

February 19, 2007

H 265. ESTABLISH HIGH-RISK POOL. Filed 2/19/07. *TO ESTABLISH THE NORTH CAROLINA HEALTH INSURANCE RISK POOL.* To be summarized in tomorrow's *Daily Bulletin*.

Intro. by Insko.

GS 58

February 20, 2007

H 265. ESTABLISH HIGH-RISK POOL. Filed 2/19/07. *TO ESTABLISH THE NORTH CAROLINA HEALTH INSURANCE RISK POOL.* Enacts new Part 7 of Article 50 of GS Chapter 58,

establishing the NC Health Insurance Risk Pool, subject to oversight of the Board of Directors of the Pool (Board), to consist of the Commissioner of Insurance (Commissioner) and eleven members appointed as specified in the act. ¶ *Operation of the Pool.* The Board must submit a Plan of Operation within 180 days after the appointment of the Board. Specifies the content of the Plan of Operation for the Pool and generally authorizes the Pool to perform all functions necessary to establish and administer the Pool. Requires that the Plan be approved in writing by the Commissioner. Requires that the Board operate the Pool so that the cost of providing the benefit plans during any calendar year is not anticipated to exceed the Pool's total income. Also authorizes the Board to impose an enrollment cap or suspend enrollment if estimated costs are anticipated to exceed income. Requires the Executive Director to submit an annual report to the Speaker, the President Pro Tem., the Commissioner, the Joint Legislative Health Care Oversight Committee, and the Committee on Employee Hospital and Medical Benefits regarding earned premiums, plan enrollment, administrative expenses, and losses. Provides for indemnification in performance of duties for the Pool, Executive Director, and the Director's representatives, as well as the Board and the Commissioner and their representatives. Directs the Board to use a competitive bidding process, applying criteria set forth in the act and otherwise established by the Board, to select one or more insurers or a third-party administrator to administer the Pool. ¶

Pool Rates. Requires the Pool to determine the standard risk rate by considering premium risk rates charged by other insurers offering health insurance coverage to individuals and using reasonable actuarial techniques. Requires that Pool rates be 175% of rates established as applicable for individual standard rates, to be adjusted annually, and that rates and rate schedules be approved by the Commissioner before the Pool may use them. Requires that the Pool provide individuals enrolled in the Pool with at least 45 days' notice of any change to the Pool premium rates or rate schedules. Authorizes the Pool to impose premium surcharges for covered individuals who are smokers. Limits provider reimbursement rates under Pool coverage to rates allowed for providers under the Medicare Program for services covered by Medicare and directs the Board to establish reimbursement rates for services for which Medicare has not established an allowed rate. ¶ *Eligibility for Pool coverage.* Provides that individuals who are NC residents are eligible for Pool coverage if evidence is provided of any of the following: (1) a notice of rejection from an insurer to provide substantially similar health insurance because of the individual's health, (2) an offer to issue insurance only with conditional riders, (3) a refusal to issue insurance except at a rate exceeding the Pool rate, (4) the individual's diagnosis of one of the medical or health conditions listed by the Board, (5) qualification as a federally defined eligible individual, (6) the individual's legal domicile in NC and eligibility for health insurance costs under the Trade Adjustment Assistance Reform Act of 2002, or (7) the individual has current individual health insurance coverage at a rate higher than the Pool rate. Further states that individuals are ineligible for Pool coverage if: (1) they have, obtain, or would be eligible to obtain health insurance coverage substantially similar to that offered by the Pool (with the exception of coverage during a preexisting condition waiting period); (2) they are eligible for Medicaid; (3) they have terminated Pool coverage within the past 12 months (with limited specified exceptions); (4) they are an inmate or a resident of a public institution; (5) they have their premiums paid by a government-sponsored program or government agency or health care provider (with specified narrow exceptions); or (6) they have health insurance coverage from an insurer or insurance arrangement on the date Pool coverage takes effect. Specifies circumstances under which an individual's Pool coverage ceases. Defines as an unfair trade practice certain referrals or other conduct aimed at separating an individual covered by health insurance offered in the individual market. ¶ *Coverage.* Provides that the Pool will offer at least two types of benefit plans, at

