

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1995

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HOUSE BILL 772*
Committee Substitute Favorable 5/25/95

Short Title: State Health Plan Modifications.

(Public)

Sponsors:

Referred to:

April 6, 1995

1 A BILL TO BE ENTITLED
2 AN ACT TO MODIFY THE TEACHERS' AND STATE EMPLOYEES'
3 COMPREHENSIVE MAJOR MEDICAL PLAN BY ALIGNING THE FISCAL
4 YEAR AND THE CALENDAR YEAR OF THE PLAN AND HMOS, PROVIDING
5 LIMITED CONTRIBUTIONS FOR EMPLOYEES WHO HAVE LOST THEIR
6 JOBS DUE TO A REDUCTION IN FORCE, ALLOWING RIF'D EMPLOYEES TO
7 PURCHASE COVERAGE FROM THE STATE PLAN, PROVIDING PARTIAL
8 CONTRIBUTION TOWARD DEPENDENT COVERAGE, ALLOWING
9 MATERNITY BENEFITS TO ELIGIBLE DEPENDENTS, INCREASING THE
10 WELLNESS BENEFIT, CHANGING THE PRESCRIPTION DRUG
11 REIMBURSEMENT FORMULA, PLACING THE PENALTY FOR NOT SEEKING
12 CERTIFICATION WITH THE RESPONSIBLE PARTY, ALLOWING FOR
13 IMPROVED BENEFITS WHEN ONE INCISION IS USED FOR MORE THAN
14 ONE PROCEDURE, OMITTING THE OFFICE VISIT COPAY FOR RETIREES
15 ON MEDICARE, COVERING ORAL SURGERY NECESSITATED BECAUSE OF
16 MEDICAL TREATMENT, AND TO DOUBLE THE LIFETIME MAXIMUM
17 BENEFIT.

18 The General Assembly of North Carolina enacts:
19 Section 1. G.S. 135-39.5B reads as rewritten:

1 **"§ 135-39.5B. Prepaid plans.**

2 The Executive Administrator and Board of Trustees may, after consultation with the
3 Committee on Employee Hospital and Medical Benefits, provide for optional prepaid
4 hospital and medical benefits plans. Benefits offered under such optional plans shall be
5 comparable to those offered under the ~~Plan~~ Plan and the same fiscal year shall be used.
6 The amounts of State funds contributed for such optional plans shall not be more than the
7 amounts contributed for each person eligible under G.S. 135-40.2 on a noncontributory
8 Employee Only basis, with the person selecting an optional plan paying any excess, if
9 necessary. The amount of State funds contributed to such optional plans shall also not
10 exceed the amount of an optional plan's cost for Employee Only coverage. The Executive
11 Administrator and Board of Trustees are authorized to assess and collect fees from
12 participating optional plans provided by this section for administrative purposes and for
13 risk management purposes. Such fees may be based upon the enrollees' risk factors and
14 the number and types of contracts enrolled by each participating optional plan, and may
15 be collected by the Plan in a manner prescribed by the Executive Administrator and
16 Board of Trustees. In no instance shall benefits be paid under Part 3 of this Article for
17 persons enrolled in an optional prepaid hospital and medical benefit plan authorized
18 under this section on and after the effective date of enrollment in the optional prepaid
19 plan, except in cases of continuous hospital confinement approved by the Executive
20 Administrator."

21 Sec. 2. (a) G.S. 135-40.1(7a) reads as rewritten:

22 "(7a) Fiscal Year. – The period beginning ~~July 1 and ending on June 30 of the~~
23 ~~succeeding~~ January 1 and ending on December 30 of the same calendar
24 year."

25 (b) Notwithstanding G.S. 135-40.1(7a), the period July 1, 1995, through
26 December 31, 1995, is a fiscal year for the purpose of Article 3 of Chapter 135 of the
27 General Statutes. For the fiscal year established by this subsection, any dollar amounts
28 set for a fiscal year under that Article shall be applied as half that amount.

29 Sec. 3. G.S. 135-40.2(a) reads as rewritten:

30 "(a) The following persons are eligible for coverage under the Plan, on a
31 noncontributory basis, subject to the provisions of G.S. 135-40.3:

32 (1) All permanent full-time employees of an employing unit who meet the
33 following conditions:

- 34 a. Paid from general or special State funds, or
35 b. Paid from non-State funds and in a group for which his or her
36 employing unit has agreed to provide coverage.

