

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2017

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SENATE BILL 368  
PROPOSED HOUSE COMMITTEE SUBSTITUTE S368-PCS15318-SH-42

Short Title: Update False Claims Act/Rare Disease Appt/HIE.

(Public)

Sponsors:

Referred to:

March 27, 2017

A BILL TO BE ENTITLED

AN ACT TO ALIGN THE NORTH CAROLINA FALSE CLAIMS ACT WITH THE FEDERAL FALSE CLAIMS ACT; TO EXTEND THE TERMS FOR THE CURRENT MEMBERS OF THE ADVISORY COUNCIL ON RARE DISEASES; AND TO EXTEND PARTICIPATION IN THE HIE NETWORK FOR CERTAIN PROVIDERS.

The General Assembly of North Carolina enacts:

**SECTION 1.** G.S. 1-606(7) is repealed.

**SECTION 2.** G.S. 1-607(a) reads as rewritten:

**"§ 1-607. False claims; acts subjecting persons to liability for treble damages; costs and civil penalties; exceptions.**

(a) Liability. – Any person who commits any of the following acts shall be liable to the State for three times the amount of damages that the State sustains because of the act of that person. A person who commits any of the following acts also shall be liable to the State for the costs of a civil action brought to recover any of those penalties or damages and shall be liable to the State for a civil penalty of not less than five thousand five hundred dollars (\$5,500) and not more than eleven thousand dollars (~~\$11,000~~)-(\$11,000), as may be adjusted by Section 5 of the Federal Civil Penalties Inflation Adjustment Act of 1990, P.L. 101-410, as amended, for each violation:

...."

**SECTION 3.** G.S. 1-608(b) reads as rewritten:

"(b) Actions by Private Persons. – A person may bring a civil action for a violation of G.S. 1-607 for the person and for the State, as follows:

(1) The action shall be brought in the name of the State, and the person bringing the action shall be referred to as the qui tam plaintiff. ~~Once filed, the~~ The action may be dismissed ~~voluntarily by the person bringing the action~~ only if the court and Attorney General have given written consent to the ~~dismissal~~ dismissal and the reasons for consenting.

(2) A copy of the complaint and written disclosure of substantially all material evidence and information the person possesses shall be served on the Attorney General pursuant to applicable rules of the North Carolina Rules of Civil Procedure. The complaint shall be filed in camera, shall remain under seal for at least 120 days, and shall not be served on the defendant until the court so orders. The State may elect to intervene and proceed with the action within 120 days after it receives both the complaint and the material evidence and information.



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1 (3) The State may, for good cause shown, move the court for extensions of the  
 2 time during which the complaint remains under seal under subdivision (2) of  
 3 this subsection. Any such motions may be supported by affidavits or other  
 4 submissions in camera. The defendant shall not be required to respond to any  
 5 complaint filed under this section until 30 days after the complaint is unsealed  
 6 and served upon the defendant pursuant to the North Carolina Rules of Civil  
 7 Procedure.

8 (4) Before the expiration of the 120-day period or any extensions obtained under  
 9 subdivision (3) of this subsection, the State shall:

10 a. Proceed with the action, in which case the action shall be conducted  
 11 by the State; or

12 b. Notify the court that it declines to take over the action, in which case  
 13 the person bringing the action shall have the right to conduct the  
 14 action.

15 ~~(5) When a person brings an action under this subsection, the federal False Claims~~  
 16 ~~Act, 31 U.S.C. § 3729 et seq., or any similar provision of law in any other~~  
 17 ~~state, no person other than the State may intervene or bring a related action~~  
 18 ~~based on the facts underlying the pending action; provided, however, that~~  
 19 ~~nothing in this subdivision prohibits a person from amending a pending action~~  
 20 ~~in another jurisdiction to allege a claim under this subsection.~~

21 When a person brings an action under this subsection, no person other than the State may  
 22 intervene or bring a related action based on the facts underlying the pending action."

