

GENERAL ASSEMBLY OF NORTH CAROLINA

EXTRA SESSION 1998

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SENATE BILL 2*
House Committee Substitute Favorable 3/25/98

Short Title: RITE Care.

(Public)

Sponsors:

Referred to:

March 24, 1998

A BILL TO BE ENTITLED

1 AN ACT TO ESTABLISH RITE CARE: THE CHILD HEALTH INSURANCE
2 PROGRAM TO PROVIDE HEALTH INSURANCE FOR CHILDREN UP TO ONE
3 HUNDRED EIGHTY-FIVE PERCENT OF THE FEDERAL POVERTY LEVEL
4 AND UNINSURED FOR SIX MONTHS PRIOR TO APPLICATION; TO
5 PROVIDE ADMINISTRATION OF PROGRAM BENEFITS UNDER THE NORTH
6 CAROLINA TEACHERS' AND STATE EMPLOYEES' COMPREHENSIVE
7 MAJOR MEDICAL PLAN; TO REQUIRE THAT APPLICATION BE MADE AT
8 LOCAL HEALTH DEPARTMENTS AND COUNTY DEPARTMENTS OF
9 SOCIAL SERVICES; TO AUTHORIZE PROGRAM ENROLLEES TO
10 PURCHASE EXTENDED OR ADDITIONAL COVERAGE UNDER THE
11 PROGRAM; TO AUTHORIZE PREMIUMS AND OTHER COST-SHARING
12 UNDER THE PROGRAM; TO ESTABLISH THE JOINT LEGISLATIVE
13 OVERSIGHT COMMITTEE ON CHILD HEALTH INSURANCE; AND TO
14 AUTHORIZE A TAX CREDIT FOR CERTAIN PURCHASERS OF DEPENDENT
15 HEALTH INSURANCE AND LONG-TERM CARE INSURANCE.
16

17 The General Assembly of North Carolina enacts:

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

"PART 8. HEALTH INSURANCE FOR CHILDREN.**"§ 108A-70.18. Definitions.**

Unless the context clearly requires otherwise, the term:

- (1) 'Comprehensive health coverage' means credible health coverage as defined under Title XXI.
- (2) 'Family income' means the total amount of combined annual income for each member of the household who is legally responsible for support of the child covered under the Program. The total amount of child support received during the prior year shall be included in calculating family income.
- (3) 'FPL' or 'federal poverty level' means the federal poverty guidelines established by the United States Department of Health and Human Services, as revised each April 1.
- (4) 'Program' or 'RITE Care' means the child health insurance program established in this Part.
- (5) 'State Plan' means the State Child Health Plan for the State Children's Health Insurance Program established under Title XXI.
- (6) 'Title XXI' means Title XXI of the Social Security Act, as added by Pub. L. 105-33, 111 Stat. 552, codified in scattered sections of 42 U.S.C. (1997).
- (7) 'Uninsured' means the applicant for RITE Care benefits is and was not covered under any private or employer-sponsored comprehensive health insurance plan at the time of application and for the six months immediately preceding application. If within the six months immediately preceding application a child has lost Medicaid eligibility due to a change in family income or has lost employer-sponsored comprehensive health care coverage due to layoff by the employer or cessation of the employer's business, and no other employer-sponsored comprehensive health care coverage is available to the family, then the child is deemed uninsured for purposes of eligibility for RITE Care benefits.

"§ 108A-70.19. Short title; purpose; no entitlement.

This act may be cited as 'RITE Care: The Child Health Insurance Program Act of 1998.' The purpose of this Part is to provide health insurance coverage to uninsured low-income children who are residents of this State. Coverage shall be provided from State and federal funds and other funds appropriated for this purpose. Nothing in this Part shall be construed as obligating the General Assembly to appropriate funds for 'RITE Care' or as entitling any person to coverage under 'RITE Care.'

"§ 108A-70.20. Program established.

'RITE Care: The Child Health Insurance Program' is established. RITE Care shall be administered by the Department of Health and Human Services in accordance with this Part. Administration of RITE Care benefits and claims processing shall be as provided under Part 5 of Article 3 of Chapter 135 of the General Statutes.

1 "§ 108A-70.21. Program eligibility; benefits; premiums and other cost-sharing;
2 coverage from private plans; purchase of extended or additional coverage.

