

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

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HOUSE BILL 1223

Short Title: Family Health Care Program.

(Public)

Sponsors: Representatives Luebke; Blue, Boyd-McIntyre, Braswell, Cunningham, Earle, Easterling, Fitch, Gamble, Hardaway, H. Hunter, Insko, Jeffus, Michaux, Mosley, Sutton, Wainwright, Womble, and Wright.

Referred to: Insurance, if favorable, Appropriations.

May 5, 1997

1 A BILL TO BE ENTITLED
2 AN ACT TO ENACT THE NORTH CAROLINA FAMILY HEALTH CARE ACT,
3 AND TO APPROPRIATE FUNDS THEREFOR.

4 The General Assembly of North Carolina enacts:

5 **TITLE I. FAMILY HEALTH CARE PROGRAM.**

6 Section 1. Chapter 58 of the General Statutes is amended by adding the
7 following new Article to read:

8 "ARTICLE 67A.

9 "North Carolina Family Health Care Act.

10 "Part 1. North Carolina Family Health Care Program.

11 **"§ 58-67A-1. SHORT TITLE; legislative findings and intent.**

12 (a) This act shall be known as the North Carolina Family Health Care Act.

13 (b) The General Assembly makes the following findings:

14 (1) North Carolinians have a responsibility to themselves, their family, and
15 society to act in a manner that promotes good personal health and well-
16 being.

17 (2) The increasing numbers of uninsured and underinsured individuals in
18 North Carolina and the escalating costs of health care are so interrelated

- 1 that it is not possible to guarantee access to health care for all North
2 Carolínians without containing health care costs.
- 3 (3) It has been documented that the lack of access to medically necessary
4 and affordable health care leads to a decline in health status, including
5 birth defects, lifelong disabilities, uncontrolled diabetes, hypertension,
6 and untreated chronic conditions.
- 7 (4) Lack of access to health care also results in unnecessary pain and
8 suffering and premature death, and often leads to overuse of expensive
9 health care services.
- 10 (5) Providing preventive health care will efficiently and effectively improve
11 the health of all North Carolínians and can significantly reduce the need
12 for more expensive health care services later in life.
- 13 (6) The health and well-being of individuals are directly related to their
14 ability to obtain necessary and affordable preventive and primary
15 medical care and health related support services for emergency, chronic,
16 and long-term conditions.
- 17 (c) It is the intent of the General Assembly to do the following:
- 18 (1) Enact a comprehensive health care program to provide medically
19 necessary care specific to individual needs, including preventive and
20 primary care, for all residents of North Carolina.
- 21 (2) Enact a means and method for financing the program that better utilizes
22 the money that is now being spent on health care by the public and
23 private sectors.
- 24 (3) Ensure that the burden of financing the program is allocated equitably
25 among citizens based on ability to pay, and that administration of the
26 program and the allocation of moneys under it are carried out in a
27 manner that is efficient, equitable, and effective.

28 "**§ 58-67A-5. Definitions.**

29 As used in this Article, unless the context clearly requires otherwise:

- 30 (1) 'Accountable Health Plan' means any health maintenance or preferred
31 provider organization, independent practice association, or any other
32 mode of delivery of care approved by the Commission to provide health
33 care services to individuals in exchange for a prescribed capitated
34 payment from the Program.
- 35 (2) 'Commission' means the North Carolina Family Health Care Planning
36 Commission established under Article 71 of Chapter 143 of the General
37 Statutes.
- 38 (3) 'Director' means the health care director of the North Carolina Family
39 Health Care Program.
- 40 (4) 'Eligible resident' means an individual who has been legally domiciled
41 in this State for a period of 30 days. For purposes of this Article, legal
42 domicile is established by living in this State and:
- 43 a. Obtaining a North Carolina motor vehicle operator's license, or

- 1 b. Registering to vote in North Carolina, or
2 c. Filing a North Carolina income tax return, or
3 d. Obtaining a North Carolina identification card from the North
4 Carolina Division of Motor Vehicles.

5 A child is legally domiciled in this State if the child lives in this
6 State and if at least one of the child's parents or the child's guardian is
7 legally domiciled in this State for a period of 30 days.

8 A person with a developmental disability or other disability or
9 circumstance which prevents the person from obtaining a North
10 Carolina motor vehicle operator's license, registering to vote in North
11 Carolina, or filing a North Carolina income tax return, is legally
12 domiciled in this State by living in the State for 30 days.

13 (5) 'Federal poverty income level' means the federal official poverty line, as
14 defined by the federal Office of Management and Budget, based on
15 Bureau of Census data, and revised annually by the Secretary of Health
16 and Human Services pursuant to section 9902(2) of Title 42 of the
17 United States Code.

18 (6) 'Fund' means the North Carolina Family Health Care Trust Fund
19 established under this Article.

20 (7) 'Global budget' or 'global health budget' means a comprehensive,
21 binding annual budget setting forth in advance the aggregate
22 compensation all health care providers will receive from the Program
23 for provision of all covered services.

24 (8) 'Health Plan Purchasing Cooperative' means an organization established
25 to implement the Program in geographic areas of the State.

26 (9) 'Program' means the North Carolina Family Health Care Program.

27 (10) 'Provider' means a health care provider participating in the Program
28 through the State Plan or through an Accountable Health Plan.

29 (11) 'State Plan' means that portion of the Program in which eligible persons
30 may elect to receive services either from a private or public provider on
31 a fee-for-service basis or from a hospital based on a negotiated annual
32 budget.

33 **"§ 58-67A-10. North Carolina Family Health Care Program established; purpose;**
34 **components; administration.**

35 (a) There is established the North Carolina Family Health Care Program. The
36 purpose of the Program is to provide all eligible residents with access to health care
37 services by enabling them to enroll in one of the health services plans established under
38 the Program.

39 (b) The Program shall be comprised of the following health services plans:

40 (1) A State Plan providing health care services to eligible residents wherein
41 providers are paid on a fee-for-service or negotiated budget basis; and

42 (2) An Accountable Health Plan providing health care services wherein
43 providers are paid on a capitated payment basis.

1 (c) The Program shall be administered by the North Carolina Family Health Care
2 Planning Commission established under Article 64 of Chapter 143 of the General
3 Statutes.

4 **"§ 58-67A-15. Program eligibility; coverage secondary and supplemental to certain**
5 **other coverage; transfer of retiree coverage; expenditure limitations;**
6 **nonresident eligibility.**

7 (a) Eligibility. – Any eligible resident of this State may receive health care
8 services under the Program.

