

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2005**

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HOUSE BILL 775

Short Title: UNC Health Plan Pilot.-AB (Public)

Sponsors: Representatives Earle; and Insko.

Referred to: Health.

March 17, 2005

A BILL TO BE ENTITLED

1 AN ACT TO ALLOW THE UNIVERSITY OF NORTH CAROLINA TO PROCEED
2 WITH A HEALTH CARE INITIATIVE FOR ITS EMPLOYEES AND TO
3 ESTABLISH A PILOT PROJECT OF THE STATE HEALTH PLAN TO
4 IMPROVE EMPLOYEE CHOICE, INCREASE AFFORDABILITY OF
5 DEPENDENT COVERAGE, AND INCREASE EMPHASIS ON WELLNESS
6 AND DISEASE MANAGEMENT.
7

8 The General Assembly of North Carolina enacts:

9 **SECTION 1.** G.S. 135-40 is amended by adding a new subsection to read:

10 "(e) The Board of Governors of The University of North Carolina may establish
11 an alternative comprehensive major medical plan to serve its active employees and their
12 dependents on a pilot basis starting July 1, 2006, or as soon thereafter as it is practical to
13 do so, and continuing until July 1, 2012. This pilot plan shall be operated in accordance
14 with G.S. 135-40.14. The provisions of G.S. 135-40.1 through G.S. 135-40.13 do not
15 apply to the pilot plan established under this subsection. If the pilot plan is not extended
16 beyond July 1, 2012, the eligible employees of The University of North Carolina, and
17 their eligible dependents who were enrolled in the pilot plan, shall be eligible to enroll
18 in the Plan established pursuant to this section without a waiting period and without
19 disallowance based on any preexisting condition."

20 **SECTION 2.** Article 3 of Chapter 135 of the General Statutes is amended by
21 adding a new section to read:

22 **"§ 135-40.14A. University of North Carolina Health Care Initiative.**

23 (a) The Board of Governors of the University of North Carolina may establish an
24 alternative comprehensive major medical plan to serve its active employees and their
25 dependents on a pilot basis starting July 1, 2006, or as soon thereafter as it is practical to
26 do so, and continuing until July 1, 2012. This alternative comprehensive major medical
27 plan shall be known as the University Employee Health Care Initiative, and may be
28 referred to in this section as "the Initiative."

1 (b) The Board of Governors shall establish a Board of Trustees for the University
2 Employee Health Care Initiative and shall delegate to the Board of Trustees such
3 powers and duties as it deems to be necessary or appropriate for the Board of Trustees
4 to be able to administer the Initiative. The Board of Trustees shall include at least
5 persons knowledgeable about health care delivery, health insurance administration, and
6 wellness promotion and condition management; representatives of the faculty, the
7 employees of the University subject to the State Personnel Act, and the nonfaculty
8 employees not subject to the State Personnel Act; a representative of the Office of State
9 Personnel designated by the Governor; and the Executive Administrator of the State
10 Comprehensive Major Medical Plan or the Executive Administrator's designee.
11 Employees of The University are eligible to serve on the Board of Trustees.

12 (c) The Board of Governors, on the recommendation of the Board of Trustees of
13 the Initiative, shall establish premium charges, compensable and noncompensable
14 services, deductible rates and the services to which deductibles apply, coinsurance rates
15 and limits and the services to which coinsurance requirements apply, and definitions of
16 and requirements for eligible employees and dependents. The Board of Governors shall
17 operate the Initiative at all times in accordance with a plan that has been determined by
18 a health care actuary to be fiscally sound.

19 (d) The Initiative may include more than one health care plan from which an
20 employee may choose coverage. The Initiative must include at least one core plan that is
21 fully paid by The University for eligible employees and for which dependent coverage
22 is no more expensive than is dependent coverage under the State Plan. The Board of
23 Governors, on recommendation of the Board of Trustees, shall establish premium rates
24 for coverage of employees' dependents who opt to enroll in the plan and may establish
25 premium rates for alternative plans in which employees may opt to enroll. These
26 premiums may be on a sliding scale such that employees who earn higher salaries are
27 charged higher premiums than employees who earn lower salaries.

28 (e) Payroll deduction shall be available of amounts not paid by The University
29 for employee or dependent coverage under any health plan offered by the Initiative.
30 Notwithstanding any other provisions of the Initiative, the Board of Governors and
31 Board of Trustees are specifically authorized to use all appropriate means to secure tax
32 qualification of the Initiative under any applicable provisions of the Internal Revenue
33 Code of 1954 as amended. The Board of Governors and Board of Trustees shall
34 furthermore comply with all applicable provisions of the Internal Revenue Code as
35 amended, to the extent that this compliance is not prohibited by applicable portions of
36 this Article.

37 (f) The University shall establish an institutional trust fund pursuant to
38 G.S. 116-36.1 for premiums paid to the Initiative. The University shall pay into the trust
39 fund premiums for its employees at the same rate that State agencies pay the Plan for
40 coverage of full-time active State employees. The University may collect premiums that
41 employees pay for coverage of their dependents and premiums that employees pay for
42 optional coverage through payroll deductions. These payroll deductions shall also be
43 placed into the institutional trust fund for the Initiative. The funds in the Initiative's
44 institutional trust fund may be expended for administrative costs of the Initiative, to pay

1 claims incurred on behalf of the Initiative's enrollees, to establish reserves for payment
2 of claims, and to establish wellness and disease or condition management programs.

3 (g) The University may enter into contracts for the administration of the Initiative
4 and may enter into preferred provider or other provider contracts for the provision of
5 health care or wellness services to the Initiative's enrollees. The terms pertaining to
6 reimbursement rates or other terms of consideration of any contract between hospitals,
7 hospital authorities, doctors or other medical providers, or a pharmacy benefit manager
8 and The University shall not be a public record under Chapter 132 of the General
9 Statutes for a period of 30 months after the date of the expiration of the contract.
10 Provided, however, nothing in this subsection shall be deemed to prevent or restrict the
11 release of any information made not a public record under this subsection to the State
12 Auditor, the Attorney General, the Director of the State Budget, the Board of
13 Governors, the Board of Trustees of the Initiative, and the administrators of the
14 Initiative solely and exclusively for their use in the furtherance of their duties and
15 responsibilities. The design, adoption, and implementation of the preferred provider
16 contracts and networks are not subject to the requirements of Chapter 143 of the
17 General Statutes, provided that for any hospital preferred provider network all hospitals
18 will have an opportunity to contract with The University if they meet the contract
19 requirements.

20 (h) The Initiative may include wellness and disease or condition management
21 programs. The Initiative may receive grants or gifts to fund these programs and The
22 University may expend any available unrestricted funds for the start-up costs of these
23 programs. The Initiative may offer incentives for University employees and other
24 Initiative enrollees for participating in these programs.

25 (i) The Board of Governors shall evaluate the Initiative on an annual basis
26 including its cost, health care utilization, dependent participation rates, effectiveness of
27 any wellness or disease or condition management program it establishes, and any other
28 indicia of the effectiveness of the Initiative that it deems appropriate. The Board of
29 Governors shall report to the General Assembly on the implementation of this section
30 by March 1, 2006, and annually thereafter. On or before March 1, 2008, the Board of
31 Governors shall recommend to the General Assembly whether or not the Initiative
32 should be extended to retired employees of the University."

33 **SECTION 3.** This act is effective when it becomes law.