3 (a) Eligibility. – In order to be eligible for benefits under RITE Care, children
4 must:

5 (1) Be under the age of 19 and, if high-school age, be enrolled in high
6 school;

7 (2) Be ineligible for Medicaid, Medicare, or other federal government-
8 sponsored health insurance;

9 (3) Be uninsured;

10 (4) Be in a family that meets the following family income requirements:

11 a. Children age one year through five years whose family income is
12 from one hundred thirty-four percent (134%) through one
13 hundred eighty-five percent (185%) of the federal poverty level;
14 and

15 b. Children age six years through eighteen years whose family
16 income is from one hundred one percent (101%) through one
17 hundred eighty-five percent (185%) of the federal poverty level;

18 (5) Be a resident of this State; and

19 (6) Have paid the Program premium required under this Part.

20 Proof of family income and residency, and declaration of uninsured status shall be
21 provided by the applicant at the time of application for RITE Care coverage.

22 If a responsible parent is under a court order to provide medical support or maintain
23 health insurance for a child and has failed to comply with the court order, then the child is
24 deemed uninsured for purposes of determining eligibility for RITE Care benefits if the
25 following conditions are met at the time of application:

26 (1) The custodial parent shows proof of subsequent legal action taken to
27 enforce the order to obtain medical support or health insurance, and

28 (2) There is no other government- or employer-sponsored comprehensive
29 health insurance available to cover the child.

30 If medical support or health insurance is provided to the child after enrollment and
31 prior to the expiration of the eligibility period for which the child is enrolled in RITE
32 Care, then the child is deemed to be insured and ineligible for continued coverage under
33 RITE Care. The custodial parent has a duty to notify the Department within 10 days of
34 receipt of medical support or health insurance, and the Department, upon receipt of
35 notice, shall disenroll the child from RITE Care. As used in this paragraph, the term
36 'responsible parent' means a person who is under a court order to pay child support.

37 Except as otherwise provided in this section, eligibility shall be continuous for one
38 year. At the end of each year, applicants may reapply for Program benefits. If, at the time
39 of reapplication, the Department verifies that the applicant has not paid part or all of the
40 premiums due for prior year coverage, then the applicant is not eligible for coverage until
41 the past-due premiums have been paid in full. The amount owed for unpaid premiums
42 shall be adjusted to apply only to the period for which coverage was provided.

1 It shall be the duty of enrollees in the Program to promptly inform the Department of
2 any change in the enrollee's family income, residency, or uninsured status occurring
3 during the period of enrollment.

4 (b) Benefits. – Except as otherwise provided for eligibility, premiums, deductibles,
5 copayments, and other cost-sharing charges, health benefits coverage provided to
6 children eligible under RITE Care shall be equivalent to coverage provided for
7 dependents under the North Carolina Teachers' and State Employees' Comprehensive
8 Major Medical Plan, including optional prepaid plans.

9 Prescription drug providers shall accept as payment in full for outpatient prescriptions
10 filled ninety percent (90%) of the average wholesale price for the prescription drug or the
11 amounts published by the Health Care Financing Administration plus a dispensing fee not
12 to exceed the amount authorized under subsection (d)(2) of this section. All other health
13 care providers providing services to Program enrollees shall accept as payment in full for
14 services rendered the maximum allowable charges under the North Carolina Teachers'
15 and State Employees' Comprehensive Major Medical Plan for services less any
16 copayments assessed to enrollees under this Part.

17 (c) Premiums. – There shall be no premium for RITE Care coverage for enrollees
18 whose family income is less than one hundred thirty-four percent (134%) of the federal
19 poverty level. The premium for RITE Care coverage for enrollees whose family income
20 is at or above one hundred thirty-four percent (134%) of the federal poverty level shall be
21 according to the following schedule:

| <u>Family Income</u> | <u>Monthly Premium</u> |
|----------------------|--|
| <u>134%-150% FPL</u> | <u>\$5.00 per child with a maximum monthly</u> <u>premium of \$15.00 for three or more</u> <u>children.</u> |
| <u>151%-185% FPL</u> | <u>\$10.00 per child with a maximum monthly</u> <u>premium of \$28.00 for three or more</u> <u>children.</u> |

22 Premiums shall be collected by and payable to the Department in monthly
23 installments. The Department shall adopt rules for the efficient collection of premiums.
24 The rules shall provide maximum flexibility for the payment of premiums by enrollees.
25 The Department may contract with private business to provide premium collection and
26 payment services.