37 Employees of State agencies, departments, institutions, boards, and
38 commissions not otherwise covered by the Plan who are employed in
39 permanent job positions on a recurring basis and who work 30 or more
40 hours per week for nine or more months per calendar year are covered
41 by the provisions of this subdivision.

42 (1a) Permanent hourly employees as defined in G.S. 126-5(c4) who work at
43 least one-half of the workdays of each pay period.

- 1 (2) Retired teachers, State employees, members of the General Assembly,
2 and retired State law enforcement officers who retired under the Law
3 Enforcement Officers' Retirement System prior to January 1, 1985.
- 4 (2a) Surviving spouses of:
5 a. Deceased retired employees, provided the death of the former
6 plan member occurred prior to October 1, 1986; and
7 b. Deceased teachers, State employees, and members of the General
8 Assembly who are receiving a survivor's alternate benefit under
9 any of the State-supported retirement programs, provided the
10 death of the former plan member occurred prior to October 1,
11 1986.
- 12 (3) Repealed by Session Laws 1985 (Reg. Sess., 1986), c. 1020, s. 29(b).
- 13 (3a) Employees of the General Assembly, not otherwise covered by this
14 section, as determined by the Legislative Services Commission, except
15 for legislative interns and pages.
- 16 (4) Members of the General Assembly.
- 17 (5) Notwithstanding the provisions of subsection (e) of this section,
18 employees on official leave of absence while completing a full-time
19 program in school administration in an approved program as a Principal
20 Fellow in accordance with Article 5C of Chapter 116 of the General
21 Statutes.
- 22 (6) All employees who lost their jobs due to a reduction in force and are
23 eligible for reemployment consideration as provided by G.S. 126-7.1,
24 who were covered under subdivision (1) of this subsection immediately
25 before their termination."
- 26 Sec. 4. G.S. 135-40.2(b) reads as rewritten:
- 27 "(b) The following person shall be eligible for coverage under the Plan, on a fully
28 contributory basis, subject to the provisions of G.S. 135-40.3:
- 29 (1) Repealed by Session Laws 1983, c. 761, s. 255.
- 30 (2) Former members of the General Assembly who enroll before October 1,
31 1986.
- 32 (2a) For enrollments after September 30, 1986, former members of the
33 General Assembly if covered under the Plan at termination of
34 membership in the General Assembly.
- 35 (3) Surviving spouses of deceased former members of the General
36 Assembly who enroll before October 1, 1986.
- 37 (3a) Employees of the General Assembly, not otherwise covered by this
38 section, as determined by the Legislative Services Commission, except
39 for legislative interns and pages.
- 40 (3b) For enrollments after September 30, 1986, surviving spouses of
41 deceased former members of the General Assembly, if covered under
42 the Plan at the time of death of the former member of the General
43 Assembly.

- 1 (4) All permanent part-time employees (designated as half-time or more) of
2 an employing unit who meets the conditions outlined in subdivision
3 (a)(1)a above, and who are not covered by the provisions of G.S. 135-
4 40.2(a)(1).
- 5 (4a) Permanent hourly employees as defined in G.S. 126-5(c4) who work
6 less than one-half of the workdays of each pay period.
- 7 ~~(5) The spouses and eligible dependent children of enrolled employees,
8 retirees, and members of the General Assembly.~~
- 9 (6) Blind persons licensed by the State to operate vending facilities under
10 contract with the Department of Human Resources, Division of Services
11 for the Blind and its successors, who are:
- 12 a. Operating such a vending facility;
- 13 b. Former operators of such a vending facility whose service as an
14 operator would have made these operators eligible for an early or
15 service retirement allowance under Article 1 of this Chapter had
16 they been members of the Retirement System; and
- 17 c. Former operators of such a vending facility who attain five or
18 more years of service as operators and who become eligible for
19 and receive a disability benefit under the Social Security Act
20 upon cessation of service as an operator.
- 21 (7) Repealed by Session Laws 1985 (Reg. Sess., 1986), c. 1020, s. 29(j).
- 22 (8) Surviving spouses of deceased retirees and surviving spouses of
23 deceased teachers, State employees, and members of the General
24 Assembly provided the death of the former Plan member occurred after
25 September 30, 1986, and the surviving spouse was covered under the
26 Plan at the time of death.
- 27 (9) Repealed by Session Laws 1987, c. 857, s. 11.1.
- 28 (10) Any eligible dependent child of the deceased retiree, teacher, State
29 employee, or member of the General Assembly, provided the child was
30 covered at the time of death of the retiree, teacher, State employee, or
31 member of the General Assembly (or was in posse at the time and is
32 covered at birth under this Part), or was covered under the Plan on
33 September 30, 1986. Any eligible spouse or dependent child of a person
34 eligible under subdivision (8) of this subsection if the spouse or
35 dependent child was enrolled before October 1, 1986.
- 36 (11) All employees who lost their jobs due to a reduction in force and who
37 are not covered by subdivision (a)(6) of this section.
- 38 (12) All dependents of persons covered by either subdivision (a)(6) of this
39 section or subdivision (11) of this subsection."