9 (b) Coverage Secondary to Certain Other Coverage. – Program benefits shall be
10 secondary to any health care benefits for which the following persons are eligible or to
11 which they are entitled:

12 (1) Residents eligible for the federal Medicare program, as defined by the
13 federal Social Security Act (42 U.S.C. § 1395, et seq.); and

14 (2) Persons on active military duty or otherwise receiving benefits under the
15 CHAMPUS program (10 U.S.C.A. § 1071, et seq.) and their
16 dependents; and

17 (3) Federal employees entitled to health care benefits, and their dependents.

18 The health care benefits provided under the Program shall be supplemental to benefits
19 provided under Medicare Parts A and B and shall include health care benefits not
20 provided by Medicare Parts A and B, including prescription drugs, preventive care, and
21 Medigap benefits.

22 Coverage provided under the Program shall be secondary to any retirement health
23 coverage for which a resident or the resident's dependents are eligible. The Commission
24 shall hold public hearings regarding the integration of benefits provided under the
25 Program with retirement health benefit plans in the private and public sectors. Based on
26 the hearings, the Commission shall conduct a comparison of the benefits available to
27 residents under the Program with those typically available to retirees and their dependents
28 and shall adopt rules defining benefits under the Program which residents with retiree
29 health coverage are entitled to receive. In adopting rules, the Commission shall consider
30 establishing a maintenance of effort for private and public retiree health benefit plans in
31 order to avoid creating incentives for private and public employers to reduce retiree
32 health benefits.

33 (c) Transfer of Benefits. – The Commission may negotiate with private and public
34 employers for the transfer of responsibility for providing health benefits to retirees and
35 their dependents from the employer to the Commission. Any private or public employer
36 may negotiate with the Commission for the transfer of the responsibility for providing
37 retiree health benefits to the Commission to the extent allowed by retiree health benefit
38 agreements.

39 (d) Expenditure Limitations. – The amount that shall be used for the baseline for
40 setting limits on expenditures for the first year of the operation of the Program shall be
41 the amount spent in North Carolina for health care covered under this Article during the
42 most recent calendar year in which data is available.

1 (e) Nonresident Eligibility. – Persons who are not residents of this State but who
2 work in North Carolina may receive benefits under the Program, including benefits for
3 dependents, if all payments, surcharges, and premiums required to be paid by or on
4 behalf of residents under the Program have been paid to the Program by or on behalf of
5 such nonresidents.

6 If a person who is not a resident of this State and is not eligible for Program benefits
7 pursuant to this subsection receives medical treatment in North Carolina, the person is
8 subordinated to the State of North Carolina for reimbursement from a third-party payer
9 for the medical treatment.

10 (f) The Commission shall estimate the expenditures and revenues required to
11 provide services under the Program and shall report that information to the General
12 Assembly on or before January 1, 1998, and annually thereafter.

13 (g) Coverage and benefits provided under the Program shall be secondary to any
14 coverage provided under a workers' compensation, automobile insurance, or liability
15 insurance policy.

16 **"§ 58-67A-20. Copayments.**

17 (a) The Director may require copayments for services under the State Plan of not
18 more than ten percent (10%) of the cost of the services, not to exceed two hundred fifty
19 dollars (\$250.00) per year in copayments for individuals, and not to exceed five hundred
20 dollars (\$500.00) per year in copayments for families.

21 (b) Persons who have income below two hundred fifty percent (250%) of the
22 federal poverty income level shall not be required to pay any copayments under the State
23 Plan or under an Accountable Health Plan.

24 (c) No copayments may be required that create a barrier to medically necessary
25 care under the State Plan or under an Accountable Health Plan.

26 (d) An Accountable Health Plan may impose copayments from its members no
27 greater than five percent (5%) of the cost of services, and not more than one hundred
28 dollars (\$100.00) per year per individual or two hundred fifty dollars (\$250.00) per year
29 per family.

30 (e) No individual enrolled in either the State Plan or an Accountable Health Plan
31 shall be required to meet a deductible as a condition for receiving health care services.

32 (f) No copayments may be required under the State Plan or under an Accountable
33 Health Plan for prenatal care, well-child care, periodic physical examinations, and other
34 health screenings and services as recommended by the U.S. Preventive Services Task
35 Force 'Guide to Clinical Preventive Services'.

36 "Part 2. Program Benefits.

37 **"§ 58-67A-25. General benefits.**

38 (a) The benefits listed in this section shall be covered benefits under this Article.
39 The Program shall provide all of the following:

- 40 (1) Comprehensive medical care benefits specified in this Article, including
41 preventive care, primary and tertiary health care for acute and chronic
42 conditions and rehabilitative care.

1 (2) Limited mental health services and prescription drugs, as specified in
2 this Article.

3 The Program shall provide the benefits specified in this Article through the State Plan or
4 the Accountable Health Plan.

5 **"§ 58-67A-30. Medical benefits.**

6 Covered benefits in this section shall include, but are not limited to, the
7 following when determined to be medically necessary:

8 (1) Inpatient and outpatient hospital services;

9 (2) Inpatient and outpatient professional provider services, including home
10 health care;

11 (3) Diagnostic X ray and laboratory services;

12 (4) Family planning, perinatal, and maternity care;

13 (5) Children's preventive care, including, but not limited to, well-child care,
14 routine dental, hearing, and vision checkups, and immunizations;

15 (6) Adult preventive care including, but not limited to, periodic
16 mammograms and pap smears;

17 (7) Durable medical equipment;

18 (8) Podiatry;

19 (9) Unreplaced blood;

20 (10) Dialysis;

21 (11) Emergency transportation;

22 (12) Rehabilitative care;

23 (13) Alcohol and drug abuse or addiction treatment, or both;

24 (14) Prescription drugs;

25 (15) Periodic physical examinations, and other health screenings and services
26 as recommended by the U.S. Preventive Services Task Force 'Guide to
27 Clinical Preventive Services';

28 (16) Chiropractic.

29 **"§ 58-67A-35. Mental health benefits.**

30 (a) The following mental health benefits are covered benefits under the Program :

31 (1) Fifty-two outpatient visits per year; and

32 (2) Inpatient care, other than for substance abuse, not exceeding 45 days per
33 year.