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

32 (1) Five dollars (\$5.00) per child for each visit to a physician or clinic,
33 except that there shall be no copayment required for well-baby, well-
34 child, or age-appropriate immunization services;

35 (2) Six dollars (\$6.00) dispensing fee for each outpatient prescription drug
36 purchased.

- 1 (3) Twenty dollars (\$20.00) for each emergency room visit unless:
2 a. The child is admitted to the hospital, or
3 b. No other reasonable care was available as determined by
4 the Claims Processing Contractor of the North Carolina
5 Teachers' and State Employees' Comprehensive Major
6 Medical Plan.

7 Copayments required under this subsection for prescription drugs apply only to
8 prescription drugs prescribed on an outpatient basis.

9 The Department shall ensure that the total annual aggregate cost-sharing, including
10 premiums, with respect to all children in a family receiving RITE Care benefits under this
11 Part shall not exceed five percent (5%) of the family's income for the year involved.

12 (e) Coverage From Private Plans. – The Department shall, from funds
13 appropriated for RITE Care, pay the cost for dependent coverage provided under a
14 private insurance plan for persons eligible for coverage under RITE Care if all of the
15 following conditions are met:

- 16 (1) The person eligible for RITE Care coverage requests to obtain
17 dependent coverage from a private insurer in lieu of coverage under
18 RITE Care and shows proof that coverage under the private plan
19 selected meets the requirements of this subsection;
20 (2) The dependent coverage under the private plan is actuarially equivalent
21 to the coverage provided under RITE Care;
22 (3) The cost of dependent coverage under the private plan is the same as or
23 less than the cost of coverage under RITE Care; and
24 (4) The total annual aggregate cost-sharing, including premiums, paid by
25 the enrollee under the private plan for all dependents covered by the
26 plan, do not exceed five percent (5%) of the enrollee's family income
27 for the year involved.

28 The Department may reimburse an enrollee for private coverage under this subsection
29 upon a showing of proof that the dependent coverage is in effect for the period for which
30 the enrollee is eligible for RITE Care.

31 (f) Purchase of Extended Coverage. – An enrollee in RITE Care who loses
32 eligibility due to an increase in family income above one hundred eighty-five percent
33 (185%) of the federal poverty level and up to and including two hundred percent (200%)
34 of the federal poverty level, may purchase at full premium cost continued coverage under
35 RITE Care for a period not to exceed one year beginning on the date the enrollee
36 becomes ineligible under the income requirements for the Program. The same benefits,
37 copayments, and other conditions of enrollment under RITE Care shall apply to extended
38 coverage purchased under this subsection.

39 (g) Option to Purchase Additional Benefits. – An enrollee in RITE Care may
40 purchase, on a fully contributory basis, optional coverage for dental, vision, and hearing
41 services. The Department shall select coverage options for enrollees that offer the best
42 benefit package at the most reasonable cost.

1 (h) No State Funds for Voluntary Participation. – No State or federal funds shall
2 be used to cover, subsidize, or otherwise offset the cost of coverage obtained under
3 subsection (f) or (g) of this section.

4 **"§ 108A-70.22. Coverage for children with special needs.**

5 (a) Definition. – As used in this section, the term 'children with special needs' or
6 'special needs child' means children who are enrolled in RITE Care and who have or are
7 at elevated risk for (biologic or acquired) chronic physical, developmental, behavioral, or
8 emotional conditions and who also require health and related (but not educational and not
9 recreational) services of a type and amount not usually required by children of the same
10 age.

11 (b) Eligibility for Special Needs Coverage. – In order to be eligible for coverage
12 under this section a special needs child must be a child who is enrolled in RITE Care. A
13 child with special needs shall, to the extent funds are available for coverage under this
14 section, be eligible for coverage for services that are necessary to enable the child to
15 remain in the child's home as an alternative to institutionalization, and that are not
16 covered under RITE Care. The level of and reimbursement for services for special needs
17 children under this section shall be the same as available for special needs children under
18 the Medical Assistance Program as authorized in the Current Operations Appropriations
19 Act.

20 (c) Evaluation Required. – No funds may be expended for coverage under this
21 section unless the Department has made a determination that coverage for the services is
22 not available under RITE Care. The Department shall conduct an evaluation of each
23 RITE Care enrollee requesting special needs coverage to determine eligibility under this
24 section.

