

**GENERAL ASSEMBLY OF NORTH CAROLINA**  
**EXTRA SESSION 1998**

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**1**

HOUSE BILL 3\*

Short Title: State CHIP.

(Public)

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Sponsors: Representatives Black; Adams, Alexander, Allen, Baddour, Beall, Blue, Bonner, Braswell, Cole, Crawford, Culpepper, Cunningham, Dedmon, Earle, Easterling, Fitch, Fox, Gamble, Goodwin, Hackney, Hardaway, Hensley, Hightower, H. Hunter, R. Hunter, Hurley, Insko, Jarrell, Jeffus, Kinney, Luebke, McCrary, Mercer, Michaux, Miller, Moore, Mosley, Nesbitt, Nye, Oldham, Owens, Ramsey, Redwine, Rogers, Saunders, Smith, Sutton, Tolson, Wainwright, Warner, Warwick, Womble, Wright, and Yongue.

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Referred to: Appropriations, Subcommittee on Human Resources.

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March 24, 1998

A BILL TO BE ENTITLED

1 AN ACT TO ESTABLISH THE STATE CHILDREN'S HEALTH INSURANCE  
2 PROGRAM AND TO APPROPRIATE FUNDS THEREFOR.  
3

4 The General Assembly of North Carolina enacts:

5 Section 1. Article 2 of Chapter 108A of the General Statutes is amended by  
6 adding the following new Part to read:

7 **“PART 8. CHILDREN'S HEALTH INSURANCE PROGRAM.**

8 **“§ 108A-70.18. Short title; purpose; no entitlement.**

9 This Part may be cited as the Children's Health Insurance Program Act of 1998. The  
10 purpose of this Part is to provide comprehensive health insurance coverage to uninsured  
11 low-income children who are residents of this State. Coverage shall be provided from  
12 State and federal funds appropriated and other funds made available for this purpose.  
13 Nothing in this Part shall be construed as obligating the General Assembly to appropriate  
14 funds for the Program or as entitling any person to coverage under the Program.

1 **"§ 108A-70.19. Program established.**

2 There is established the Children's Health Insurance Program. The Program shall be  
3 administered by the Department of Health and Human Services in accordance with this  
4 Part and as required under Title XXI, and related federal rules and regulations. Claims  
5 processing, benefits administration, and eligibility determination processes for the  
6 Program shall be as provided under the Medical Assistance Program. The Department  
7 may authorize coverage under the Program to be provided by private insurers so long as  
8 the private coverage meets the requirements for coverage under the Program and under  
9 Title XXI, and the cost of the private coverage is equal to or less than the cost of  
10 equivalent coverage under the Program.

11 **"§ 108A-70.20. Definitions.**

12 Unless the context clearly requires otherwise, the term:

- 13 (1) 'Comprehensive health coverage' means creditable health coverage as  
14 defined under Title XXI.  
15 (2) 'Family income' has the same meaning as used in determining eligibility  
16 for the Medical Assistance Program.  
17 (3) 'FPL' or 'federal poverty level' means the federal poverty guidelines  
18 established by the United States Department of Health and Human  
19 Services, as revised each April 1.  
20 (4) 'Medical Assistance Program' means the State Medical Assistance  
21 Program established under Part 6 of Article 2 of Chapter 108A of the  
22 General Statutes.  
23 (5) 'Program' means the children's health insurance program established in  
24 this Part.  
25 (6) 'State Plan' means the State Child Health Plan for the State Children's  
26 Health Insurance Program established under Title XXI.  
27 (7) 'Title XXI' means Title XXI of the Social Security Act, as added by  
28 Pub. L. 105-33, 111 Stat. 552, codified in scattered sections of 42  
29 U.S.C. (1997).  
30 (8) 'Uninsured' means the applicant for Program benefits is not covered  
31 under any private or employer-sponsored comprehensive health  
32 insurance plan at the time of application.

33 **"§ 108A-70.21. Program eligibility; benefits; cost-sharing; appeals.**

34 (a) Eligibility. – The Department may enroll eligible children based on  
35 availability of funds. In order to be eligible for benefits under the Program, children  
36 must:

- 37 (1) Be under the age of 19;  
38 (2) Be ineligible for Medicaid, Medicare, or other government-sponsored  
39 health insurance;  
40 (3) Be uninsured;  
41 (4) Be in a family that meets the following family income requirements,  
42 without regard to assets:

- 1           a.     Infants under the age of one year whose family income is from  
2           one hundred eighty-five percent (185%) through two hundred  
3           percent (200%) of the federal poverty level;  
4           b.     Children age one year through five years whose family income is  
5           from one hundred thirty-three percent (133%) through two  
6           hundred percent (200%) of the federal poverty level; and  
7           c.     Children age six years through eighteen years whose family  
8           income is from one hundred percent (100%) through two  
9           hundred percent (200%) of the federal poverty level; and

10           (5)   Be a resident of this State or otherwise eligible under federal law.

11           Proof of family income and residency and a declaration of uninsured status shall be  
12           provided by the applicant.