40 Sec. 5. Effective July 1, 1995, G.S. 135-40.2 is amended by adding a new
41 subsection to read:

42 "(b1) The spouses and eligible dependent children of enrolled employees, retirees,
43 and members of the General Assembly shall be eligible for coverage under the Plan, on a

1 partial contributory basis, with twenty dollars (\$20.00) per month contributed by the
2 employer toward Employee and Child(ren) coverage under G.S. 135-40.3(d)(2) or toward
3 Employee and Family coverage under G.S. 135-40.3(d)(3)."

4 Sec. 6. Effective July 1, 1996, G.S. 135-40.2 is amended by adding a new
5 subsection to read:

6 "(b1) The spouses and eligible dependent children of enrolled employees, retirees,
7 and members of the General Assembly shall be eligible under the Plan, on a partial
8 contributory basis, with twenty-five dollars (\$25.00) per month contributed by the
9 employer toward Employee and Child(ren) coverage under G.S. 135-40.3(d)(2) or toward
10 Employee and Family coverage under G.S. 135-40.3(d)(3)."

11 Sec. 7. G.S. 135-40.5 is amended by adding a new subsection to read:

12 "(e) Wellness Benefit. – The Plan will pay one hundred percent (100%) of usual,
13 reasonable, and customary charges, up to three hundred dollars (\$300.00) per year per
14 covered individual, for prenatal care and routine diagnostic examinations. Allowable
15 charges for routine diagnostic examinations and tests, including Pap smears, breast,
16 colon, rectal, and prostate exams, X rays, mammograms, blood and blood pressure
17 checks, urine tests, tuberculosis tests, and general health checkups that are medically
18 necessary for the maintenance and improvement of individual health but no more often
19 than once every three years for covered individuals to age 40 years, once every two years
20 for covered individuals to age 55 years, and once each year for covered individuals age
21 55 years and older, unless a more frequent occurrence is warranted by a medical
22 condition when such charges are incurred in a medically supervised facility. Provided,
23 however, that charges for such examinations and tests are not covered by the Plan when
24 they are incurred to obtain or continue employment, to secure insurance coverage, to
25 comply with legal proceedings, to attend schools or camps, to meet travel requirements,
26 to participate in athletic and related activities, or to comply with governmental licensing
27 requirements."

28 Sec. 8. G.S. 135-40.5 is amended by adding a new subsection to read:

29 "(f) Prescription Drugs. – Benefits are provided for prescription legend drugs used
30 outside of a hospital or skilled nursing facility. A prescription legend drug is defined as
31 an article the label of which, under the Federal Food, Drug, and Cosmetic Act, is required
32 to bear the legend: 'Caution: Federal Law Prohibits Dispensing Without Prescription'.
33 Such articles may not be sold to or purchased by the public without a prescription order.
34 Benefits are provided for insulin even though prescription is not required.

35 The Executive Administrator and Board of Trustees may contract with prescription
36 drug providers to establish a preferred provider network where reimbursement is made
37 directly to participating providers. The design, adoption, and implementation of such
38 preferred provider contracts and networks are not subject to the requirements of Chapter
39 143 of the General Statutes, provided that all prescription drug providers will have an
40 opportunity to contract with the Plan if they meet the contract requirements.

