

March 27, 2007

S 1512. HEALTH INSURANCE RISK POOL/HEALTHY NC. Filed 3/27/07. *TO ENACT THE "HEALTHY NC" PROGRAM TO FACILITATE THE AVAILABILITY OF AFFORDABLE ACCIDENT AND HEALTH INSURANCE COVERAGE TO SMALL EMPLOYERS, SELF-EMPLOYED INDIVIDUALS, AND UNINSURED WORKERS; TO CREATE THE NORTH CAROLINA HEALTH INSURANCE RISK POOL TO HELP MEET THE HEALTH INSURANCE COVERAGE NEEDS OF INDIVIDUALS WHO CANNOT OBTAIN AFFORDABLE HEALTH INSURANCE BECAUSE OF HIGH-RISK HEALTH CONDITIONS; AND TO APPROPRIATE FUNDS FOR THE IMPLEMENTATION OF THIS ACT.*

Healthy NC. Enacts new Part 6 of Article 50 of GS Chapter 58 establishing the Healthy NC Program, effective January 1, 2008. Requires every insurer that offers individual health benefit plans, group health benefits plans, or both, that is among the 15 insurers with the highest health benefit plan market share in the state to offer qualifying group and individual health insurance contracts. The program must be evaluated annually and the Commissioner of Insurance (Commissioner) must report annually on the status of the program to the General Assembly and must make recommendations on specific issues. Qualifying health insurance contracts and the contract rates must be approved by the Commissioner. Subjects coverage under a qualifying health insurance contract to preexisting condition limitations. Provides that qualifying small employers electing to provide coverage provided under the program must make coverage available to employees' dependents. Sets out eligibility requirements for the purchase or renewal of a qualifying health insurance contract by small employers, self-employed individuals, and uninsured employed individuals. Provides for when an employer ceases to be a qualifying small employer, imposing waiting periods, and for the coverage of part-time employees. Also provides that specific requirements for uninsured employed individuals do not apply when the individual had health insurance coverage during the previous 12 months and the coverage was terminated due to listed circumstances. Establishes the process for applying for qualifying health insurance contracts, and sets duties of the participating insurers. Requires that covered services and deductibles, co-payments, and other limitations on coverage include coverage for mental health services and prescription drugs. Sets conditions that premium rate calculations are subject to.

Stop loss funds/insurance. Requires the Commissioner to establish the "Small Employer Stop Loss Fund" from which participating insurers may receive reimbursement for claims paid by the insurer and to establish the "Qualifying Individual Stop Loss Fund" from which participating insurers may receive reimbursement for claims paid by the insurer for members covered under qualifying individual health insurance contracts. Beginning January 1, 2008, participating insurers may receive reimbursement for 90% of claims paid in the preceding calendar year on behalf of each member covered under a standardized contract. If claims paid on behalf of a covered member reach or exceed \$75,000 in a calendar year, no further claims paid on behalf of the member are eligible for reimbursement in that calendar year. Provides that the Commissioner must suspend enrollment under qualifying insurance contracts if it is determined that the total enrollment exceed the total eligible enrollment for each type of contract, resulting in annual expenditures from the fund in excess of the total funds available. Requires the premium rates established for qualifying health insurance contracts to recognize the availability of reimbursements from the funds. Directs the Commissioner to require the submission of claims data in connection with each participating insurer's annual submission of Fund reimbursement requests. Lists data that may be submitted. Authorizes insurers authorized to issue stop loss insurance.

Appropriations. Appropriates \$100,000 for 2007-08 from the General Fund to the Reserve for Healthy NC for administrative costs in implementing the act. Appropriates \$5 million for 2008-09 from the General Fund to the Reserve for Healthy NC to pay claims that exceed the claims corridor.

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 seven members appointed as specified in act. Requires the Pool's Executive Director, on or before January 1, 2008, to notify the Centers for Medicare and Medicaid Services that the pool has been established and request that the North Carolina Health Insurance Risk Pool be approved as an acceptable alternative

mechanism.¶ *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. Requires the Board to submit an annual report to the Commissioner, Speaker, and the President Pro Tem., regarding earned premiums, plan enrollment, administrative expenses, and losses. Provides for indemnification in performance of duties for the Pool, Executive Director, and 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. Also requires the Board to monitor methods of financing the Pool to ensure stable funding, sets other issues that must be reviewed, and requires the Board to report its findings to the General Assembly annually, beginning on March 1, 2008.¶ *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 at least 150% and no more than 200% of rates established as applicable for individual standard rates, and that rates and rate schedules be approved by the Commissioner before the Pool may use them. ¶ *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 from two insurers, (2) two offers to issue insurance only with conditional riders, (3) a refusal by two insurers 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) eligibility under the Health Insurance Portability and Accountability Act of 1996, or (6) the individual's legal domicile in NC and eligibility for health insurance costs under the Trade Adjustment Assistance Reform Act of 2002. Provides that each dependent of an individual eligible for Pool coverage is also eligible for pool coverage. 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) the Pool has paid out the lifetime maximum benefits, (5) they are an inmate or a resident of a public institution, (6) they have their premiums paid by a government-sponsored program or government agency or health care provider (with specified narrow exceptions), or (7) 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 employee from group health insurance provided in connection with the employee's employment.¶ *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 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. Provides that each insurer must not be assessed an amount exceeding \$2 per covered individual insured by each insurer per month. Establishes a procedure for submission of complaints against the Board. Requires the State Auditor to conduct an annual special audit of the Pool. ¶ *Trust*

fund. Establishes the North Carolina Health Insurance Risk Pool Trust Fund in the Office of the State Treasurer. Provides that all premiums, fees, charges, assessments, refunds, or other receipts arising in connection with the Pool must be deposited into the trust fund. Appropriates \$1 million for 2007-08 from the General Fund to the North Carolina Health Insurance Risk Pool Trust Fund, contingent upon the successful award of federal grant funds to implement the Pool, to support expenses for personnel to carry out the Board's responsibilities incurred on or before July 1, 2009.

Intro. by Dalton.

GS 58, APPROP