34 (b) The Commission shall encourage the use of services, service coordination, and
35 case management which will enable the individual to remain in the least restrictive
36 setting. Services may be provided through community-based, residential, or institutional
37 programs.

38 (c) Not later than January 1, 1998, the Commission shall appoint an independent
39 advisory board of mental health experts and representatives of health care consumers to
40 develop a plan for providing all necessary mental health care through the Program.

41 **"§ 58-67A-40. Expansion of benefits .**

1 The benefits provided under this Article may be expanded by the Commission the
2 expansion meets the intent of this Article and when there are sufficient revenues to cover
3 expansion costs.

4 "Part 3. Program Providers.

5 **"§ 58-67A-45. Choice of health care providers; enrollment periods.**

6 (a) Any eligible resident may choose to receive services from the Program either
7 from a private or public health care provider or from a hospital through enrollment in the
8 State Plan or in an Accountable Health Plan.

9 (b) An Accountable Health Plan may use any of the following methods of health
10 care service delivery:

11 (1) A staff model, in which services are provided by salaried health care
12 professionals;

13 (2) A group model, in which a professional group is paid for services
14 rendered at a capitation rate;

15 (3) An independent practice association model, in which health care
16 professionals are paid fees; or

17 (4) Any other model for delivery of care approved by the Director.

18 (c) Individuals enrolled in an Accountable Health Plan are entitled to an open
19 enrollment period of not less than one month, during which period an individual may
20 enroll in another Accountable Health Plan or may change to the State Plan option. The
21 open enrollment period for an Accountable Health Plan shall be offered annually.

22 (d) Individuals enrolled in the State Plan may enroll in any available Accountable
23 Health Plan at any time.

24 **"§ 58-67A-50. Accountable Health Plan requirements.**

25 (a) Any Accountable Health Plan providing services under, and receiving payment
26 from, the Program shall do all of the following:

27 (1) Allow any eligible resident to enroll in order of time of application, up
28 to a reasonable limit determined by capacity of the Accountable Health
29 Plan to provide services;

30 (2) As a condition of approval to participate in the Program, demonstrate
31 that the Accountable Health Plan will provide, or arrange and pay for,
32 all of the benefits required for the capitation payment set by the
33 Commission;

34 (3) If an Accountable Health Plan does not have its own hospital facility,
35 that Accountable Health Plan shall contract with a hospital or hospitals
36 for the provisions of care for those enrolled in that Accountable Health
37 Plan;

38 (4) Demonstrate that the Accountable Health Plan will do all of the
39 following:

40 a. Provide, or arrange and pay for, all the benefits required for the
41 payment set by the Program;

42 b. Provide services of a level of quality acceptable to the
43 Commission;

- 1 c. Charge no additional fees, premiums, or copayments other than
2 those allowed by the Commission for the provision of benefits
3 under this Article;
- 4 d. Provide a grievance procedure that allows patient complaints
5 pertaining to coverage under the Program to be heard, and
6 appeals from the decision regarding those complaints to be heard
7 by the Health Plan Purchasing Cooperative;
- 8 e. Make reports as required by the Commission; and
- 9 f. Meet any other requirements the Commission determines to be
10 necessary to ensure that the Accountable Health Plans
11 participating in the Program are financially viable and will
12 provide quality health care to enrollees in the Accountable Health
13 Plans.

14 (b) As a condition of participation in the Program, no Accountable Health Plan
15 may refuse to enroll or serve any eligible individual because of that individual's economic
16 status, health history, preexisting health condition, age, sex, race, national origin,
17 ancestry, sexual orientation, disability, ethnicity, or religion.

18 (c) Nothing in this section shall prohibit an Accountable Health Plan from offering
19 additional benefits beyond those set forth in this Article. The additional benefits shall be
20 clearly set forth in disclosure and Accountable Health Plan description materials provided
21 to persons eligible to enroll in the Program.

22 "Part 4. Program Administration .

23 "**§ 58-67A-55. Program administered by Commission; implementation; monitoring.**

24 (a) Administration. – The Commission shall administer the Program in accordance
25 with this Article and with Article 71 of Chapter 143 of the General Statutes. The
26 Commission shall ensure that the Program is structured and administered in the most
27 efficient and effective manner possible.

28 (b) Implementation. – The Program shall be implemented through health plan
29 purchasing cooperatives in accordance with an implementation schedule established by
30 the Commission. Implementation shall be phased in beginning not later than January 1,
31 1999. In developing the phase-in schedule, the Commission shall ensure that services are
32 expanded for underserved populations. Implementation of the Program shall be carried
33 out only to the extent that funds are available for this purpose.

34 (c) Monitoring. – The Commission, in consultation with such other experts as it
35 deems appropriate, shall develop an evaluation and monitoring system which considers,
36 at a minimum, the quality of care and access to care provided by the Program.
37 Monitoring and evaluation shall include the geographic distribution of health care
38 resources under the Program, and the extent to which the needs of special populations
39 including low-income persons, persons living in medically underserved areas, and
40 persons with disabilities or chronic or unusual medical needs will be met.

41 "**§ 58-67A-60. Duties of health plan purchasing cooperative.**

1 Health plan purchasing cooperatives shall implement the Program in each
2 cooperative's geographic area, and in carrying out the implementation, shall do the
3 following:

- 4 (1) Certify private health plans as Accountable Health Plans for
5 participation in the system of universal health coverage on the basis of
6 ability to deliver the State-guaranteed package of comprehensive,
7 medically necessary health services in accordance with criteria defined
8 by the Commission for quality and service.
- 9 (2) Pay each Accountable Health Plan the same, risk-adjusted per capita
10 amount for all eligible persons, except that the Commission shall have
11 the authority to ensure accessibility to health care in rural and medically
12 underserved areas by enhancing provider payments, requiring an
13 Accountable Health Plan to provide services throughout the area, or by
14 any other reasonable means.
- 15 (3) Ensure that no Accountable Health Plan charges an additional premium.
- 16 (4) Jointly with the Commission and where necessary to meet the needs of
17 underserved areas or special populations, organize the delivery of health
18 care to ensure that every individual has a choice of Accountable Health
19 Plans.
- 20 (5) Assist eligible residents in choosing among Accountable Health Plans
21 by providing consumer education, including uniform information about
22 all Accountable Health Plans available through the health plan
23 purchasing cooperative such as quality indicators and choice of
24 providers.
- 25 (6) Provide a mechanism for enrolling all eligible residents in their chosen
26 Accountable Health Plans and for automatically enrolling in the State
27 Plan all eligible residents who fail to choose a plan.
- 28 (7) Monitor and enforce standards concerning access, consumer
29 satisfaction, and quality of care in all Accountable Health Plans.
- 30 (8) Jointly with the Commission and the North Carolina Medical Database
31 Commission, collect data from all Accountable Health Plans and
32 sponsor research into health outcomes and practice guidelines.