25 (d) The Department may adopt rules for eligibility for coverage under this section.

26 **"§ 108A-70.23. Claims processing; payments.**

27 (a) The North Carolina Teachers' and State Employees' Comprehensive Major
28 Medical Plan shall be responsible for the administration and processing of claims for
29 benefits under the Program, as provided under Part 5 of Article 3 of Chapter 135 of the
30 General Statutes.

31 (b) The Department shall, from premiums collected, from State and federal
32 appropriations, and from any other funds made available for this purpose, make payments
33 to the North Carolina Teachers' and State Employees' Comprehensive Major Medical
34 Plan as determined by the Plan for its administration, claims processing, and other
35 services authorized to provide coverage to children eligible for benefits under this Part.

36 **"§ 108A-70.24. State Plan for Children's Health Insurance Program.**

37 The Department shall develop and submit a State Plan to implement 'RITE Care: the
38 Child Health Insurance Program' authorized under this Part to the federal government as
39 application for federal funds under Title XXI. The State Plan submitted under this Part
40 shall be developed by the Department only as authorized by and in accordance with this
41 Part. No provision in the State Plan submitted under this Part may expand or otherwise
42 alter the scope or purpose of RITE Care from that authorized under this Part. The
43 Department shall include in the State Plan submitted only those items required by this

1 Part and required by the federal government to qualify for federal funds under Title XXI
2 and necessary to secure the State's federal fund allotment for the applicable fiscal period.
3 The Department shall not amend the State Plan nor submit any amendments thereto to the
4 federal government for review or approval without the specific approval of the General
5 Assembly.

6 **"§ 108A-70.25. Application process; outreach efforts; appeals.**

7 (a) Application. – The Department shall use an application form for RITE Care
8 that is concise, relatively easy for the applicant to comprehend and complete, and only as
9 lengthy as necessary for identifying applicants, determining eligibility for RITE Care or
10 Medicaid, and providing information to applicants on requirements for application
11 submission and proof of eligibility. Application forms shall be obtainable from public
12 health departments and county departments of social services. Applications shall be
13 processed by the county department of social services and may be submitted by mail.
14 The Department may adopt rules for the submission and processing of applications and
15 for securing the proof of eligibility for benefits under this Part.

16 The application form for RITE Care shall have printed on it or attached to it a notice
17 stating substantially: 'RITE Care: A Child Health Insurance Program' is a federally
18 funded program that may be discontinued if federal funds are not provided for its
19 continuation. Applicants who lose health care coverage under RITE Care because the
20 program has ended may not be able to obtain coverage from a private insurer because of
21 health conditions arising while covered under RITE Care. Applicants are encouraged,
22 therefore, to obtain private health insurance as soon as possible.

23 (b) Outreach Efforts. – The Department shall adopt procedures governing outreach
24 activities at the State and local level to ensure that RITE Care is adequately publicized
25 statewide and to comply with federal outreach requirements. The Department shall make
26 information about the Program available through the Internet, and shall explore the
27 feasibility of securing a 24-hour toll-free telephone number for purposes of enhancing
28 outreach and access to program information. In developing outreach procedures, the
29 Department shall establish system linkages to ensure the collaboration and coordination
30 of expertise, funding streams, delivery systems, and other appropriate resources and
31 activities between and among RITE Care and such ongoing programs and efforts as:

32 WIC Program

33 Maternal and Child Health Block Grant

34 Children's Special Health Services

35 Smart Start.

36 Head Start.

37 The Department may seek private and federal grant funds for outreach activities. The
38 Department shall also seek the participation of the private sector in providing no-cost or
39 low-cost avenues for publicizing RITE Care in local communities and statewide.

40 (c) A person who is dissatisfied with the action of a county department of social
41 services with respect to the determination of initial, continuing, or renewed eligibility for
42 benefits under the Program may appeal the action in accordance with G.S. 108A-79.