41 The Plan's maximum allowable payment shall be the lesser of one hundred percent
42 (100%) of average wholesale price or the price established by the preferred provider
43 network less a copayment by the Plan member per prescription of five dollars (\$5.00) for

1 generic drugs, ten dollars (\$10.00) for brand-name drugs without a therapeutic generic
2 equivalent, and fifteen dollars (\$15.00) for brand-name drugs with a therapeutic generic
3 equivalent for each 30-day supply of a drug."

4 Sec. 9. G.S. 135-40.6(8)a. is repealed.

5 Sec. 10. G.S. 135-40.6(2)f. reads as rewritten:

6 "f. Prior to admission for scheduled inpatient hospitalization, the
7 admitting physician shall contact the Plan and secure approval
8 certification for an inpatient admission, including a length of
9 stay, based upon clinical criteria established by the medical
10 community, before any in-hospital benefits are allowed under
11 G.S. 135-40.8(a). Immediately following an emergency or
12 unscheduled inpatient hospitalization, the admitting physician
13 shall contact the Plan and secure approval certification for the
14 admission's length of stay before any in-hospital benefits are
15 allowed under G.S. 135-40.8(a). Effective January 1, 1987,
16 failure to secure certification, or denial of certification, shall
17 result in in-hospital benefits being allowed at the rate maximum
18 amount of out-of-pocket expenses established by G.S. 135-
19 40.8(b). Denial of certification by the Plan shall be made only
20 after contact with the admitting physician and shall be subject to
21 appeal to the Executive Administrator and Board of Trustees.
22 Inpatient hospital admission and length of stay certifications
23 required by this subdivision do not apply to inpatient admissions
24 outside of the United States. While approval certification for
25 inpatient admissions is required to be initiated by the admitting
26 physician, the employee or individual covered by the Plan shall
27 be responsible for insuring that the required certification is
28 secured. Failure to secure certification for inpatient
29 hospitalization shall not result in a penalty to the employee or
30 individual when approval would have been given if requested."

31 Sec. 11. G.S. 135-40.6(8)f. reads as rewritten:

32 "f. Dental Services: Oral surgery, including extraction of teeth,
33 necessitated because of medical treatment. Dental surgery and
34 appliances for mouth, jaw, and tooth restoration necessitated
35 because of external violent and accidental means, such as the
36 impact of moving body, vehicle collision, or fall occurring while
37 an individual is covered under G.S. 135-40.3. No benefits are
38 provided in connection with injury incurred in the act of
39 chewing, nor for damage or breakage of an appliance such as
40 bridge or denture being cleaned or otherwise not in normal
41 mouth usage at the time of accident, nor for appliances for
42 orthodontic treatment when a class of malocclusion, other than
43 orthognathic, or cross bite has been diagnosed. Benefits for

1 temporomandibular joint (TMJ) dysfunction appliance therapy
2 are limited to cases where the TMJ dysfunction has been
3 diagnosed as solely resulting from accidental means as certified
4 by the attending practitioner and approved by the Claims
5 Processor.

6 Benefits shall include extractions, fillings, crowns, bridges, or
7 other necessary therapeutic and restorative techniques and
8 appliances to reasonably restore condition and function to that
9 existing immediately prior to the accident. Injury or breakage of
10 existing appliances such as bridges and dentures is limited to
11 repair of such appliances unless certified as damaged beyond
12 repair."

13 Sec. 12. G.S. 135-40.6(8)s. is repealed.

14 Sec. 13. G.S. 135-40.9 reads as rewritten:

15 **"§ 135-40.9. Maximum benefits.**

16 The maximum lifetime benefit for each covered individual will be ~~one million dollars~~
17 ~~(\$1,000,000)~~ two million dollars (\$2,000,000)."

18 Sec. 14. There is hereby appropriated the sum of two million dollars
19 (\$2,000,000) for carrying out the purposes of this act.

20 Sec. 15. This act becomes effective July 1, 1995, and applies to any medical
21 services rendered on or after that date unless otherwise provided in this act.