33 **"§ 58-67A-65. Efficiency of Program operations.**

34 (a) The Director shall set standards and conduct retrospective review of the
35 utilization of Program benefits to ensure that health care services are rendered in an
36 effective, cost-efficient, and appropriate manner.

37 (b) The Director shall make timely payments to providers, including Accountable
38 Health Plans and hospitals, and shall establish a payment system which is efficient for
39 health care providers and the Commission to administer and which eliminates
40 unnecessary administrative costs. Administrative costs shall not exceed the limits set
41 under G.S. 58-67A-35.

1 (c) In addition to other duties assigned by the Commission and by this Article and
2 Article 71 of Chapter 143 of the General Statutes, the Director shall do the following to
3 ensure efficiency of Program operation:

4 (1) Establish uniform reporting requirements for all health care providers
5 participating in the Program;

6 (2) To the extent permitted by federal law, develop and implement
7 standardized claims, reporting methods, and utilization review criteria
8 under the Program;

9 (3) Require all recipients of funds under the Program to periodically report
10 information which the Director determines to be necessary for the
11 planning, budgeting, and quality assurance of care provided under the
12 Program; and

13 (4) Make any information and reports submitted pursuant to this section,
14 including the analysis of data contained in those reports, available to the
15 public.

16 **"§ 58-67A-70. Confidentiality of records .**

17 The confidentiality of communications between a recipient of services under Program
18 and the health care provider, and the confidentiality of medical records and
19 communications between the patient and the health care provider, shall remain
20 confidential to the same extent that such records and communications are protected as
21 confidential under other provisions of law of this State.

22 "Part 5. Allocation of Funds and Provider Reimbursement .

23 **"§ 58-67A-75. Allocation of Program funds.**

24 (a) Not more than seven percent (7%) of the funds appropriated for the Program
25 may be used for Program administration.

26 (b) That amount of funds appropriated for the Program remaining after allocation
27 for administrative costs and reserves, shall be divided based on the proportion of
28 individuals enrolled in the State Plan or an Accountable Health Plan, adjusted for health
29 risk variations, and may be increased to encourage providers to practice in medically
30 underserved areas.

31 (c) The cost of any necessary research and education related to medicine and
32 health, other than patient and consumer education, shall not be paid from Program funds.

33 **"§ 58-67A-80. Provider reimbursement .**

34 (a) An Accountable Health Plan may reimburse providers by any method
35 authorized under G.S. 58-67A-45.

36 (b) Providers may not charge any fee for services covered under Part 2 of this
37 Article which exceeds the rate set or negotiated under the Program.

38 (c) Providers shall be reimbursed for services provided under the Program as
39 follows:

40 (1) The Program shall reimburse individual providers, other than hospitals,
41 for the provision of covered services in the State Plan pursuant to a
42 resource-based relative value fee schedule established by the Director,
43 based on the total amount of funds available in the State Plan.

- 1 (2) The Commission may adjust downward the increase in fees for any
2 procedure or service or group of procedures for the year following any
3 year in which the expenditure target for that procedure is exceeded and
4 this excess cannot be accounted for by increases in epidemics, disasters,
5 other changes in the health status of the covered population, or other
6 factors deemed relevant by the Commission and occurring after the
7 establishment of the expenditure target.
- 8 (3) As a condition of providing services under the Program, providers shall
9 accept the fees established by the Commission as payment in full and
10 shall not bill patients for any additional charges.
- 11 (4) Hospitals shall be reimbursed on the basis of an annual budget for all
12 covered services rendered under the Program to eligible residents, based
13 on the hospital's census, location, the acuity of its patient population,
14 and other relevant factors.
- 15 (5) The Director shall negotiate the budget specified in subdivision (4) of
16 this subsection with each participating hospital on an annual basis, with
17 adjustments made for epidemics and other unforeseen catastrophic
18 changes in the general health status of a patient population, and
19 adjustments that take into account the number of persons enrolled in
20 Accountable Health Plans.
- 21 (6) The Director shall reimburse Accountable Health Plans on a capitated
22 basis, for each patient, based on the following:
- 23 a. Total funds available to all Accountable Health Plans reimbursed
24 under the Program,
- 25 b. The number of persons enrolling in the Accountable Health Plan,
26 adjusted for health risk variations of enrollees, and
- 27 c. Adjustments to encourage providers to serve in medically
28 underserved areas.
- 29 (7) Accountable Health Plans shall be responsible for covering the costs of
30 its enrollees through negotiated fee-for-service, prospective annual
31 budget, or any other means negotiated between the parties.
- 32 (d) The Commission may impose reimbursement mechanisms which have as their
33 purpose reducing unnecessary referrals and utilization of health benefits among providers
34 in the State Plan, including, but not limited to, all of the following:
- 35 (1) Payment incentives to limit patient self-referrals to specialists and to
36 encourage greater review and screening of those referrals by primary
37 care providers.
- 38 (2) Capitation payments to groups or associations of providers.
- 39 (3) Targeted case management for high-cost or high-risk cases.
- 40 (4) Use of expenditure targets.
- 41 (5) Retrospective utilization review.
- 42 (6) Enhanced payments to primary care providers whose services result in
43 reductions in inpatient admissions and superior health outcomes.

1 (7) Other mechanisms which, upon deliberation, the Commission deems to
2 be appropriate to control unnecessary utilization of services.

3 "Part 6. Reserves .

4 **"§ 58-67A-85. Reserves.**

5 (a) The Director shall establish and retain a reserve account of one percent (1%) of
6 the total revenues collected for the support of the Program during budgetary shortfalls or
7 epidemics as defined by the Commission.

8 (b) Whenever the Director determines that the reserve account exceeds one percent
9 (1%) of the total revenues collected for the support of the Program, the Director shall
10 report to the Commission and the General Assembly on the appropriate options available,
11 which shall include, but are not limited to:

12 (1) Increasing benefits,

13 (2) Adjusting rates of reimbursement,

14 (3) Improving access to the Program,

15 (4) Reducing surcharges and taxes imposed and earmarked for the purpose
16 of supporting the Program, and

17 (5) Expanding the reserve.

