

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2011

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HOUSE BILL 161
PROPOSED COMMITTEE SUBSTITUTE H161-PCS11056-RC-3

Short Title: Transfer State Health Plan to State Treasurer.

(Public)

Sponsors:

Referred to:

February 23, 2011

A BILL TO BE ENTITLED

AN ACT TO TRANSFER THE NORTH CAROLINA STATE HEALTH PLAN FOR
TEACHERS AND STATE EMPLOYEES TO THE DEPARTMENT OF STATE
TREASURER.

The General Assembly of North Carolina enacts:

SECTION 1. The North Carolina State Health Plan for Teachers and State
Employees is transferred to the Department of State Treasurer. This transfer shall have all the
elements of a Type II transfer, as defined by G.S. 143A-6.

SECTION 2. G.S. 135-43(b) reads as rewritten:

"§ 135-43. **Confidentiality of information and medical records; provider contracts.**

(b) Notwithstanding the provisions of this Article, the Executive Administrator and
Board of Trustees of the State Health Plan for Teachers and State Employees may contract with
providers of institutional and professional medical care and services to establish preferred
provider networks.

The terms of a contract between the Plan and its third party administrator or between the
Plan and its pharmacy benefit manager are a public record except that the terms in those
contracts that contain trade secrets or proprietary or competitive information are not a public
record under Chapter 132 of the General Statutes, and any such proprietary or competitive
information and trade secrets contained in the contract shall be redacted by the Plan prior to
making it available to the public. This subsection shall not be construed to prevent or restrict
the release of any information made not a public record under this subsection to the State
Treasurer, the State Auditor, the Attorney General, the Director of the State Budget, the Plan's
Board of Trustees, and the Plan's Executive ~~Administrator, and the Committee on Employee
Hospital and Medical Benefits~~ Administrator solely and exclusively for their use in the
furtherance of their duties and responsibilities, and to the Department of Health and Human
Services solely for the purpose of implementing the transition of NC Health Choice from the
Plan to the Department of Health and Human Services. The design, adoption, and
implementation of the preferred provider contracts, networks, and optional alternative
comprehensive health benefit plans, and programs available under the optional alternative
plans, as authorized under G.S. 135-45 are not subject to the requirements of Article 3 of
Chapter 143 of the General Statutes. The Executive Administrator and Board of Trustees shall
make reports as requested to the President of the Senate, the President Pro Tempore of the
Senate, the Speaker of the House of Representatives, and the ~~Committee on Employee Hospital
and Medical Benefits~~ State Treasurer."



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1 **SECTION 3.** G.S. 135-43.1 is repealed.

2 **SECTION 4.** G.S. 135-43.2 is repealed.

3 **SECTION 5.** G.S. 135-43.3 reads as rewritten:

4 "**§ 135-43.3. Oversight team.**~~Oversight.~~

5 (a) ~~The Committee on Employee Hospital and Medical Benefits.~~The General Assembly
6 may use employees of the Legislative Services Office and may employ contractual services as
7 ~~approved by the Legislative Services Commission~~ to monitor the Executive Administrator and
8 Board of Trustees, the Claims Processor, and the ~~Comprehensive Major Medical Plan.~~State
9 Health Plan for Teachers and State Employees. The Director of the Budget may use employees
10 of the Office of State Budget and Management to monitor the Executive Administrator and
11 Board of Trustees, the Claims Processor, and the ~~Comprehensive Major Medical Plan.~~State
12 Health Plan for Teachers and State Employees.~~Employees authorized by the Legislative~~
13 ~~Services Commission and the Director of the Budget to provide assistance to the Committee on~~
14 ~~Employee Hospital and Medical Benefits and to the Director of the Budget shall comprise an~~
15 ~~oversight team.~~

16 (b) ~~The oversight team shall, jointly or individually,~~Director of the Budget and the State
17 Treasurer or their designees and the employees of the Legislative Services Office shall have
18 access to all records of the Board of Trustees, the Executive Administrator, the Claims
19 Processor, and the Plan. ~~The oversight team shall, jointly or individually,~~Director of the Budget
20 and the State Treasurer or their designees and the employees of the Legislative Services Office
21 shall be entitled to attend all meetings of the Board of Trustees.