43 **"§ 108A-70.26. Data collection; reporting.**

1 (a) The Department shall ensure that the following data is collected, analyzed, and
2 reported in a manner that will most effectively and expeditiously enable the State to
3 evaluate Program goals, objectives, operations, and health outcomes for children:

- 4 (1) Number of applicants for coverage under the Program;
- 5 (2) Number of RITE Care applicants deemed eligible for Medicaid;
- 6 (3) Number of applicants deemed eligible for RITE Care, by income level,
7 age, family size;
- 8 (4) Number of applicants deemed ineligible for RITE Care and the basis for
9 ineligibility;
- 10 (5) Number of applications made at county departments of social services,
11 public health departments, and by mail;
- 12 (6) Total number of children enrolled in RITE Care to date and for the
13 immediately preceding fiscal year;
- 14 (7) Total number of children enrolled in Medicaid through the Program
15 application process;
- 16 (8) Trends showing the Program's impact on hospital utilization,
17 immunization rates, and other indicators of quality of care, and cost-
18 effectiveness and efficiency;
- 19 (9) Trends relating to the health status of children;
- 20 (10) Other data that would be useful in carrying out the purposes of this Part.

21 (b) The Department shall report annually to the Joint Legislative Oversight
22 Committee on Child Health Insurance the following information:

- 23 (1) Data collected as required under subsection (a) of this section and an
24 analysis thereof giving trends and projections for continued Program
25 funding;
- 26 (2) Program areas working most effectively and least effectively;
- 27 (3) Performance measures used to ensure Program quality, fiscal integrity,
28 ease of access, and appropriate utilization of preventive and medical
29 care;
- 30 (4) Effectiveness of system linkages in addressing access, quality of care,
31 and Program efficiency;
- 32 (5) Recommended changes in the Program necessary to improve Program
33 efficiency and effectiveness;
- 34 (6) Any other information requested by the Committee pertinent to the
35 provision of health insurance for children and the implementation of
36 RITE Care.

37 The Department shall provide a copy of the report to the members of the Joint
38 Appropriations Subcommittee on Health and Human Services.

39 **"§ 108A-70.27. Fraudulent misrepresentation.**

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

1 (b) It shall be unlawful for any applicant, recipient or person acting on behalf of
2 the applicant or recipient to knowingly and willfully, and with intent to defraud, conceal
3 or fail to disclose any condition, fact, or event affecting the applicant's or recipient's
4 initial or continued eligibility to receive coverage or benefits under this Part.

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

13 Proof of intent to defraud does not require proof of intent to defraud any particular
14 person.

15 (d) A person who violates a provision of this section shall be guilty of a Class I
16 felony.

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

20 Section 2. Legislative oversight committee. (a) There is established the Joint
21 Legislative Oversight Committee on Child Health Insurance. The powers and duties of
22 the Committee shall be to:

- 23 (1) Monitor the implementation of RITE Care: The Child Health Insurance
24 Program established under this act;
- 25 (2) Review reports from the Department of Health and Human Services, the
26 North Carolina Teachers' and State Employees' Comprehensive Major
27 Medical Plan, and other government and public and private sector
28 agencies and organizations on the implementation of RITE Care and
29 other child health insurance initiatives; and
- 30 (3) Make recommendations to the General Assembly regarding RITE Care
31 and other issues relating to child health and health insurance coverage
32 for children.

33 (b) The Speaker of the House of Representative shall appoint to the Committee
34 six members of the House of Representatives, one of whom shall be appointed cochair,
35 and the President Pro Tempore of the Senate shall appoint six members of the Senate, one
36 of whom shall be appointed cochair.

37 Section 3. (a) Division II of Article 4 of Chapter 105 of the General Statutes is
38 amended by adding a new section to read:

39 **"§ 105-151.27. Credit for child health insurance.**

40 (a) Credit. – A taxpayer is allowed a credit against the tax imposed by this
41 Division equal to one-third of the taxpayer's child health insurance premium paid during
42 the taxable year. The credit may not exceed five percent (5%) of the taxpayer's adjusted
43 gross income (AGI), as calculated under the Code, for the taxable year. A nonresident or

1 part-year resident who claims the credit allowed by this section shall reduce the amount
2 of the credit by multiplying it by the fraction calculated under G.S. 105-134.5(b) or (c),
3 as appropriate. In order to claim a credit under this section, a taxpayer must provide any
4 information required by the Secretary to establish the taxpayer's eligibility for the credit
5 and the amount of the credit.

6 (b) Definitions. – The following definitions apply in this section:

7 (1) Child health insurance premium. – The amount paid by the taxpayer for
8 insurance coverage of the taxpayer's dependent children under a private
9 or employer-sponsored comprehensive health insurance plan and the
10 amount paid to purchase extended coverage under the RITE Care
11 Program pursuant to G.S. 108A-70.21. The term does not include,
12 however, amounts deducted from or not included in the taxpayer's gross
13 income for the taxable year.