18 (c) The Commission shall review and adjust its budget, fee schedules, and
19 capitation rates on a regular basis, according to a review schedule established by the
20 Commission, to ensure that the Program remains solvent and that the payments to
21 providers are equitable, prompt, and within the Program budget.

22 "Part 7. Family Health Care Trust Fund .

23 **"§ 58-67A-90. Fund established.**

24 (a) Effective July 1, 1998, there is established in the State Treasurer's Office the
25 North Carolina Family Health Care Trust Fund. The Fund shall consist of the following:

26 (1) All revenues collected from taxes and other sources enacted for the
27 purpose of funding the Program.

28 (2) All federal payments received as a result of any waiver of requirements
29 granted by the United States Secretary of Health and Human Services
30 under health care programs established under Title XIX of the Social
31 Security Act, as amended; and

32 (3) All moneys appropriated by the North Carolina General Assembly for
33 carrying out the purposes of the Program.

34 (b) Moneys shall be deposited in the Fund beginning with the 1998-99 fiscal year.

35 (c) Moneys held in the Fund are not subject to appropriation or allotment by the
36 State or any political subdivision of the State, except to the Commission for
37 administration and implementation of the Program.

38 (d) The Fund shall include a preventive care account for the purpose of ensuring
39 that moneys are allocated for community-based disease prevention and health promotion
40 efforts. These efforts shall be targeted to population groups with the greatest unmet
41 needs and shall emphasize programs to reduce or eliminate causes of illnesses and to
42 provide outreach to underserved populations. The Fund shall also contain such other

1 discrete accounts as the Commission deems appropriate for the effective and efficient
2 administration of the Program.

3 (e) The State Treasurer shall administer and invest Fund moneys in accordance
4 with his authority under State law.

5 "Part 8. General Provisions.

6 **"§ 58-67A-95. Reporting requirements.**

7 (a) Commencing January 1, 2000, the Commission shall make a report to the
8 general public, to the General Assembly, and to the Governor. The report shall be made
9 every five years and shall contain a comprehensive evaluation of the Program. The
10 report shall include all of the following:

11 (1) A description of the Commission's evaluation and monitoring of the
12 Program.

13 (2) A description of the successes and problems in the areas of quality of
14 and access to health care.

15 (3) The results of surveys of consumer and provider satisfaction with the
16 Program.

17 (b) The Commission shall report annually to the General Assembly and to the
18 Governor summarizing information about health needs, health services, health
19 expenditures, revenues, and other issues relevant to the efficient and effective
20 administration and operation of the Program. The Commission's annual report shall also
21 contain any recommendations it has for legislation necessary to maintain or improve the
22 Program's performance.

23 **"§ 58-67A-100. Waivers from federal requirements; options for additional federal**
24 **participation.**

25 (a) The Commission shall seek all necessary federal waivers, exemptions,
26 agreements, or legislation which will allow that all federal payments for health and
27 mental health made to this State will be paid directly to the Fund for the purposes of the
28 Program, and for the assumption, by the Program, of the responsibility for all benefits
29 previously paid for by the federal government.

30 (b) The Commission shall, in all cases, seek to maximize federal contributions and
31 payments for health and mental health services provided in this State, and, in obtaining
32 the waivers, exemptions, agreements, or legislation required under subsection (a) of this
33 section, the Commission shall ensure that the contributions of the federal government for
34 health and mental health services in North Carolina will not decrease in relation to other
35 states as a result of the waivers, exemptions, agreements, or legislation.

36 (c) When directed to do so by the Commission, the Director shall petition the
37 federal government for a waiver pursuant to section 1315 of Title 42 of the United States
38 Code for the purpose of providing medical services to Medicaid beneficiaries. The State
39 shall, at a minimum, continue to match federal financial participation at the same rate at
40 which the match was made during the 1998-99 fiscal year.

41 (d) The Department of Human Resources shall report to the Commission, not later
42 than July 1, 1998, regarding all of the following:

1 (1) All federal Medicaid options and other federal options which the State
2 has not exercised but would allow greater federal participation in the
3 provision of health care services pursuant to this Article.

4 (2) The amount of potential federal participation relating to each option.

5 (3) The amount of expanded federal participation which could be expected
6 if outreach and other efforts were initiated to expand participation to
7 present programs, including the medically needy program.

8 **"§ 58-67A-105. Private coverage may not duplicate Program benefits.**

9 Insurance companies may sell, subject to the approval of the Commissioner of
10 Insurance, health insurance to cover benefits not provided by the Program. However, no
11 private insurance may be sold to cover benefits which eligible residents are entitled to
12 receive from the Program. Not later than March 1, 1998, the Commissioner of Insurance
13 shall report to the General Assembly on the need for community rating and limitations on
14 medical underwriting under the Program."

15 Section 2. Chapter 143 of the General Statutes is amended by adding the
16 following new Article to read:

17 "ARTICLE 71.

18 "The North Carolina Family Health Care Planning Commission.

19 **"§ 143-675. Purpose.**

20 The purpose of this Article is to establish the North Carolina Family Health Care
21 Planning Commission. The Commission will administer the North Carolina Family
22 Health Care Program established under Article 68A of Chapter 58 of the General
23 Statutes.

24 **"§ 143-676. Definitions.**

25 As used in this Article, unless the context clearly requires otherwise:

26 (1) 'Accountable Health Plan' means any health maintenance organization,
27 independent practice association, or any other mode of delivery of care
28 approved by the Commission to provide health care services to
29 individuals in exchange for a prescribed capitated payment from the
30 Program.

31 (2) 'Commission' means the North Carolina Family Health Care Planning
32 Commission.

33 (3) 'Director' means the health care director of the North Carolina Family
34 Health Care Program.

35 (4) 'Eligible resident' means an individual who has been legally domiciled
36 in this State for a period of 30 days. For purposes of this Article, legal
37 domicile is established by living in this State and

38 a. Obtaining a North Carolina motor vehicle operator's license, or

39 b. Registering to vote in North Carolina, or

40 c. Filing a North Carolina income tax return, or

41 d. Obtaining a North Carolina identification card issued by the
42 North Carolina Division of Motor Vehicles.

1 A child is legally domiciled in this State if the child lives in this
2 State and if at least one of the child's parents or the child's guardian is
3 legally domiciled in this State for a period of 30 days.

