

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2001

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HOUSE BILL 360*

Short Title: Health Insurance Omnibus Changes-AB.

(Public)

Sponsors: Representatives Dockham and Hurley (Primary Sponsors).

Referred to: Insurance.

March 1, 2001

A BILL TO BE ENTITLED

1
2 AN ACT TO EXPRESSLY ALLOW NONBINDING ARBITRATION IN HEALTH
3 INSURANCE POLICIES; CLARIFY THE PREFERRED PROVIDER PLAN
4 LAW; AMEND THE SMALL EMPLOYER RATE GUARANTEE LAW;
5 PROVIDE FOR THE PROMOTION OF ALCOHOL AND NARCOTIC
6 SCREENING AND INTERVENTION; AMEND THE LAW ON NEWBORN AND
7 FOSTER CHILD COVERAGE; PROVIDE FOR SUCCESSOR HEALTH PLAN
8 COVERAGE FOR CONFINEMENT OR PREGNANCY; PROVIDE FOR A
9 HEALTH INSURANCE CONTINUATION ELECTION PERIOD; REQUIRE AN
10 HMO GROUP COVERAGE PREMIUM CHANGE NOTICE; PROVIDE FOR
11 SUCCESSOR HEALTH PLAN COVERAGE FOR CONDITIONS FIRST
12 DIAGNOSED UNDER PREVIOUS COVERAGE; TO EXPAND MEDICARE
13 SUPPLEMENT GUARANTEED ISSUANCE FOR DISABLED PERSONS; TO
14 ALLOW THE INSURANCE COMMISSIONER TO ADOPT TEMPORARY
15 RULES FOR MEDICARE SUPPLEMENT AND LONG-TERM CARE
16 INSURANCE TO IMPLEMENT FEDERAL REQUIREMENTS; AND TO MAKE
17 TECHNICAL CORRECTIONS TO REFLECT REPEALS OF LAWS.

18 The General Assembly of North Carolina enacts:

19
20 **PART I. NONBINDING ARBITRATION IN HEALTH INSURANCE POLICIES**

21
22 **SECTION 1.** G.S. 58-3-35 reads as rewritten:

23 **"§ 58-3-35. Stipulations as to jurisdiction and limitation of actions.**

24 (a) No company or order, domestic or foreign, authorized to do business in this
25 State under Articles 1 through 64 of No insurer, self-insurer, service corporation, HMO,
26 or MEWA licensed under this Chapter, may Chapter shall make any condition or
27 stipulation in its insurance contracts or policies concerning the court or jurisdiction
28 wherein in which any suit or action thereon on the contract may be brought.

1 ~~(b) may be brought, nor may it~~ No insurer, self-insurer, service corporation,
2 HMO, or MEWA licensed under this Chapter shall limit the time within which such any
3 suit or action referred to in subsection (a) of this section may be commenced to less than
4 one year after the cause of action accrues or to less than six months from any time at
5 which a plaintiff takes a nonsuit to an action begun within the legal time. All conditions
6 and stipulations forbidden by this section are void.

7 (c) No health or life insurance policy or annuity contract shall contain any
8 condition, provision, stipulation, or agreement that directly or indirectly deprives an
9 insured or beneficiary of the right to a trial by jury or any question of fact arising under
10 the policy or contract. An insurance policy or contract may contain an arbitration clause.
11 The arbitration procedure and rights of the parties to the arbitration shall be
12 substantially similar to those contained in Rules of the Supreme Court adopted under
13 G.S. 7A-37.1 which give either party the option and right to proceed in the courts after
14 an arbitration award.

15 (d) All conditions and stipulations forbidden by this section are void."

17 PART II. PREFERRED PROVIDER PLAN CLARIFICATION

18
19 **SECTION 2.** G.S. 58-50-56(a)(3) reads as rewritten:

20 "(3) "Preferred provider benefit plan" means a ~~health~~benefit plan offered by
21 an insurer in which health care services are furnished by preferred
22 health care providers under a contract in accordance with this section
23 and in which either or both of the following features are present:

- 24 a. Utilization review or quality management programs are used to
25 manage the provision of covered health care ~~services;~~
26 ~~and services.~~
- 27 b. Enrollees are given incentives through benefit differentials to
28 limit the receipt of covered health care services to those
29 furnished by participating providers. ~~providers, and health care~~
30 ~~services are provided by preferred providers under a contract~~
31 ~~pursuant to this section."~~

33 PART III. SMALL EMPLOYER RATE GUARANTEES

34
35 **SECTION 3.** G.S. 58-50-130(b)(3) reads as rewritten:

36 "(3) ~~Small employer carriers~~ A small employer carrier shall not modify the
37 premium rate for charged to a small employer or a small employer
38 group member, including changes in rates related to the increasing age
39 of a group member, for 12 months from the initial issue date or
40 renewal date, unless the group is composite rated and composition of
41 the group changed by twenty percent (20%) or more or benefits are
42 changed. The percentage increase in the premium rate charged to a
43 small employer for a new rating period ~~may shall~~ not exceed the sum
44 of the following:

- 1 a. The percentage change in the adjusted community rate as
2 measured from the first day of the prior rating period to the first
3 day of the new rating period, and
4 b. Any adjustment, not to exceed fifteen percent (15%) annually,
5 due to claim experience, health status, or duration of coverage
6 of the employees or dependents of the small employer, and
7 c. Any adjustment because of change in coverage or change in
8 case characteristics of the small employer group."
9

10 **PART IV. PROMOTION OF ALCOHOL AND NARCOTIC SCREENING AND**
11 **INTERVENTION**

12
13 **SECTION 4.1.** G.S. 58-51-15(b)(11) is repealed.

