

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

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SENATE BILL 932

Short Title: HMO Operations.

(Public)

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Sponsors: Senator Perdue.

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Referred to: Commerce.

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April 17, 1997

A BILL TO BE ENTITLED

AN ACT TO MAKE IMPROVEMENTS IN THE OPERATIONS OF HEALTH  
MAINTENANCE ORGANIZATIONS IN NORTH CAROLINA.

The General Assembly of North Carolina enacts:

Section 1. Article 67 of Chapter 58 of the General Statutes is amended by  
adding a new section to read:

**"§ 58-67-11. Additional HMO information.**

(a) In addition to the information filed under G.S. 58-67-10(c), each application  
shall include a description of the:

(1) Program to be used to evaluate whether the applicant's provider network  
is sufficient, in numbers and types of providers, to assure that all health  
care services will be accessible without unreasonable delay.

(2) Program to be used for verifying provider credentials.

(3) Quality management program to assure quality of care and health care  
services managed and provided through the health care plan.

(4) Utilization review program for the review and control of health care  
services provided or paid for.

(5) Applicant's provider network and evidence of the ability of that network  
to provide all health care services to the applicant's prospective  
enrollees.

1 (b) G.S. 58-67-10(d) applies to the information specified in this section."

2 Section 2. G.S. 58-67-50(e) reads as rewritten:

3 "(e) Effective on January 1, 1989, every health maintenance organization shall  
4 provide at least minimum cost and utilization information for group contracts of 100 or  
5 more subscribers on an annual basis when requested by the group. Such information shall  
6 be compiled in accordance with the Data Collection Form developed by the Standardized  
7 HMO Date Form Task Force as endorsed by the Washington Business Group on Health  
8 and the Group Health Association of America on November 19, 1986, and any  
9 subsequent amendments. Beginning with data for the calendar year 1998, every HMO  
10 shall instead provide cost, use of service, prevention, outcomes, and other data as  
11 collected in accordance with the latest edition of the Health Plan Employer Data and  
12 Information Set (HEDIS) guidelines, as published by the National Committee for Quality  
13 Assurance, or in accordance with a different format if the Commissioner deems a  
14 different format to be more useful to the Department. Beginning with data for the  
15 calendar year 1998, every HMO shall file with the Department, not later than July 1 of  
16 the following calendar year, a report on its costs, use of services, and other aspects of  
17 performance, in the HEDIS format or in a format prescribed by the Commissioner."

18 Section 3. G.S. 58-67-100 reads as rewritten:

19 "**§ 58-67-100. Examinations.**

20 (a) The Commissioner may make an examination of the affairs of any health  
21 maintenance organization and the contracts, agreements or other arrangements pursuant  
22 to its health care plan as often as ~~he~~ the Commissioner deems it necessary for the  
23 protection of the interests of the people of this State but not less frequently than once  
24 every three years. Examinations shall otherwise be conducted under G.S. 58-2-131, 58-  
25 2-132, and 58-2-133.

26 ~~(b) Every health maintenance organization shall submit its books and records~~  
27 ~~relating to the health care plan to such examinations and in every way facilitate them. For~~  
28 ~~the purpose of examinations, the Commissioner may administer oaths to, and examine the~~  
29 ~~officers and agents of the health maintenance organization concerning their business.~~

30 (c) Repealed by Session Laws 1995, c. 360, s. 2(m).

31 (d) ~~In lieu of such~~ Instead of conducting an examination, the Commissioner may  
32 accept the report of an examination made by the Commissioner of Insurance or  
33 Commissioner of Public Health HMO regulator of another state."

34 Section 4. G.S. 58-67-140 reads as rewritten:

35 "**§ 58-67-140. ~~Suspension or revocation of certificate of authority.~~ License sanctions.**

36 (a) The Commissioner may ~~suspend or revoke any certificate of authority issued to~~  
37 ~~a health maintenance organization under this Article if he finds that any of the following~~  
38 ~~conditions exist: suspend, revoke, or refuse to renew any HMO license if the~~  
39 Commissioner finds that the HMO:

40 (1) ~~The health maintenance organization is~~ Is operating significantly in  
41 contravention of its basic organizational document, or in a manner  
42 contrary to that described in and reasonably inferred from any other

1 information submitted under G.S. 58-67-10, unless amendments to such  
2 submissions have been filed with and approved by the Commissioner.

3 (2) ~~The health maintenance organization issues evidence~~ Issues evidences of  
4 coverage or uses a schedule of premiums for health care services ~~which~~  
5 that do not comply with the requirements of G.S. 58-67-50.

6 (3) ~~The health maintenance organization no~~ No longer maintains the financial  
7 reserve specified in G.S. 58-67-40 or is no longer financially  
8 responsible and may reasonably be expected to be unable to meet its  
9 obligations to enrollees or prospective enrollees.

10 (4) ~~The health maintenance organization, or any person on its behalf, has~~ Has  
11 itself or through any person on its behalf advertised or merchandised its  
12 services in an untrue, misrepresentative, misleading, deceptive or unfair  
13 manner.

14 (5) ~~The continued operation of the health maintenance organization~~ Is operating  
15 in a manner that would be hazardous to its enrollees.

16 (6) ~~The health maintenance organization has otherwise failed to~~  
17 substantially comply with this Article. ~~Fails or refuses to comply with~~  
18 any law, order, or rule applicable to the HMO.

19 (7) Has knowingly published or made to the Department or to the public  
20 any false statement or report, including any report or any data which  
21 serves as the basis for any report, required to be submitted under G.S.  
22 58-67-50(e).

23 (b) ~~A certificate of authority license~~ shall be suspended or revoked only after  
24 compliance with ~~the requirements of G.S. 58-67-155.~~

25 (c) ~~When the certificate of authority of a health maintenance organization~~ an HMO  
26 license is suspended, the health maintenance organization ~~HMO~~ shall not, during the period  
27 ~~of such~~ suspension, enroll any additional enrollees except newborn children or other  
28 newly acquired dependents of existing enrollees, and shall not engage in any advertising  
29 ~~or solicitation whatsoever.~~ solicitation.

30 (d) ~~When the certificate of authority of a health maintenance organization~~ an HMO  
31 license is revoked, such organization ~~the HMO~~ shall proceed, immediately following the  
32 effective date of the order of revocation, to wind up its affairs, and shall conduct no  
33 further business except as may be essential to the orderly conclusion of the affairs of ~~such~~  
34 ~~organization.~~ the HMO. ~~It~~ The HMO shall engage in no advertising or ~~solicitation~~  
35 ~~whatsoever.~~ solicitation. The Commissioner may, by written order, permit such further  
36 operation of the ~~organization as the~~ HMO as the Commissioner may find to be in the best  
37 interest of enrollees, to the end that enrollees will be afforded the greatest practical  
38 opportunity to obtain continuing health care coverage."

39 Section 5. This act becomes effective October 1, 1997.