4 A person with a developmental disability or other disability which
5 prevents the person from obtaining a North Carolina motor vehicle
6 operator's license, registering to vote in North Carolina, or filing a North
7 Carolina income tax return, is legally domiciled in this State by living in
8 the State for 30 days.

9 (5) 'Federal poverty income level' means the federal official poverty line, as
10 defined by the Federal Office of Management and Budget, based on
11 Bureau of Census data, and revised annually by the Secretary of Health
12 and Human Services pursuant to section 9902(2) of Title 42 of the
13 United States Code.

14 (6) 'Fund' means the North Carolina Family Health Care Trust Fund
15 established under this Article.

16 (7) 'Global budget' or 'global health budget' means a comprehensive,
17 binding annual budget setting forth in advance the aggregate
18 compensation all health care providers will receive from the Program
19 for provision of all covered services.

20 (8) 'Health plan purchasing cooperative' means an organization established
21 to implement the Program in geographic areas of the State.

22 (9) 'Program' means the North Carolina Family Health Care Program.

23 (10) 'Provider' means a health care provider participating in the Program
24 through the State Plan or an Accountable Health Plan.

25 (11) 'State Plan' means that portion of the Program in which eligible persons
26 may elect to receive services either from a private or public provider on
27 a fee-for-service basis or from a hospital, based on a negotiated annual
28 budget.

29 **"§ 143-677. Commission established; members; terms of office; quorum;**
30 **compensation.**

31 (a) Establishment. – Effective January 1, 1998, there is established the North
32 Carolina Family Health Care Planning Commission with the powers and duties specified
33 in this Article and in Article 68A of Chapter 58 of the General Statutes, and with the
34 power to adopt, amend, and repeal rules necessary to carry out this Article. The
35 Commission shall be a commission within the Department of Insurance for
36 organizational, budgetary, and administrative purposes only. The Commission shall be
37 responsible for the development, implementation, and administration of the North
38 Carolina Family Health Care Program established under Article 68A of Chapter 58 of the
39 General Statutes.

40 (b) Membership and Terms. – The Commission shall consist of 15 members who
41 shall be appointed as follows:

42 (1) Five persons appointed by the Governor, one of whom shall represent
43 the labor force, one of whom shall be a physician licensed to practice

1 medicine in this State, one of whom shall be a representative of a
2 business with 50 or more employees, and one of whom is a consumer.
3 Two of the persons initially appointed under this subdivision shall serve
4 a five-year initial term; two shall serve a three-year initial term; and one
5 shall serve a one-year initial term; thereafter, the terms of the
6 Governor's appointees shall be for six years.

7 (2) Five persons appointed by the General Assembly upon the
8 recommendation of the Speaker of the House of Representatives, two of
9 whom shall represent the beneficiaries whose right to health care under
10 the Program is guaranteed pursuant to this act, one of whom is a nurse
11 licensed under Chapter 90 of the General Statutes, one of whom
12 represents a prepaid health plan, and one of whom is an academic expert
13 in the field of health care. Two of the persons initially appointed under
14 this subdivision shall serve a six-year initial term; two shall serve a
15 four-year initial term; and one shall serve a two-year initial term;
16 thereafter, the terms of appointees under this subdivision shall be for six
17 years.

18 (3) Five persons appointed by the General Assembly upon the
19 recommendation of the President Pro Tempore of the Senate, one of
20 whom represents a business with less than 50 employees, one of whom
21 is a hospital administrator, one of whom represents an insurance
22 company authorized to do business in this State, one consumer, and one
23 representative of a nonprofit community health clinic. Two of the
24 persons initially appointed under this subdivision shall serve a six-year
25 initial term; two shall serve a four-year initial term; and one shall serve
26 a two-year initial term; thereafter, the terms of appointees under this
27 subdivision shall be for six years.

28 No member may be appointed to serve more than two consecutive terms. A member
29 whose term has expired may serve until his or her successor is appointed.

30 When making appointments to the Commission, the Governor and the General
31 Assembly shall ensure that the membership fairly represents the regions of the State and
32 also fairly represents minority persons, women, and membership of the political party to
33 which the largest minority of the membership of the General Assembly belongs.

34 (c) Member Association. –

35 (1) No person may be appointed to or remain a member of the Commission
36 if the person or the person's spouse is associated with a health care
37 business in either of the following ways:

38 a. As a director, employee, officer, owner, or partner; or

39 b. As a holder, either individually or collectively, of securities
40 worth ten thousand dollars (\$10,000) or more at fair market value
41 as of December 31 of the preceding year, or constituting five
42 percent (5%) or more of the outstanding stock of the business.

43 (2) For purposes of this subsection, the term 'health care business':

- 1 a. Does not include a widely held investment fund, regulated
2 investment company, or pension or deferred compensation plan if
3 the prospective employee or member or spouse neither exercises
4 nor has the authority to exercise control over the financial
5 interests held by the fund, and the fund is publicly traded or the
6 fund assets are widely diversified.
- 7 b. Includes an association, corporation, enterprise, joint venture,
8 organization, partnership, proprietorship, trust, and every other
9 business interest that provides or insures human health care or
10 that depends upon a provider or insurer of human health care for
11 twenty-five percent (25%) or more of its annual income.

12 (d) Compensation. – The salary of Commission members shall be set by the
13 General Assembly.

14 (e) Officers. – The Commission shall have a chair and vice-chair. The chair shall
15 be appointed by the Governor from among the membership. The vice-chair shall be
16 elected by the members. The terms of officers shall be for two years.

17 (f) Meetings. – Meetings may be called by the chair or vice-chair. The
18 Commission shall meet as often as necessary, but not less than six times a year.

19 (g) Quorum. – Eight members of the Commission shall constitute a quorum for the
20 transaction of business. The affirmative vote of a majority of the members present at
21 meetings of the Commission shall be necessary for action to be taken by the Commission.