13           Enrollment shall become effective beginning in the month in which the application is  
14           received and shall be effective for one year. Applicants may reapply for enrollment at the  
15           end of each year. If during the period of enrollment an enrollee fails to meet the  
16           requirements of subdivision (1), (2), (3), (4), or (5) of this subsection due to a change in  
17           status, the enrollee shall be ineligible for further coverage and shall be disenrolled from  
18           the Program. The family member who is legally responsible for the children enrolled in  
19           the Program has a duty to report any change in an enrollee's status within 60 days of the  
20           change of status.

21           (b)   Benefits. – Health benefits coverage provided to children eligible under the  
22           Program shall be the same as authorized under the Medical Assistance Program in the  
23           Current Operations Appropriations Act. Except as otherwise provided in this Part, terms,  
24           conditions, and limitations on Program benefits shall be the same as apply under the  
25           Medical Assistance Program.

26           (c)   Cost-sharing. – There shall be no premiums charged to Program participants.  
27           There shall be no deductibles, copayments, or other cost-sharing charges for families  
28           covered under the Program whose family income is at or below one hundred fifty percent  
29           (150%) of the federal poverty level. Families covered under the Program whose family  
30           income is above one hundred fifty percent (150%) of the federal poverty level shall be  
31           responsible for copayments to providers as follows:

32           (1)   Three dollars (\$3.00) per child for each physician visit, clinic visit,  
33           dental visit, and optometry visit, except that no copayment shall be  
34           required for preventive services;

35           (2)   Five dollars (\$5.00) per child for each outpatient hospital visit;

36           (3)   Three dollars (\$3.00) for each brand name prescription filled;

37           (4)   Twenty dollars (\$20.00) for emergency room services for  
38           nonemergency care. As used in this subsection, 'nonemergency care'  
39           shall consist of diagnoses not meeting the definition of 'true emergency'  
40           under the Carolina Access Program.

41           The total annual aggregate cost-sharing with respect to all children in a family  
42           receiving Program benefits under this Part shall not exceed five percent (5%) of the  
43           family's income for the year involved.

1 (d) Appeals. – Applicants for and participants in the Program who are dissatisfied  
2 with the actions of a county or State agency pertaining to eligibility for and benefits  
3 under the Program may appeal the action in accordance with procedures established for  
4 the Medical Assistance Program pursuant to G.S. 108A-79 and applicable federal  
5 regulations. To the extent the process for appeal under G.S. 108A-79 is inconsistent with  
6 appeals under Chapter 150B of the General Statutes, the process under G.S. 108A-79  
7 shall control.

8 **"§ 108A-70.22. Application for enrollment; outreach.**

9 (a) The Department shall develop an application form and enrollment process that  
10 makes application for and enrollment in the Program as simple, accessible, and efficient  
11 as possible.

12 (b) The Department shall conduct outreach activities statewide that will effectively  
13 provide information about the Program and will encourage potential participants to  
14 inquire and apply for enrollment. The outreach activities shall be targeted toward  
15 families likely to be eligible for benefits under the Children's Health Insurance Program  
16 or other health coverage programs to explain the eligibility requirements and benefits  
17 available. The Department may seek private and federal grant funds to conduct outreach  
18 activities. The Department may work with the State Health Plan Purchasing Alliance  
19 Board to develop programs that utilize the expertise and resources of the Alliances in  
20 outreach activities to employees of small businesses.

21 **"§ 108A-70.23. State Plan for Children's Health Insurance Program.**

22 The Department shall develop and submit a State Plan to implement the Child Health  
23 Insurance Program authorized under this Part to the federal government as application for  
24 federal funds under Title XXI. The Department shall report to the Joint Legislative  
25 Health Care Oversight Committee amendments to the State Plan for the Committee's  
26 review.

27 **"§ 108A-70.24. Data collection; reporting.**

28 (a) The Department shall establish procedures for the collection and analysis of  
29 data pertinent to the implementation and continuing evaluation of the Program.

30 (b) The Department shall report on October 1 of each year, and more frequently if  
31 requested, to the Joint Legislative Health Care Oversight Committee on the  
32 implementation of the Program. The report shall include, but is not limited to, the  
33 following:

- 34 (1) Number of children enrolled in the Program;
- 35 (2) Program areas that are working well and those that need improvement;
- 36 (3) Recommendations on ways to improve the efficiency and effectiveness  
37 of the Program; and
- 38 (4) Any other items requested by the Joint Legislative Health Care  
39 Oversight Committee.

40 The Department shall provide a copy of the report to the Joint Appropriations  
41 Subcommittee on Health and Human Services.

42 **"§ 108A-70.25. Fraudulent misrepresentation.**

1       (a) It shall be unlawful for any person to knowingly and willfully, and with intent  
2 to defraud, make or cause to be made a false statement or representation of a material fact  
3 in an application for coverage under this Part or intended for use in determining  
4 eligibility for coverage.

5       (b) It shall be unlawful for any applicant, participant, or person acting on behalf of  
6 the applicant or participant to knowingly and willfully, and with intent to defraud,  
7 conceal or fail to disclose any condition, fact, or event affecting the applicant's or  
8 participant's initial or continued eligibility to receive coverage under this Part.