14 (2) Dependent child. – A child under the age of 19 for whom the taxpayer is
15 allowed to deduct a personal exemption under section 151(c)(1)(B) of
16 the Code for the taxable year.

17 (c) Credit Refundable. – If the credit allowed by this section exceeds the amount
18 of tax imposed by this Division for the taxable year reduced by the sum of all credits
19 allowable, the Secretary shall refund the excess to the taxpayer. The refundable excess is
20 governed by the provisions governing a refund of an overpayment by the taxpayer of the
21 tax imposed in this Division. In computing the amount of tax against which multiple
22 credits are allowed, nonrefundable credits are subtracted before refundable credits."

23 (b) G.S. 105-160.3(b) is amended by adding a new subdivision to read:

24 "(4) G.S. 105-151.27. Credit for child health insurance."

25 (c) The Department of Revenue shall withhold from collections under Division II
26 of Article 4 of Chapter 105 of the General Statutes for the 1999-2000 fiscal year the
27 amount necessary to reimburse it for its additional costs of printing, postage,
28 programming, and administration directly attributable to this act. It is the intent of the
29 General Assembly to appropriate funds to the Department of Revenue for the 1999-2001
30 fiscal biennium to cover the costs of auditing ten percent (10%) of the tax credits claimed
31 under this section. These costs include salary, benefits, and work space for 10 auditors
32 and two clerical support positions. It is also the intent of the General Assembly to
33 appropriate funds to the Department of Revenue for the 1999-2000 fiscal year for the
34 one-time programming costs required for the credit authorized by this section.

35 (d) This section is effective for taxable years beginning on or after January 1,
36 1999, and expires for taxable years beginning on or after January 1, 2001.

37 (e) This section becomes effective only if the United States Secretary for
38 Health and Human Services approves the State Plan to implement RITE Care: A Child
39 Health Insurance Program established under this act.

40 Section 3.1. (a) Chapter 105 of the General Statutes is amended by adding a
41 new section to read:

42 "**§ 105-151.28. Credit for premiums paid on long-term care insurance.**

1 (a) Credit. – An individual is allowed, as a credit against the tax imposed by this
2 Division, an amount equal to fifteen percent (15%) of the premium costs paid during the
3 taxable year on a qualified long-term care insurance contract that offers coverage to
4 either the individual, the individual's spouse, or a dependent for whom the individual was
5 allowed to deduct a personal exemption under section 151(c)(1)(A) of the Code for the
6 taxable year. The credit allowed by this section may not exceed three hundred fifty
7 dollars (\$350.00) for each qualified long-term care insurance contract for which a credit
8 is claimed. A nonresident or part-year resident who claims the credit allowed by this
9 subsection shall reduce the amount of the credit by multiplying it by the fraction
10 calculated under G.S. 105-134.5(b) or (c), as appropriate.

11 (b) Definition. – For purposes of this section, the term 'qualified long-term care
12 insurance contract' has the same meaning as defined in section 7702B of the Code.

13 (c) Credit Refundable. – If the credit allowed by this section exceeds the amount
14 of tax imposed by this Division for the taxable year reduced by the sum of all credits
15 allowable, the Secretary shall refund the excess to the taxpayer. The refundable excess is
16 governed by the provisions governing a refund of an overpayment by the taxpayer of the
17 tax imposed in this Division. In computing the amount of tax against which multiple
18 credits are allowed, nonrefundable credits are subtracted before refundable credits."

19 (b) G.S. 105-160.3(b) is amended by adding a new subdivision to read:

20 "(4) G.S. 105-151.28. Credit for long-term care insurance."

21 (c) The Legislative Research Commission shall study the effectiveness of the
22 credit enacted by this act. The Department of Revenue shall provide the Commission
23 data on the usage of this credit, including profiles of taxpayer categories using the credit.
24 The Division of Aging, Department of Human Resources, shall provide the Commission
25 data on the effect of the credit on the State's Medicaid costs. The Commission shall
26 report its findings and recommendations to the 2001 General Assembly.

27 (d) This section is effective for taxable years beginning on or after January 1,
28 1999, and expires for taxable years beginning on or after January 1, 2001.