22 **"§ 143-678. Powers and duties of the Commission .**

23 (a) The Commission shall have the following powers and duties:

- 24 (1) Employ such staff as it deems necessary and fix their compensation.
25 Staff employed by the Commission shall be subject to the State
26 Personnel Act;
- 27 (2) Enter into contracts to carry out the purposes of this Article and Article
28 68A of Chapter 58 of the General Statutes;
- 29 (3) Conduct investigations and inquiries and compel the submission of
30 information and records the Commission deems necessary;
- 31 (4) Adopt rules necessary for administration of the Program;
- 32 (5) Annual preparation of a budget for the administration of the Program,
33 including personnel costs;
- 34 (6) Act directly, or through one or more contractors, as the single payor for
35 all claims for services provided under the Program;
- 36 (7) Establish global budgeting and rate-setting mechanisms with annual
37 review of the effectiveness and sufficiency of budgets and rates. Global
38 budgets shall be tied to the consumer price index and may be adjusted
39 upward to account for increases in epidemics, disasters, other changes in
40 the health status of the covered population, or other factors deemed
41 relevant by the Commission and occurring after establishment of the
42 global budget;

- 1 (8) Establish an enrollment system which ensures that all eligible persons
2 are aware of their right to health care and are formally enrolled;
- 3 (9) Investigate and implement annual cost-containment measures, within
4 the Commission's authority, to meet established global budgets;
- 5 (10) Recommend annually to the General Assembly the amount of any
6 appropriation needed to finance the Program;
- 7 (11) Develop methodology to be used in making risk-adjusted payments to
8 Accountable Health Plans;
- 9 (12) Establish one or more advisory panels as the Commission deems
10 appropriate for the effective and timely conduct of its duties;
- 11 (13) Appoint a director of the Program who shall perform such duties as the
12 Commission may assign;
- 13 (14) Ensure accessibility to health care in rural and medically underserved
14 areas by enhancing provider payments, requiring services of an
15 Accountable Health Plan to be provided throughout a geographic area,
16 or by any other reasonable means;
- 17 (15) Ensure that supplemental health benefits are available to all eligible
18 residents including employees of business entities;
- 19 (16) Determine the economic impacts of implementing the Program,
20 including overall costs to the State economy, costs to the State's
21 business economy, costs to the State, impact on real wages of
22 employees, impact on future State economic development, immediate
23 effects on the job market in the State, and a 10-year projection of these
24 items if the Program is not implemented;
- 25 (17) Study and make recommendations to the General Assembly concerning
26 the following:
- 27 a. Options for financing the Program;
- 28 b. Legislation needed to finance the Program;
- 29 c. The mechanisms for ensuring that the State Plan and all
30 Accountable Health Plans available to eligible residents will
31 provide appropriate access to quality medical services;
- 32 d. The means by which the Program will ensure that the needs of
33 special populations of eligible residents such as low-income
34 persons, people living in rural and underserved areas, and people
35 with disabilities and chronic or unusual medical needs will be
36 met;
- 37 e. The appropriate means of financing medical education and
38 medical research;
- 39 f. Whether medical malpractice tort reforms are needed, and, if so,
40 the tort reforms needed; and
- 41 g. Methods to ensure adequate primary care for all eligible
42 residents, and appropriate compensation for primary care
43 services to achieve that end;

1 (18) Exercise administrative authority over Certificate of Need requirements
2 under Article 9 of Chapter 131E of the General Statutes and the Medical
3 Database Commission as established under Article 11 of Chapter 131E
4 of the General Statutes, as amended; and

5 (19) Such other duties as are required for the effective and efficient
6 implementation of the Program.

7 (b) The Commission may contract with nonrisk-bearing intermediaries for services
8 related to administering the Program, including, but not limited to, the dissemination of
9 materials and information about the Program and coverage choices and options,
10 enrollment of persons eligible for services in the Program, selection and designation of
11 primary care providers, utilization review, and payment of claims.

12 (c) The Commission may accept grants, contributions, devises, bequests, and gifts
13 for the purpose of providing financial support to the Program. Such funds shall be
14 deposited by the Commission into the Fund.

15 (d) The Commission shall periodically study the impact of migration to the State
16 on the ability of the Program to provide necessary health care for beneficiaries of the
17 Program. If the Commission finds, based on credible evidence, that migration to the
18 State is imposing a significant financial burden on the Program, the Commission shall
19 make recommendations to the General Assembly on mitigating the financial burden.

20 (e) On or before January 1, 1998, the Commission shall identify health and mental
21 health programs administered by State and local governments whose benefits and
22 services substantially duplicate those provided under the Program and shall make
23 recommendations to the General Assembly for phasing out those programs and
24 transferring funding for them to the Fund.

25 (f) The Commission shall establish an ongoing system for monitoring patterns of
26 practice. The Commission shall establish a system of peer education for providers
27 responsible for aberrant patterns of practice. If the Commission determines that peer
28 educational efforts have failed, the Commission may refer the matter to the appropriate
29 professional licensing board.

30 (g) The Commission shall review and adopt professional practice guidelines
31 developed by the State and national medical and specialty organizations, the National
32 Institute of Health, the United States Agency for Health Care Policy and Research, and
33 other organizations as it deems necessary to promote the quality and cost-effectiveness of
34 services provided under the Program.

35 **"§ 143-679. Health Care Director.**

36 (a) The Commission shall appoint a Health Care Director, who shall function as
37 the chief executive officer for the administration of the Program.

38 (b) The Director shall serve a minimum of four years, unless he or she receives a
39 vote of no confidence by not less than two-thirds of the membership of the Commission.

40 (c) The Director shall be exempt from the State Personnel Act."

41 Section 3. As the first step in implementation of the Program, the Commission
42 shall, on or before the first day of the 1997 General Assembly, Regular Session 1998,
43 produce and deliver to the President Pro Tempore of the Senate and the Speaker of the

1 House of Representatives a detailed report concerning implementation of the Program.
2 The report shall contain the following:

- 3 (1) Detailed analysis and recommendations pertaining to Program financing
4 options;
- 5 (2) Independent actuarial cost estimates for the benefit package;
- 6 (3) Possible options for phasing in the Program;
- 7 (4) Whether there is a need to begin immediate data collection and, if so,
8 the data needed and methods to begin data collection;
- 9 (5) The economic impacts of implementing the Program, including overall
10 costs to the State economy, costs to the State's business economy, costs
11 to the State, impact on future State economic development, immediate
12 effects on the job market in the State, and a 10-year projection of these
13 items if the Program is not implemented;
- 14 (6) The steps necessary to include the populations served by Medicaid,
15 including a statement of any necessary federal waivers;
- 16 (7) The need for and steps necessary to obtain a waiver from the federal
17 Employee Retirement and Income Security Act; and
- 18 (8) The steps necessary to include the North Carolina Teachers' and State
19 Employees' Comprehensive Major Medical Plan.