23 **SECTION 4.** G.S. 1-610(b) reads as rewritten:

24 "(b) Where the action is one which the court finds to be based primarily on disclosures of  
 25 specific information, other than information provided by the qui tam plaintiff, relating to  
 26 allegations or transactions (i) in a State criminal, civil, or administrative hearing ~~at the State or~~  
 27 ~~federal level, hearing, (ii) in a congressional, State legislative, administrative, General~~  
 28 ~~Accounting Office, or Office of the State Auditor's Auditor, or other State~~ report, hearing, audit,  
 29 or investigation, or (iii) from the news media, the court may award such sums as it considers  
 30 appropriate, but in no case more than ten percent (10%) of the proceeds, taking into account the  
 31 significance of the information and the role of the qui tam plaintiff in advancing the case to  
 32 litigation."

33 **SECTION 5.** G.S. 1-611 reads as rewritten:

34 "**§ 1-611. Certain actions barred.**

35 (a) No court shall have jurisdiction over an action brought under G.S. 1-608(b) against a  
 36 member of the General Assembly, a member of the judiciary, or a senior executive branch official  
 37 acting in their official capacity if the action is based on evidence or information known to the  
 38 State when the action was brought.

39 (b) In no event may a person bring an action under G.S. 1-608(b) that is based upon  
 40 allegations or transactions that are the subject of a civil suit or an administrative civil money  
 41 penalty proceeding in which the State is already a party.

42 ~~(c) No civil action may be brought under this Article by a person who is or was a public~~  
 43 ~~employee or public official if the allegations of such action are based substantially upon either~~  
 44 ~~of the following:~~

45 ~~(1) Allegations of wrongdoing or misconduct which such person had a duty or~~  
 46 ~~obligation to report or investigate within the scope of his or her public~~  
 47 ~~employment or office.~~

48 ~~(2) Information or records to which the person had access as a result of his or her~~  
 49 ~~public employment or office.~~

50 ~~(d) No court shall have jurisdiction over an action under G.S. 1-608(b) based upon the~~  
 51 ~~public disclosure of allegations or transactions (i) in a criminal, civil, or administrative hearing~~

1 at the State or federal level, (ii) in a congressional, legislative, administrative, General  
 2 Accounting Office, or State Auditor's report, hearing, audit, or investigation, or (iii) from the  
 3 news media, unless the action is brought by the Attorney General, or the person bringing the  
 4 action is an original source of the information. For purposes of this section, "original source"  
 5 means an individual who has direct and independent knowledge of the information on which the  
 6 allegations are based and has voluntarily provided the information to the State before filing an  
 7 action under G.S. 1-608(b) that is based on the information.

8 (e) Unless opposed by the State, the court shall dismiss an action or claim under this  
 9 Article if substantially the same allegations or transactions as alleged in the action or claim were  
 10 publicly disclosed by any of the following:

- 11 (1) A State criminal, civil, or administrative hearing in which the State or its agent  
 12 is a party.
- 13 (2) A State legislative, Office of the State Auditor, or other State report, hearing,  
 14 audit, or investigation.
- 15 (3) The news media.

16 This subsection shall not apply to any action brought by the Attorney General or when the  
 17 person bringing the action is an original source of the information.

18 (f) For the purposes of this section, the term "original source" means an individual who  
 19 meets one of the following descriptions:

- 20 (1) Prior to public disclosure under subsection (e) of this section, the individual  
 21 has voluntarily disclosed to the State the information on which allegations or  
 22 transactions in a claim are based.
- 23 (2) The individual (i) has knowledge that is independent of, and materially adds  
 24 to, the publicly disclosed allegations or transactions and (ii) has voluntarily  
 25 provided the information to the State before filing an action under this  
 26 Article."

27 **SECTION 6.** G.S. 1-613 reads as rewritten:

28 "**§ 1-613. Private action for retaliation action.**

29 Any employee, contractor, or agent who is discharged, demoted, suspended, threatened,  
 30 harassed, or in any other manner discriminated against in the terms and conditions of employment  
 31 because of lawful acts done by the employee, contractor, ~~or agent on behalf of the employee,~~  
 32 ~~contractor, or agent or agent,~~ or associated others in furtherance of an action under this Article,  
 33 ~~or in furtherance of Article~~ or other efforts to stop one or more violations of G.S. 1-607, including  
 34 ~~investigation for, initiation of, testimony for, or assistance in an action filed or to be filed under~~  
 35 ~~this Article, G.S. 1-607 shall be entitled to all relief necessary to make the employee, contractor,~~  
 36 ~~contractor, or agent whole.~~ Such relief shall include reinstatement with the same seniority status  
 37 the employee, contractor, or agent would have had but for the discrimination, two times the  
 38 amount of back pay, interest on the back pay, and compensation for any special damages  
 39 sustained as a result of the discrimination, including litigation costs and reasonable attorneys'  
 40 fees. ~~An employee, contractor, or agent may bring an action~~ may be brought in North Carolina  
 41 superior court for the relief provided in this section. A civil action under this section may not be  
 42 brought more than three years after the date when the retaliation occurred."