29 Section 4. (a) Article 3 of Chapter 135 of the General Statutes is amended by
30 adding the following new Part to read:

31 **"PART 5. CHILD HEALTH INSURANCE PROGRAM.**

32 **"§ 135-42. Undertaking.**

33 (a) The State of North Carolina undertakes to make available a child health
34 insurance program (hereinafter called the 'Program') to provide comprehensive major
35 medical coverage to low-income, uninsured children who are residents of this State and
36 who meet the eligibility requirements established for the Program under Part 8 of Article
37 2 of Chapter 108A of the General Statutes. The Executive Administrator and Board of
38 Trustees of the North Carolina Teachers' and State Employees' Comprehensive Major
39 Medical Plan (hereinafter called the 'Plan') shall administer the Program under this Part
40 and shall carry out their duties and responsibilities in accordance with Parts 2 and 3 of
41 this Article and with applicable provisions of Part 8 of Article 2 of Chapter 108A.

42 (b) The benefits provided under the Program shall be equivalent to and made
43 available through the Plan pursuant to Articles 2 and 3 of this Chapter and administered

1 by the Plan's Executive Administrator and Board of Trustees. To the extent there is a
2 conflict between the provisions of Part 8 of Article 2 of Chapter 108A and Part 3 of this
3 Article pertaining to eligibility, premiums, deductibles, copayments, and other cost-
4 sharing charges, the provisions of Part 8 of Article 2 of Chapter 108A shall control. In
5 administering the benefits provided by this Part, the Executive Administrator and Board
6 of Trustees shall have the same type of powers and duties that are provided under Part 3
7 of this Article for hospital and medical benefits.

8 (c) The benefits authorized by this Part are available only to children who are
9 residents of this State and who meet the eligibility requirements established for the
10 Program under Part 8 of Article 2 of Chapter 108A of the General Statutes.

11 **"§ 135-42.1. Right to alter, amend, or repeal.**

12 The General Assembly reserves the right to alter, amend, or repeal this Part."

13 (b) G.S. 135-38(c) reads as rewritten:

14 "(c) The Committee shall review programs of hospital, medical and related care
15 provided by Part 3 and Part 5 of this Article and programs of long-term care benefits
16 provided by Part 4 of this Article as recommended by the Executive Administrator and
17 Board of Trustees of the Plan. The Executive Administrator and the Board of Trustees
18 shall provide the Committee with any information or assistance requested by the
19 Committee in performing its duties under this Article. The Committee shall meet not less
20 than once each quarter to review the actions of the Executive Administrator and Board of
21 Trustees. At each meeting, the Executive Administrator shall report to the Committee on
22 any administrative and medical policies which have been issued as rules and regulations
23 in accordance with G.S. 135-39.8, and on any benefit denials, resulting from the policies,
24 which have been appealed to the Board of Trustees."

25 (c) G.S. 135-39.5 is amended by adding a new subdivision to read:

26 "(23) Implementing and administering a program of child health insurance
27 benefits pursuant to Part 5 of this Article."

28 (d) G.S. 135-39.6 is amended by adding the following subsection to read:

29 "(d) Separate and apart from the special funds authorized by subsections (a) and (b)
30 of this section, there shall be a Child Health Insurance Fund. All appropriations,
31 allocations, or any other receipts, including earnings on investments, occurring or arising
32 in connection with benefits provided under the Child Health Insurance Program shall be
33 deposited into the Child Health Insurance Fund. Disbursements from the Child Health
34 Insurance Fund shall include any and all amounts required to pay the benefits and
35 administrative costs of the Child Health Insurance Program as may be determined by the
36 Executive Administrator and Board of Trustees."

37 (e) G.S. 135-39.6A is amended by adding the following subsection to read:

38 "(c) The Executive Administrator and Board of Trustees shall establish premium
39 rates for benefits provided under Part 5 of this Article. The Department of Health and
40 Human Services shall, from premiums collected, from State and federal appropriations,
41 and from any other funds made available for the Child Health Insurance Program
42 established under Part 8 of Article 2 of Chapter 108A of the General Statutes, make
43 payments to the North Carolina Teachers' and State Employees' Comprehensive Major

1 Medical Plan as determined by the Plan for its administration, claims processing, and
2 other services authorized to provide coverage to children eligible for benefits provided
3 under Part 5 of this Article."