least two of which must provide benefits outlined in the National Association of Insurance Commissioners' Model Health Pool for Uninsurable Individuals Act and that are consistent with comprehensive health insurance coverage generally available. Provides that the lifetime limit may not be less than \$1 million and sets an annual limit of \$5,000 per individual on coinsurance and deductibles. Provides that during the first 12 months of coverage, the Pool will not cover health conditions existing within 12 months prior to coverage (except for federally defined eligible individuals). Allows for waiver of this exclusion where similar exclusions have been satisfied under another health insurance plan, and coverage lapsed for no more than 63 days and the applicant was ineligible for substantially similar continuation insurance. Provides that all individuals enrolling in the Pool within the first six months of operation will be subject to a six-month preexisting condition waiting period. The Pool is exempt from taxation. Provides that the Pool is the payor of last resort when other payment is available. ¶ *Pool Financing/Complaint Procedures/Misc.* Requires that the Pool assess member insurers in the amount considered necessary to carry out the Pool's duties. Effective until January 1, 2014, provides that each insurer's assessment will not exceed designated amounts per covered individual insured or reinsured by the insurer per month. Effective January 1, 2014, the maximum amount is \$2.00. Also directs the Pool to administer special assessments. Establishes a procedure for submission of complaints against the Board. Requires the State Auditor to conduct an annual special audit of the Pool. ¶ *Reserve.* Establishes in the Plan the Reserve for the Pool; creates two separate funds in the Department of Insurance, the Start-up Reserve-State Funds and the Start-up Reserve-Federal Funds. Appropriates \$850,000 for 2007-08 from the General Fund to the Start-up Reserve-State Funds for reasonable expenses incurred by July 1, 2009, for personnel to carry out the Board's responsibilities under the Pool. Makes the transfer contingent on successful application for an award of federal grant funds to implement the Pool. Federal funds are to be deposited in the Start-up Reserve-Federal Funds. If the state is not awarded the expected federal funds, the General Assembly intends to hold the General Fund harmless. ¶ *Effective Dates.* Reserve and appropriation provisions become effective July 1, 2007, and expire July 1, 2009. Remainder is effective when it becomes law. Enrollment in the Pool is to begin by January 1, 2009.

Intro. by Insko.

GS 58, 120, STUDY

February 27, 2007

H 265. ESTABLISH HIGH RISK POOL. Filed 2/19/07. House committee substitute makes the following changes to 1st edition. Makes technical changes to GS 58-50-290(b1) regarding assessments and limitations.

March 6, 2007

H 265. ESTABLISH HIGH-RISK POOL. Filed 2/19/07. House committee substitute makes the following changes to 2nd edition. Amends definition of *Commissioner* to include the Commissioner of Insurance of North Carolina's authorized designee. Specifies that the Governor, President Pro Tem. of the Senate, and Speaker of the House of Representatives' initial appointees to the Board of the North Carolina Health Insurance Risk Pool serve a term of three years and four of the commissioner's specified appointees serve a term of two years and four serve a term of one year (was, three initial appointees serve for three years, four serve for one year, and four serve for two years). Limits members to two successive terms (was, member's term continues until a successor is appointed by the original appointing authority). Provides that vacancies are to be filled by the appointing authority for the unexpired portion of the term. Requires the board to meet at least quarterly upon the call of the chair and provides that a majority of the total membership of the commission constitutes a quorum. Provides that board members are public servants and subject to the State Government Ethics Act (was, board members must comply with GS 14-234 prohibiting conflicts of interest). Directs the board, upon the executive director's recommendation, to adopt rules regarding and adjusting the lifetime limits and per individual combined coinsurance and deductibles. Provides that interest or investment income earned at the end of the fiscal year on the Start-up Reserve—State Funds is to be transferred to the general fund. Removes interest and investment income earned from the

Start-up Reserve—State Funds from the calculation of the amount that the transfer to the general fund is not to exceed. Renumbers statutes throughout the bill and makes conforming changes. Makes technical changes. Amends title.

March 29, 2007

H 265. ESTABLISH HIGH-RISK POOL. Filed 2/19/07. House committee substitute makes the following changes to 3rd edition. Modifies proposed GS 58-50-175 to clarify that the term *federally defined eligible individual* has the same meaning as the defined term *eligible individual* in GS 58-68-60(b). Modifies proposed GS 58-50-220 to remove the January 1, 2014, expiration date for amounts assessed each insurer by the Pool. Clarifies in Section 2.1 that it is the Commissioner of Insurance who allocates funds from the start-up reserves. Adds a severability clause. Makes technical changes in proposed GS 58-50-180(c) and in Section 2.1 and renumbers proposed GS 58-50-220 (reserve created).

April 18, 2007

H 265. ESTABLISH HIGH-RISK POOL. Filed 2/19/07. House committee substitute makes the following changes to 4th edition. Amends GS 58-50-190(d) to require providers rendering medical care to accept payment of an amount established in the subsection, *including* (was, *less*) any applicable deductible, coinsurance, or co-payment amounts, as payment in full. Removes the \$850,000 appropriation to the Start-up Reserve—State Funds. Amends the effective date to provide that the act becomes effective upon the General Assembly's appropriation of funds to the Start-up Reserve—State Funds (was, Sections 2.1, 2.2, and 3 are effective July 1, 2007, and the remainder when the act becomes law) and provides that nothing in the act requires the General Assembly to appropriate funds to implement the act.