43 **SECTION 7.** G.S. 126-84(a) reads as rewritten:

44 "**§ 126-84. Statement of policy.**

45 (a) It is the policy of this State that State employees shall ~~be encouraged~~ have a duty to  
 46 report verbally or in writing to their supervisor, department head, or other appropriate authority,  
 47 evidence of activity by a State agency or State employee ~~constituting~~ constituting any of the  
 48 following:

- 49 (1) A violation of State or federal law, rule or ~~regulation;~~ regulation.
- 50 (2) ~~Fraud;~~ Fraud.
- 51 (3) Misappropriation of State ~~resources;~~ resources.

1 (4) Substantial and specific danger to the public health and ~~safety~~; or safety.

2 (5) Gross mismanagement, a gross waste of monies, or gross abuse of authority."

3 **SECTION 8.(a)** Notwithstanding the provisions of G.S. 130A-33.65(c) or any other  
4 provision of law, the terms of the current members of the Advisory Council on Rare Diseases are  
5 extended until July 31, 2023.

6 **SECTION 8.(b)** This section is effective when it becomes law.

7 **SECTION 9.(a)** G.S. 90-414.4 reads as rewritten:

8 "**§ 90-414.4. Required participation in HIE Network for some providers.**

9 (a) Findings. – The General Assembly makes the following findings:

10 (1) That controlling escalating health care costs of the Medicaid program and  
11 other State-funded health services is of significant importance to the State, its  
12 taxpayers, its Medicaid recipients, and other recipients of State-funded health  
13 services.

14 (2) That the State needs timely access to certain demographic and clinical  
15 information pertaining to services rendered to Medicaid and other  
16 State-funded health care program beneficiaries and paid for with Medicaid or  
17 other State-funded health care funds in order to assess performance, improve  
18 health care outcomes, pinpoint medical expense trends, identify beneficiary  
19 health risks, and evaluate how the State is spending money on Medicaid and  
20 other State-funded health services.

21 (3) That making demographic and clinical information available to the State by  
22 secure electronic means as set forth in subsection (b) of this section will, with  
23 respect to Medicaid and other State-funded health care programs, improve  
24 care coordination within and across health systems, increase care quality for  
25 such beneficiaries, enable more effective population health management,  
26 reduce duplication of medical services, augment syndromic surveillance,  
27 allow more accurate measurement of care services and outcomes, increase  
28 strategic knowledge about the health of the population, and facilitate health  
29 care cost containment.

30 (a1) Mandatory Connection to HIE Network. – Notwithstanding the voluntary nature of  
31 the HIE Network under G.S. 90-414.2, the following providers and entities shall be connected to  
32 the HIE Network and begin submitting data through the HIE Network pertaining to services  
33 rendered to Medicaid beneficiaries and to other State-funded health care program beneficiaries  
34 and paid for with Medicaid or other State-funded health care funds in accordance with the  
35 following time line:

36 (1) The following providers of Medicaid services that have an electronic health  
37 record system shall begin submitting demographic and clinical data by June  
38 1, 2018:

39 a. Hospitals as defined in G.S. 131E-176(13).

40 b. Physicians licensed to practice under Article 1 of Chapter 90 of the  
41 General Statutes.

42 c. Physician assistants as defined in 21 NCAC 32S.0201.

43 d. Nurse practitioners as defined in 21 NCAC 36.0801.

44 (2) Except as provided in ~~subdivision (3)~~ subdivisions (3), (4), and (5) of this  
45 subsection, all other providers of Medicaid and State-funded health care  
46 services shall begin submitting demographic and clinical data by June 1, 2019.