20 **TITLE II. FAMILY HEALTH CARE PROGRAM FINANCING.**

21 **SUBTITLE 1. HEALTH CARE SURCHARGES.**

22 Section 4. The General Assembly intends to enact legislation imposing the
23 following surcharges to take effect July 1, 1998, for the purpose of financing the
24 implementation of the North Carolina Family Health Care Act.

- 25 (1) Except as provided in subdivision (2) of this section, a surcharge on
26 employers at the rate of percent (%) on the wages paid by every
27 employer in the State. As used in this subdivision, the term "wages"
28 shall have the same definition as applied to that term under G.S. 96-8.
- 29 (2) For employers who have fewer than 50 employees and who have been
30 in business five years or less, a graduated surcharge on wages paid as
31 follows: at the rate of percent (%) in the first two years of operation,
32 percent (%) in the second two years of operation, and percent (%) in
33 the fifth year of operation.
- 34 (3) For self-employed individuals, a surcharge at the rate of percent (%)
35 on the amount of net earnings from self-employment. This surcharge
36 amount shall be deductible as a trade or business expense in determining
37 adjusted gross income.
- 38 (4) For all residents, a surcharge at the rate of percent (%) of the sum of
39 the resident's North Carolina adjusted gross income plus social security.

40 **SUBTITLE 2. TAXES.**

41 Section 5. The General Assembly intends to enact legislation increasing
42 specified taxes, the revenues from which shall be earmarked for deposit into the
43 preventive care account of the North Carolina Family Health Care Trust Fund.

1 **TITLE III. CONFORMING CHANGES, APPROPRIATIONS,**
2 **OTHER.**

3 **SUBTITLE 1. TRANSFER OF CERTIFICATE OF NEED AND**
4 **MEDICAL DATABASE COMMISSION.**

5 Section 6. Effective July 1, 1998, the administration of the Certificate of Need
6 requirements under Article 9 of Chapter 131E are transferred by a Type I transfer in
7 accordance with G.S. 143A-6(a) from the Department of Human Resources to the North
8 Carolina Family Health Care Planning Commission as established under G.S. 143-592.
9 All powers, duties, functions, records, and unexpended balances of appropriations,
10 allocations, or other funds, including the functions of budgeting and purchasing as these
11 elements pertain to administration of Article 9 of Chapter 131E, are transferred from the
12 Department of Human Resources to the North Carolina Family Health Care Planning
13 Commission in accordance with G.S. 143A-6(a).

14 Section 7. Effective July 1, 1998, the Medical Database Commission,
15 established under Article 11 of Chapter 131E of the General Statutes, is transferred by a
16 Type I transfer in accordance with G.S. 143A-6(a) from the Department of Human
17 Resources to the North Carolina Family Health Care Planning Commission established
18 under Article 64 of Chapter 143 of the General Statutes. All powers, duties, functions,
19 records, and unexpended balances of appropriations, allocations, or other funds, including
20 the functions of budgeting and purchasing as these elements pertain to administration of
21 Article 11 of Chapter 131E, are transferred from the Department of Human Resources to
22 the North Carolina Family Health Care Planning Commission in accordance with G.S.
23 143A-6(a).

24 Section 8. Effective July 1, 1998, the phrase "Department of Human
25 Resources" is deleted and replaced by the phrase "North Carolina Family Health Care
26 Planning Commission" wherever it occurs in Articles 9 and 11 of Chapter 131E of the
27 General Statutes.

28 Section 9. Effective July 1, 1998, the Revisor of Statutes is authorized to
29 correct any reference or citation in the General Statutes to any portion of the General
30 Statutes which is amended by this act by deleting incorrect references and substituting
31 correct references.

32 **SUBTITLE 2. CONFORMING CHANGES.**

33 Section 10. The Department of Insurance shall prepare and present for
34 consideration and action by the General Assembly all changes to Chapter 58 of the
35 General Statutes, other than Article 68A of that Chapter, necessary to make relevant
36 sections of Chapter 58 of the General Statutes conform to and be consistent with the
37 requirements of the North Carolina Family Health Care Act and amendments thereto.
38 The Department shall present the recommended changes to the General Assembly upon
39 the convening of the next session following the enactment of the North Carolina Family
40 Health Care Act.

41 Section 11. The Executive Administrator and the Board of Trustees of the
42 Teachers' and State Employees' Comprehensive Major Medical Plan shall prepare and
43 present for consideration and action by the General Assembly all changes to Chapter 135

1 of the General Statutes necessary to make relevant sections to that Chapter conform to
2 and be consistent with the requirements of the North Carolina Family Health Care Act
3 and amendments thereto. The Board shall present the recommended changes to the
4 General Assembly upon the convening of the next session following the enactment of the
5 North Carolina Family Health Care Act.

6 Section 12. Within 60 days of ratification of this act, the Governor and the
7 General Assembly shall make appointments to the North Carolina Family Health Care
8 Planning Commission.

9 Section 13. The provisions of this act are severable. If any provision of this act
10 is held invalid by a court of competent jurisdiction, the invalidity does not affect other
11 provisions of the act that can be given effect without the invalid provision.

12 Section 14. The headings to the titles and sections of this act are a convenience
13 to the reader and are for reference only. The headings do not expand, limit, or define the
14 text of this act.

15 **SUBTITLE 3. APPROPRIATIONS.**

16 Section 15. There is appropriated from the General Fund to the Department of
17 Insurance the sum of two million dollars (\$2,000,000) for the 1997-98 fiscal year and the
18 sum of two million dollars (\$2,000,000) for the 1998-99 fiscal year for allocation to the
19 North Carolina Family Health Care Planning Commission to begin to carry out the
20 purposes authorized under Section 2 of this act.

21 **SUBTITLE 4. EFFECTIVE DATE.**

22 Section 16. Section 1 of this act becomes effective, if and only if, specific
23 funds are made available for implementation of the North Carolina Family Health Care
24 Program. Funds appropriated for the 1997-98 fiscal year or for any fiscal year in the
25 future do not constitute an entitlement to services beyond those provided for that fiscal
26 year. Nothing in this act creates any right except to the extent funds are made available
27 by the General Assembly to implement its provisions from year to year and nothing in
28 this act obligates the General Assembly to appropriate funds to implement its provisions.
29 Section 15 of this act becomes effective July 1, 1997. The remainder of this act is
30 effective when it becomes law.