22 (c) ~~The oversight team shall report to the Committee on Employee Hospital and~~
23 ~~Medical Benefits when requested by the Committee."~~

24 **SECTION 6.** G.S. 135-43.6 reads as rewritten:

25 "**§ 135-43.6. Reports to the General Assembly.**

26 The Executive Administrator and Board of Trustees shall report to the General Assembly at
27 such times and in such forms as shall be designated by ~~the Committee on Employee Hospital~~
28 ~~and Medical Benefits.~~the President Pro Tempore of the Senate and the Speaker of the House of
29 Representatives."

30 **SECTION 7.** G.S. 135-44.2 reads as rewritten:

31 "**§ 135-44.2. Executive Administrator.**

32 (a) The Plan shall have an Executive Administrator and a Deputy Executive
33 Administrator. The Executive Administrator and the Deputy Executive Administrator positions
34 are exempt from the provisions of Chapter 126 of the General Statutes as provided in
35 G.S. 126-5(c1).

36 (b) The Executive Administrator shall be appointed by the ~~State Health Plan~~
37 ~~Administrative Commission.~~State Treasurer. The term of employment and salary of the
38 Executive Administrator shall be set by the ~~State Health Plan Administrative Commission upon~~
39 ~~the advice of an executive committee of the Committee on Employee Hospital and Medical~~
40 ~~Benefits.~~State Treasurer.

41 The Executive Administrator may be removed from office by the ~~State Health Plan~~
42 ~~Administrative Commission, upon the advice of an executive committee of the Committee on~~
43 ~~Employee Hospital and Medical Benefits,~~State Treasurer, and any vacancy in the office of
44 Executive Administrator may be filled by the ~~State Health Plan Administrative Commission~~
45 ~~with the term of employment and salary set upon the advice of an executive committee of the~~
46 ~~Committee on Employee Hospital and Medical Benefits.~~State Treasurer.

47 (c) The Executive Administrator shall appoint the Deputy Executive Administrator and
48 may employ such clerical and professional staff, and such other assistance as may be necessary
49 to assist the Executive Administrator and the Board of Trustees in carrying out their duties and
50 responsibilities under this Article. The Executive Administrator may designate managerial,
51 professional, or policy-making positions as exempt from the State Personnel Act. The

1 Executive Administrator may also negotiate, renegotiate and execute contracts with third
2 parties in the performance of the Executive Administrator's duties and responsibilities under
3 this Article; provided any contract negotiations, renegotiations and execution with a Claims
4 Processor, with an optional alternative comprehensive health benefit plan, or program
5 thereunder, authorized under G.S. 135-45, with a preferred provider of institutional or
6 professional hospital and medical care, or with a pharmacy benefit manager shall be done only
7 after consultation with the ~~Committee on Employee Hospital and Medical Benefits.~~State
8 Treasurer.

9 (d) The Executive Administrator shall be responsible for:

- 10 (1) Cost management programs;
- 11 (2) Education and illness prevention programs;
- 12 (3) Training programs for Health Benefit Representatives;
- 13 (4) Membership functions;
- 14 (5) Long-range planning;
- 15 (6) Provider and participant relations; and
- 16 (7) Communications.

17 Managed care practices used by the Executive Administrator in cost management programs
18 are subject to the requirements of G.S. 58-3-191, 58-3-221, 58-3-223, 58-3-235, 58-3-240,
19 58-3-245, 58-3-250, 58-3-265, 58-67-88, and 58-50-30.

20 (e) The Executive Administrator shall make reports and recommendations on the Plan
21 to the President of the Senate, the Speaker of the House of ~~Representatives and the Committee~~
22 ~~on Employee Hospital and Medical Benefits.~~Representatives."

23 **SECTION 7.1.** G.S. 135-44.4(31) reads as rewritten:

24 "**§ 135-44.4. Powers and duties of the Executive Administrator and Board of Trustees.**

25 The Executive Administrator and Board of Trustees of the Teachers' and State Employees'
26 Comprehensive Major Medical Plan shall have the following powers and duties:

27 ...

- 28 (31) The Plan shall conduct a monthly review of Plan costs as compared to the
29 same month in the immediately preceding year and a comparison of
30 projected costs and savings to actual costs and savings. The Plan shall report
31 the results of the review to the ~~Committee on Employee Hospital and~~
32 ~~Medical Benefits and the State Health Plan Blue Ribbon Task Force~~ State
33 Treasurer and the General Assembly at least semiannually."