47 (3) The following entities shall submit encounter and claims data, as appropriate,  
48 in accordance with the following time line:

49 a. Prepaid Health Plans, as defined in S.L. 2015-245, by the  
50 commencement date of a capitated contract with the Division of

1 Health Benefits for the delivery of Medicaid and NC Health Choice  
2 services as specified in S.L. 2015-245.

3 b. Local management entities/managed care organizations, as defined in  
4 G.S. 122C-3, by June 1, 2020.

5 (4) The following entities shall begin submitting demographic and clinical data  
6 by June 1, 2021:

7 a. Ambulatory surgical centers as defined in G.S. 131E-146.

8 b. Dentists licensed under Article 2 of Chapter 90 of the General Statutes.

9 (5) The following entities shall begin submitting claims data by June 1, 2021:

10 a. Pharmacists registered with the North Carolina Board of Pharmacy  
11 and pharmacists licensed under Article 4A of Chapter 90 of the  
12 General Statutes.

13 (a2) Extensions of Time for Establishing Connection to the HIE Network. – The  
14 Department of Information Technology, in consultation with the Department of Health and  
15 Human Services, may establish a process to grant limited extensions of the time for providers  
16 and entities to connect to the HIE Network and begin submitting data as required by this section  
17 upon the request of a provider or entity that demonstrates an ongoing good-faith effort to take  
18 necessary steps to establish such connection and begin data submission as required by this  
19 section. The process for granting an extension of time must include a presentation by the provider  
20 or entity to the Department of Information Technology and the Department of Health and Human  
21 Services on the expected time line for connecting to the HIE Network and commencing data  
22 submission as required by this section. Neither the Department of Information Technology nor  
23 the Department of Health and Human Services shall grant an extension of time (i) to any provider  
24 or entity that fails to provide this information to both ~~Departments or Departments~~, (ii) that would  
25 result in the provider or entity connecting to the HIE Network and commencing data submission  
26 as required by this section later than June 1, ~~2020, 2020~~, or (iii) that would result in any provider  
27 or entity specified in subdivisions (4) and (5) of subsection (a1) of this section connecting to the  
28 HIE Network and commencing data submission as required by this section later than June 1,  
29 2021. The Department of Information Technology shall consult with the Department of Health  
30 and Human Services to review and decide upon a request for an extension of time under this  
31 section within 30 days after receiving a request for an extension.

32 (b) Mandatory Submission of Demographic and Clinical Data. – Notwithstanding the  
33 voluntary nature of the HIE Network under G.S. 90-414.2 and, except as otherwise provided in  
34 subsection (c) of this section, as a condition of receiving State funds, including Medicaid funds,  
35 the following entities shall submit at least twice daily, through the HIE network, demographic  
36 and clinical information pertaining to services rendered to Medicaid and other State-funded  
37 health care program beneficiaries and paid for with Medicaid or other State-funded health care  
38 funds, solely for the purposes set forth in subsection (a) of this section:

39 (1) Each hospital, as defined in G.S. 131E-176(13) that has an electronic health  
40 record system.

41 (2) Each Medicaid provider.

42 (3) Each provider that receives State funds for the provision of health services.

43 (4) Each local management entity/managed care organization, as defined in  
44 G.S. 122C-3.

45 (c) Exemption for Certain Records. – Providers with patient records that are subject to  
46 the disclosure restrictions of 42 C.F.R. § 2 are exempt from the requirements of subsection (b)  
47 of this section but only with respect to the patient records subject to these disclosure restrictions.  
48 Providers shall comply with the requirements of subsection (b) of this section with respect to all  
49 other patient records. A pharmacy or pharmacist shall only be required to submit claims data  
50 pertaining to services rendered to Medicaid and other State-funded health care program  
51 beneficiaries and paid for with Medicaid or other State-funded health care funds.

1       (c1) Exemption from Twice Daily Submission. – A pharmacy or pharmacist shall only be  
2 required to submit claims data once daily through the HIE Network.

3       (d) Method of Data Submissions. – The data submissions required under this section shall  
4 be by connection to the HIE Network periodic asynchronous secure structured file transfer or any  
5 other secure electronic means commonly used in the industry and consistent with document  
6 exchange and data submission standards established by the Office of the National Coordinator  
7 for Information Technology within the U.S. Department of Health and Human Services."

8               **SECTION 9.(b)** This section is effective when it becomes law.

9               **SECTION 10.** Except as otherwise provided, this act is effective when it becomes  
10 law and applies to actions brought on or after that date.