

A BILL TO BE ENTITLED

AN ACT TO MAKE AMENDMENTS TO THE STATUTES GOVERNING HEALTH
MAINTENANCE ORGANIZATIONS.

The General Assembly of North Carolina enacts:

Section 1. G.S. 58-67-50(a) reads as rewritten:

- "(a) (1) Every enrollee residing in this State is entitled to evidence of coverage under a health care plan. If the enrollee obtains coverage under a health care plan through an insurance policy or a contract issued by a hospital or medical service corporation, whether by option or otherwise, the insurer or the hospital or medical service corporation shall issue the evidence of coverage. Otherwise, the health maintenance organization shall issue the evidence of coverage.
- (2) No evidence of coverage, or amendment thereto, shall be issued or delivered to any person in this State until a copy of the form of the evidence of coverage, or amendment thereto, has been filed with and approved by the Commissioner.
- (3) An evidence of coverage shall contain:
- a. No provisions or statements which are unjust, unfair, inequitable, misleading, deceptive, which encourage misrepresentation, or which are untrue, misleading or deceptive as defined in G.S. 58-67-65(a); and
- b. A clear and complete statement, if a contract, or a reasonably complete summary, if a certificate of:

1. The health care services and insurance or other benefits, if any, to which the enrollee is entitled under the health care plan;
2. Any limitations on the services, benefits, or kind of benefits, to be provided, including any deductible or copayment feature;
3. Where and in what manner information is available as to how services may be obtained;
4. The total amount of payment for health care services and the indemnity or service benefits, if any, which the enrollee is obligated to pay with respect to individual contracts, or an indication whether the plan is contributory or noncontributory with respect to group certificates;
5. A clear and understandable description of the health maintenance organization's method of resolving enrollee ~~complaints~~ complaints;
6. A description of the reasons, if any, for which an enrollee's enrollment may be terminated for cause, which reasons may include behavior that seriously impairs the health maintenance organization's ability to provide services or an inability to establish and maintain a satisfactory physician-patient relationship after reasonable efforts to do so have been made.

Any subsequent change may be evidenced in a separate document issued to the enrollee.

- (4) A copy of the form of the evidence of coverage to be used in this State, and any amendment thereto, shall be subject to the filing and approval requirements of subsection (b) unless it is subject to the jurisdiction of the Commissioner under the laws governing health insurance or hospital or medical service corporations in which event the filing and approval provisions of such laws shall apply. To the extent, however, that such provisions do not apply the requirements in subsection (c) shall be applicable."

Sec. 2. G.S. 58-53-70 reads as rewritten:

"§ 58-53-70. Exclusions.

~~The~~ An insurer or health maintenance organization shall not be required to issue a converted policy covering any person if such person is or can be covered by Medicare. Furthermore, ~~the~~ an insurer or health maintenance organization shall not be required to issue a converted policy covering any person if:

- (1) a. Such person is covered for similar benefits by another hospital, surgical, medical or major medical expense insurance policy, or hospital or medical service subscriber contract or medical practice or other prepayment plan, or by any other plan or program;

- 1 b. Such person is or could be covered for similar benefits, whether
2 or not covered for such benefits, under any arrangement of
3 coverage for individuals in a group, whether insured or
4 uninsured; or
- 5 c. Similar benefits are provided for or available to such person,
6 whether or not covered for such benefits, by reason of any State
7 or federal law; and

8 (2) The benefits under sources of the kind referred to in subdivision (1)a
9 of this section for such person, or benefits provided or available under
10 sources of the kind referred to in subdivisions (1)b and (1)c of this
11 section for such person, together with the converted policy's benefits
12 would result in overinsurance according to the insurer's standards for
13 ~~overinsurance.~~ overinsurance; or

14 (3) An enrollee's enrollment in a health maintenance organization has
15 been terminated for cause in accord with the terms of the enrollee's
16 evidence of coverage or the health maintenance organization's
17 agreement with the group."

18 Sec. 3. G.S. 58-53-75 reads as rewritten:

19 **"§ 58-53-75. Information.**

20 A converted policy may provide that ~~the~~ an insurer or health maintenance
21 organization may at any time request information of the insured policyholder or enrollee
22 with respect to any person covered thereunder as to whether he is covered for the
23 similar benefits described in G.S. 58-53-70(1)a or is or could be covered for the similar
24 benefits described in G.S. 58-53-70(1)b and 58-53-70(1)c. The converted policy may
25 provide that as of any premium due date ~~the~~ an insurer or health maintenance
26 organization may refuse to renew the policy or the coverage of any insured person or
27 enrollee for the following reasons only:

28 (1) Either those similar benefits for which such person is or could be
29 covered, together with the converted policy's benefits, would result in
30 overinsurance according to ~~the~~ an insurer's or health maintenance
31 organization's standards for overinsurance, or the policyholder of the
32 converted policy fails to provide the requested information;

33 (2) Fraud or material misrepresentation in applying for any benefits under
34 the converted policy; ~~or~~

35 (3) Eligibility of any insured person or enrollee for coverage under
36 Medicare, or under any other State or federal law providing benefits
37 substantially similar to those provided by the converted ~~policy.~~ policy;
38 or

39 (4) If an enrollee's enrollment in a health maintenance organization has
40 been terminated for cause in accord with the terms of the enrollee's
41 evidence of coverage or the health maintenance organization's
42 agreement with the group."

43 Sec. 4. G.S. 58-67-5(i) reads as rewritten:

1 "(i) 'Net worth' means the excess of total assets over the total liabilities and may
2 include borrowed funds that are repayable only from the net earned income of the health
3 maintenance organization and repayable only with the advance permission of the
4 Commissioner. In determining net worth only tangible assets shall be ~~considered.~~
5 considered and net worth shall include all investments permitted under G.S. 58-67-60."

6 Sec. 5. This act is effective upon ratification.