34 **SECTION 7.2.** G.S. 135-44.6(a) reads as rewritten:

35 "**§ 135-44.6. Premiums set.**

36 (a) The Executive Administrator and Board of Trustees shall, from time to time,
37 recommend to the General Assembly the establishment or adjustment of premium rates for the
38 Plan and based on premium rates enacted by the General Assembly shall adopt rules for
39 payment of the premiums. Premium rates shall be established for coverages where Medicare is
40 the primary payer of health benefits separate and apart from the rates established for coverages
41 where Medicare is not the primary payer of health benefits. The amount of State funds
42 contributed for optional coverage for employees and retirees on a partially contributory basis
43 shall not be more than the Plan's total noncontributory premium for Employee Only coverage,
44 with the person selecting the coverage paying the balance of the partially contributory premium
45 not paid by the Plan. The amount of State funds contributed shall not exceed the Plan's cost for
46 Employee Only coverage. The Executive Administrator and Board of Trustees shall not impose
47 a partially contributory premium until after it has consulted on the premium and the optional
48 coverage design with the ~~Committee on Employee Hospital and Medical Benefits.~~State
49 Treasurer."

50 **SECTION 8.** G.S. 135-44.7(a) reads as rewritten:

51 "**§ 135-44.7. Administrative review.**

1 (a) If, after exhaustion of internal appeal handling as outlined in the contract with the
2 Claims Processor any person is aggrieved, the Claims Processor shall bring the matter to the
3 attention of the Executive Administrator and Board of Trustees, which shall promptly decide
4 whether the subject matter of the appeal is a determination subject to external review under Part
5 4 of Article 50 of Chapter 58 of the General Statutes. The Executive Administrator and Board
6 of Trustees shall inform the aggrieved person and the aggrieved person's provider of the
7 decision and shall provide the aggrieved person notice of the aggrieved person's right to appeal
8 that decision as provided in this subsection. If the Executive Administrator and Board of
9 Trustees decide that the subject matter of the appeal is not a determination subject to external
10 review, then the Executive Administrator and Board of Trustees may make a binding decision
11 on the matter in accordance with procedures established by the Executive Administrator and
12 Board of Trustees. The Executive Administrator and Board of Trustees shall provide a written
13 summary of the decisions made pursuant to this section to all employing units, all health benefit
14 representatives, the oversight ~~team~~agencies provided for in G.S. 135-43.3, all relevant health
15 care providers affected by a decision, and to any other parties requesting a written summary
16 and approved by the Executive Administrator and Board of Trustees to receive a summary
17 immediately following the issuance of a decision. A decision by the Executive Administrator
18 and Board of Trustees that a matter raised on internal appeal is a determination subject to
19 external review as provided in subsection (b) of this section may be contested by the aggrieved
20 person under Chapter 150B of the General Statutes. The person contesting the decision may
21 proceed with external review pending a decision in the contested case under Chapter 150B of
22 the General Statutes."

23 **SECTION 9.** G.S. 135-44.8 reads as rewritten:

24 **"§ 135-44.8. Rules.**

25 The Executive Administrator and Board of Trustees may adopt rules to implement Parts 2,
26 3, 4, and 5 of this Article. The Executive Administrator and Board of Trustees shall provide to
27 all employing units, all health benefit representatives, the oversight ~~team~~agencies provided for
28 in G.S. 135-43.3, all relevant health care providers affected by a rule, and to any other persons
29 requesting a written description and approved by the Executive Administrator and Board of
30 Trustees written notice and an opportunity to comment not later than 30 days prior to adopting,
31 amending, or rescinding a rule, unless immediate adoption of the rule without notice is
32 necessary in order to fully effectuate the purpose of the rule. Rules of the Board of Trustees
33 shall remain in effect until amended or repealed by the Executive Administrator and Board of
34 Trustees. The Executive Administrator and Board of Trustees shall provide a written
35 description of the rules adopted under this section to all employing units, all health benefit
36 representatives, the oversight ~~team~~agencies provided for in G.S. 135-43.3, all relevant health
37 care providers affected by a rule, and to any other persons requesting a written description and
38 approved by the Executive Administrator and Board of Trustees on a timely basis. Rules
39 adopted by the Executive Administrator and Board of Trustees to implement this Article are not
40 subject to Article 2A of Chapter 150B of the General Statutes."

41 **SECTION 10.** G.S. 135-45.7 reads as rewritten:

42 **"§ 135-45.7. Prior approval procedures.**

43 The Executive Administrator and Board of Trustees may establish procedures to require
44 prior medical approval and may implement the procedures after consultation with the
45 ~~Committee on Employee Hospital and Medical Benefits.~~State Treasurer."