April 30, 2007

H 265. ESTABLISH HIGH-RISK POOL. Filed 2/19/07. House amendment makes the following changes to 5th edition. Makes technical changes to cross references in proposed GS 58-50-180(c).

July 23, 2007

H 265. ESTABLISH HEALTH INSURANCE RISK POOL (NEW). Filed 2/19/07. Senate committee substitute makes the following changes to 6th edition. Modifies proposed new GS 58-50-175 to revise the definitions of *covered person* and *insurer*, add a definition of *special fund*, and delete the definitions of *reserve* and *state health plan*. Modifies proposed new GS 58-50-180 to require that a member of the Board of the NC Health Insurance Risk Pool be a health policy researcher or health economist with experience relating to the operation of health insurance risk pools (was, high-risk insurance pools). Provides that the pool has the power to provide for health and wellness programs including a smoking cessation initiative. Removes the pool's power to assess all insurers in accordance with GS 58-50-220. Modifies proposed new GS 58-50-190 to require pool rates to be 150% to 200% (was, 175%) of rates established as applicable for individual standard rates. Allows (was, requires) the Executive Director, with the approval of the Board of Directors of the Pool (board) and the Commissioner of Insurance, to develop incentive programs with premium discounts.

Modifies proposed new GS 58-50-205 to provide that the board may establish categories of disease that may be more seriously affected by lifetime limits when adopting or adjusting lifetime limits. Deletes proposed GS 58-50-220 (assessments). Modifies proposed new GS 58-50-225 by replacing the proposed Reserve for the North Carolina Health Insurance Risk Pool with the North Carolina Health Insurance Risk Pool Special Fund consisting of premiums, fees, and other receipts occurring in connection with the pool; an annual General Fund appropriation of \$21.2 million; and gifts, grants, and other appropriations. Modifies proposed new GS 58-50-255 to remove the requirement that the board review on an annual basis the extent to which assessments meet or exceed amounts necessary for coverage and board operations. Removes

the repeal of GS 58-50-220(c), which was effective January 1, 2014, and the changes to GS 58-50-220(b), which were to be effective January 1, 2014.

Modifies the Start-up Reserve State Funds to remove the provision making the allocation of funds contingent upon the successful application to and award of federal funds. Provides that any funds unspent at the end of the fiscal year do not revert to the General Fund but are transferred to the North Carolina Health Insurance Risk Pool Special Fund. Also amends the Start-up Reserve Federal Funds to require federal funds to be expended and accounted for in accordance with requirements of the federal grant. Appropriates \$250,000 for 2007-08 from the General Fund to the Start-up Reserve State Funds. Repeals GS 105-129.16E, credit for small business employee health benefits. Transfers \$5 million for 2008-09 from the Health and Wellness Trust Fund to the State Controller to be deposited into Intra State transfers. Effective July 1, 2008, requires the Teachers' and State Employees' Comprehensive Major Medical Plan to pay an annual surcharge of \$1.50 per member per month to the North Carolina Health Insurance Risk Pool Special Fund. Amends the effective date to provide that provisions concerning the North Carolina Health Insurance Risk Pool Special Fund are effective July 1, 2007. Makes technical and conforming changes. Conforms the title.

July 26, 2007

H 265. ESTABLISH HEALTH INSURANCE RISK POOL. Filed 2/19/07. Senate amendment makes the following changes to 7th edition. Makes technical change only in Section 6 of the bill.

July 31, 2007

H 265. ESTABLISH HEALTH INSURANCE RISK POOL. Filed 2/19/07. Senate amendments make the following changes to 8th edition. Amendment #1 adds an exclusion from the definition of *insurer* in proposed GS 58-50-175, modifies proposed GS 58-50-180 to clarify that the risk pool is not an instrumentality of the state, and modifies proposed GS 58-50-195(c), governing who is ineligible for coverage under the risk pool. Amendment #2 deletes the proposed repeal of GS 105-129.16E (credit for small business employee health benefits) and enacts new GS 150-228.5B to require the State Treasurer to annually transfer specified amounts from premiums tax collections to the Health Insurance Risk Pool Special Fund. Makes a conforming change to proposed GS 58-50-225 (Health Insurance Risk Pool Special Fund). The amount to be transferred is reduced beginning with the transfer at the end of the 2009-10 fiscal year.

September 4, 2007

SL 2007-532 (H 265). ESTABLISH HEALTH INSURANCE RISK POOL. AN ACT TO ESTABLISH THE NORTH CAROLINA HEALTH INSURANCE RISK POOL. Summarized in *Daily Bulletin* 2/20/07, 2/27/07, 3/6/07, 3/29/07, 4/18/07, 4/30/07, 7/23/07, 7/26/07, and 7/31/07. Enacted August 31, 2007. Sections 2.1, 2.2, and 3 are effective July 1, 2007. The remainder is effective August 31, 2007.