9       (c) It is unlawful for any person knowingly, willingly, and with intent to defraud,  
10 to obtain or attempt to obtain, or to assist, aid, or abet another person, either directly or  
11 indirectly, to obtain money, services, or any other thing of value to which the person is  
12 not entitled as a participant under this Part, or otherwise to deliberately misuse a Program  
13 identification card. This misuse includes the sale, alteration, or lending of the Program  
14 identification card to others for services and the use of the card by someone other than the  
15 participant to receive or attempt to receive Program coverage for services rendered to that  
16 individual.

17       Proof of intent to defraud does not require proof of intent to defraud any particular  
18 person.

19       (d) A person who violates a provision of this section shall be guilty of a Class I  
20 felony if the value of the coverage wrongfully obtained is more than four hundred dollars  
21 (\$400.00). A person who violates a provision of this section shall be guilty of a Class 1  
22 misdemeanor if the value of the coverage wrongfully obtained is four hundred dollars  
23 (\$400.00) or less.

24       (e) For purposes of this section, the word 'person' includes any natural person,  
25 association, consortium, corporation, body politic, partnership, or other group, entity, or  
26 organization."

27       Section 2. G.S. 120-70.111 reads as rewritten:  
28 **"§ 120-70.111. Purpose and powers of Committee.**

29       (a) The Joint Legislative Health Care Oversight Committee shall review, on a  
30 continuing basis, the provision of health care and health care coverage to the citizens of  
31 this State, in order to make ongoing recommendations to the General Assembly on ways  
32 to improve health care for North CarolinasCarolinians. To this end, the Committee shall  
33 study the delivery, availability, and cost of health care in North Carolina. The Committee  
34 shall also review, on a continuing basis, the implementation of the State Children's Health  
35 Insurance Program established under Part 8 of Article 2 of Chapter 108A of the General  
36 Statutes. The Committee may also study other matters related to health care and health  
37 care coverage in this State.

38       (b) The Committee may make interim reports to the General Assembly on matters  
39 for which it may report to a regular session of the General Assembly. A report to the  
40 General Assembly may contain any legislation needed to implement a recommendation  
41 of the Committee."

42       Section 3. G.S. 143-626(2) reads as rewritten:

1           "(2) Accept applications by carriers to qualify as Accountable Health  
2           Carriers, determine the eligibility of carriers to become Accountable  
3           Health Carriers according to criteria described in G.S. 143-629,  
4           designate carriers as Accountable Health Carriers, ~~and~~ approve one  
5           additional qualified health care plan to be offered to small employers  
6           beyond the basic and standard health care ~~plans~~ plans, and approve  
7           programs that provide options for the purchase of private insurance for  
8           dependent coverage that meets the requirements of the Children's Health  
9           Insurance Program established under Part 8 of Article 2 of Chapter  
10           108A of the General Statutes and Title XXI of the Social Security Act."

11           Section 4. (a) There is appropriated from the General Fund to the Department  
12 of Health and Human Services the sum of fourteen million nine hundred eighty-four  
13 thousand four hundred forty-seven dollars (\$14,984,447) in recurring funds for the 1998-  
14 99 fiscal year to be used for the Children's Health Insurance Program established under  
15 this act and under Title XXI of the Social Security Act, as added by Pub. L. 105-33, 111  
16 Stat. 552. The Office of State Budget and Management shall establish a Contingency  
17 Reserve for fiscal year 1998-99 and shall deposit into the Reserve ten percent (10%) of  
18 the funds appropriated under this section. Funds in the Reserve shall be used for  
19 unanticipated start-up, enrollment, and services costs occurring during the first year of  
20 Program implementation. The Office of State Budget and Management shall include in  
21 the proposed continuation budget the amount of State funds necessary for Program  
22 implementation for the budgeted fiscal year but not more than the amount necessary to  
23 draw down the maximum amount of federal funds available to the State for the budgeted  
24 fiscal year for the Children's Health Insurance Program under Title XXI of the Social  
25 Security Act, as added by Pub. L. 105-33, 111 Stat. 552.

26           (b) Of the funds appropriated under subsection (a) of this section, the  
27 Department may use up to two million dollars (\$2,000,000) to cover unmatched start-up  
28 costs for the Children's Health Insurance Program established under this act.

29           (c) Funds appropriated under this section and not expended or obligated in the  
30 1998-99 fiscal year shall revert to the General Fund on June 30, 1999.

31           (d) No State funds appropriated under this act may be expended for any  
32 purpose other than implementation of the State Children's Health Insurance Program  
33 established under this act and approved by the United States Secretary of Health and  
34 Human Services under Title XXI of the Social Security Act, as added by Pub. L. 105-33,  
35 111 Stat. 552.

36           Section 5. Section 4 of this act becomes effective July 1, 1998. Health  
37 insurance coverage provided to children under the Children's Health Insurance Program  
38 established in this act shall become effective no earlier than October 1, 1998. The  
39 remainder of this act is effective when it becomes law.