46 **SECTION 11.** G.S. 135-45.10(d) reads as rewritten:

47 **"§ 135-45.10. Persons eligible for Medicare; optional participation in other Medicare
48 products.**

49 ...

50 (d) Notwithstanding the foregoing provisions of this section or any other provisions of
51 the Plan, the Executive Administrator and Board of Trustees may enter into negotiations with

1 the Centers for Medicare and Medicaid Services, U.S. Department of Health and Human
2 Services, in order to secure a more favorable coordination of the Plan's benefits with those
3 provided by Medicare, including but not limited to, measures by which the Plan would provide
4 Medicare benefits for all of its Medicare-eligible members in return for adequate payments
5 from the federal government in providing such benefits. Should such negotiations result in an
6 agreement favorable to the Plan and its Medicare-eligible members, the Executive
7 Administrator and Board of Trustees may, after consultation with the ~~Committee on Employee~~
8 ~~Hospital and Medical Benefits~~, State Treasurer, implement such an agreement which shall
9 supersede all other provisions of the Plan to the contrary related to its payment of claims for
10 Medicare-eligible members."

11 **SECTION 12.** G.S. 135-45.11 reads as rewritten:

12 "**§ 135-45.11. Cost-savings initiatives and incentive programs authorized.**

13 (a) Cost-Saving Initiatives. – Coverage of Over-the-Counter Medications. – The
14 Executive Administrator and Board of Trustees may authorize coverage for over-the-counter
15 medications as recommended by the Plan's pharmacy and therapeutics committee. In approving
16 for coverage one or more over-the-counter medications, the Executive Administrator and Board
17 of Trustees shall ensure that each recommended over-the-counter medication has been analyzed
18 to ensure medical effectiveness and Plan member safety. The analysis shall also address the
19 financial impact on the Plan. The Executive Administrator and Board of Trustees may impose a
20 co-payment to be paid by each covered individual for each packaged over-the-counter
21 medication. The Executive Administrator and Board of Trustees may adopt policies
22 establishing limits on the amount of coverage available for over-the-counter medications for
23 each covered individual over a 12-month period. Prior to implementing policy and co-payment
24 changes authorized under this section, the Executive Administrator and Board of Trustees shall
25 submit the proposed policies and co-payments to the ~~Committee on Employee Hospital and~~
26 ~~Medical Benefits~~, State Treasurer for its review.

27 (b) Incentive Programs. – For the purposes of helping Plan members to achieve and
28 maintain a healthy lifestyle without impairing patient care, and to increase cost effectiveness in
29 Plan coverage, the Executive Administrator and Board of Trustees may adopt programs
30 offering incentives to Plan members to encourage changes in member behavior or lifestyle
31 designed to improve member health and promote cost-efficiency in the Plan. Participation in
32 one or more incentive programs is voluntary on the part of the Plan member. Before adopting
33 an incentive program, the Executive Administrator and Board of Trustees shall conduct an
34 impact analysis on the proposed incentive program to determine (i) whether the program is
35 likely to result in significant member satisfaction, (ii) that it will not adversely affect quality of
36 care, and (iii) whether it is likely to result in significant cost savings to the Plan. The impact
37 analysis may be conducted by a committee of the Plan, in conjunction with the Plan's
38 consulting actuary, provided that the Plan's medical director participates in the analysis. An
39 approved incentive plan may provide for a waiver of deductibles, co-payments, and
40 coinsurance required under this Article in order to determine the effectiveness of the incentive
41 program in promoting the health of members and increasing cost-effectiveness to the Plan. The
42 Executive Administrator and Board of Trustees shall, before implementing incentive programs
43 authorized under this section, submit the proposed programs to the ~~Committee on Employee~~
44 ~~Hospital and Medical Benefits~~, State Treasurer for review."

45 **SECTION 13.** G.S. 135-45.13(b) reads as rewritten:

46 "**§ 135-45.13. Conversion.**

47 ...

48 (b) The Executive Administrator and Board of Trustees shall provide for the
49 continuation of conversion privilege exercised under the predecessor plan, on a fully
50 contributory basis. The Executive Administrator and Board of Trustees shall consult with the

1 ~~Committee on Employee Hospital and Medical Benefits~~ State Treasurer before taking action
2 under this subsection."

3 **SECTION 14.** This act becomes effective September 1, 2011.