4 (f) G.S. 135-39.8 reads as rewritten:

5 **"§ 135-39.8. Rules and regulations.**

6 The Executive Administrator and Board of Trustees may issue rules and regulations to
7 implement Parts ~~2, 3, and 4~~ 2, 3, 4, and 5 of this Article. Rules and regulations of the
8 Board of Trustees shall remain in effect until amended or repealed by the Executive
9 Administrator and Board of Trustees. The Executive Administrator and Board of
10 Trustees shall provide a written description of the rules and regulations issued under this
11 section to all employing units, all health benefit representatives, the oversight team
12 provided for in G.S. 135-39.3, all relevant health care providers affected by a rule or
13 regulation, and to any other parties requesting a written description and approved by the
14 Executive Administrator and Board of Trustees to receive a description on a timely
15 basis."

16 (g) The title of Chapter 135 of the General Statutes reads as rewritten:

17 "Retirement System for Teachers and State Employees; Social ~~Security~~-Security; Child
18 Health Insurance Program."

19 (h) The title of Article 3 of Chapter 135 of the General Statutes reads as
20 rewritten:

21 **"~~OTHER TEACHER, EMPLOYEE BENEFITS.~~ BENEFITS;**
22 **CHILD HEALTH BENEFITS."**

23 Section 5. In order to ensure that health insurance coverage provided to
24 children from public funds is not duplicative of coverage provided to the same children
25 pursuant to court orders for medical support or health insurance, the Department of
26 Health and Human Services shall develop a plan for collecting and retrieving data from
27 child support orders filed by the clerks of court of this State. The purpose of the plan
28 shall be to enable the Department to readily identify children covered by support orders
29 and also covered under private health insurance, or eligible for coverage under the State
30 Medicaid Program or the State Child Health Insurance Program. No later than October 1,
31 1998, the Department shall report on the development of this plan to the Joint Legislative
32 Oversight Committee on Child Health Insurance.

33 Section 6. (a) There is appropriated from the General Fund to the Department
34 of Health and Human Services the sum of twelve million three hundred seven thousand
35 three hundred twelve dollars (\$12,307,312) for the 1998-99 fiscal year to be used for the
36 State Child Health Insurance Program established under this act and under Title XXI of
37 the Social Security Act, as added by Pub. L. 105-33, 111 Stat. 552. The Office of State
38 Budget and Management shall include in the proposed continuation budget the amount of
39 State funds necessary for Program implementation for the budgeted fiscal year but not
40 more than the amount necessary to draw down the maximum amount of federal funds
41 available to the State for the budgeted fiscal year for the Child Health Insurance Program
42 under Title XXI of the Social Security Act, as added by Pub. L. 105-33, 111 Stat. 552.

1 (b) Special needs funds. Of the funds available to the Department of Health
2 and Human Services for health insurance coverage for children enrolled in RITE Care,
3 the sum of fifteen million dollars (\$15,000,000) shall be deposited into the Children's
4 Special Health Services Fund in the Department of Health and Human Services to
5 provide coverage for special needs children in accordance with G.S. 108A-70.22 as
6 enacted in this act.

7 (c) No State funds appropriated under this act may be expended for any
8 purpose other than as provided under this act for the implementation of the State Child
9 Health Insurance Program established under this act and approved by the United States
10 Secretary of Health and Human Services under Title XXI of the Social Security Act, as
11 added by Pub. L. 105-33, 111 Stat. 552.

12 (d) Funds appropriated under this section and not expended or obligated in the
13 1998-99 fiscal year shall revert to the General Fund on June 30, 1999.

14 Section 7. The Department of Health and Human Services shall apply to the
15 Health Care Financing Administration for an 1115(b) Medicaid waiver to allow the State
16 to make ineligible for Medicaid a person who is covered under a private or employer-
17 sponsored comprehensive health care insurance plan.

18 Section 8. Section 6 of this act becomes effective July 1, 1998. Health
19 insurance coverage provided to children under the Child Health Insurance Program
20 established under this act shall become effective no earlier than October 1, 1998. The
21 remainder of this act is effective when it becomes law and expires on June 30 of the State
22 fiscal year for which federal funds appropriated to the State under Title XXI of the Social
23 Security Act amount to less than seventy percent (70%) of total prior year expenditures
24 for the Child Health Insurance Program established under this act pursuant to Title XXI
25 of the Social Security Act, as added by Pub. L. 105-33, 111 Stat. 552.