14 **SECTION 4.2.** Article 51 of Chapter 58 of the General Statutes is amended
15 by adding a new section to read:

16 **"§ 58-51-16. Promotion of alcohol and narcotic screening and intervention.**

17 No insurer licensed under this Chapter shall make any condition or stipulation in its
18 accident or health insurance contracts that would defeat or avoid coverage as a result of
19 loss sustained or contracted in consequence of the insured's being under the influence of
20 alcohol or a narcotic."
21

22 **PART V. NEWBORN AND FOSTER CHILD COVERAGE**

23
24 **SECTION 5.** G.S. 58-31-30(b) reads as rewritten:

25 "(b) Every health benefit plan, as defined in G.S. 58-51-115(a)(1), 58-3-167, that
26 provides benefits for any sickness, illness, or disability of any minor child or that
27 provides benefits for any medical treatment or service furnished by a health care
28 provider or institution to any minor child shall provide the benefits for those
29 occurrences beginning with the moment of the child's birth if the birth occurs while the
30 plan is in force. Every health benefit plan shall extend coverage to a newborn child
31 without requirements for prior notification unless an additional premium charge to add
32 the dependent is due. If an additional premium charge is due to cover the dependent, the
33 health benefit plan shall cover the newborn child from the moment of birth if the
34 newborn is enrolled within 30 days after the date of birth. Foster children shall be
35 treated the same as newborn infants and eligible for coverage on the same basis upon
36 placement in the foster home."
37

38 **PART VI. SUCCESSOR PLAN COVERAGE FOR CONFINEMENT OR**
39 **PREGNANCY**

40
41 **SECTION 6.** G.S. 58-51-110(b) reads as rewritten:

42 "(b) Whenever a contract described in subsection (a) of this section is replaced by
43 another group contract within 15 days of termination of coverage of the previous group

1 contract, the liability of the succeeding insurer for insuring persons covered under the
2 previous group contract is:

- 3 (1) Each person who is eligible for coverage in accordance with the
4 succeeding insurer's plan of ~~benefits with respect to classes eligible~~
5 ~~and activity at work and nonconfinement rules must~~ benefits,
6 regardless of any other provisions of the new group contract relating to
7 active employment or hospital confinement or pregnancy, shall be
8 covered by the succeeding insurer's plan of benefits; and
9 (2) Each person not covered under the succeeding insurer's plan of
10 benefits in accordance with subdivision (b)(1) of this section must
11 nevertheless be covered by the succeeding insurer if that person was
12 validly covered, including benefit extension, under the prior plan on
13 the date of discontinuance and if the person is a member of the class of
14 persons eligible for coverage under the succeeding insurer's plan."
15

16 PART VII. CONTINUATION ELECTION PERIOD

17
18 SECTION 7.1. G.S. 58-53-10 reads as rewritten:

19 "§ 58-53-10. Eligibility.

20 Continuation shall only be available to an employee or member who has been
21 continuously insured under the group policy, or for similar benefits under any other
22 group policy that it replaced, during the period of three consecutive months immediately
23 ~~prior to before~~ the date of termination. The employee or member may elect continuation
24 for a period of not fewer than 60 days after the date of termination or loss of eligibility.
25 The employee or member shall make the first contribution upon the election to continue
26 coverage; and the coverage shall be retroactive to the date of termination or loss of
27 eligibility."

28 SECTION 7.2. G.S. 58-53-30 reads as rewritten:

29 "§ 58-53-30. Payment of premiums.

30 An employee or member electing continuation must pay to the group policyholder or
31 his employer, in advance, the amount of contribution required by the policyholder or
32 employer, but not more than one hundred two percent (102%) of the full group rate for
33 the insurance applicable under the group policy on the due date of each payment. The
34 employee or member may not be required to pay the amount of the contribution less
35 often than monthly. In order to be eligible for continuation of coverage, the employee or
36 member must make a written election of continuation, on a form furnished by the group
37 ~~policyholder, and pay the first contribution, in advance, to the policyholder or employer~~
38 ~~on or before the date on which employee's or member's insurance would otherwise~~
39 ~~terminate.~~ policyholder or by the insurer."
40

41 PART VIII. HMO GROUP COVERAGE PREMIUM CHANGE NOTICE

42
43 SECTION 8. G.S. 58-67-50(b) reads as rewritten:

- 1 (b) (1) Premium Approval.-- No schedule of premiums for enrollee coverage
2 for health care services, or any amendment thereto, may to the
3 schedule, shall be used in conjunction with any health care plan until a
4 copy of such schedule, or amendment thereto, the schedule or
5 amendment has been filed with and approved by the Commissioner.
- 6 (2) Individual coverage.—Premiums shall ~~Such premiums may be~~
7 established in accordance with actuarial principles for various
8 categories of enrollees, ~~provided that premiums enrollees.~~ Premiums
9 applicable to an enrollee shall not be individually determined based on
10 the status of ~~his~~ the enrollee's health. ~~However, the premiums~~
11 Premiums shall not be excessive, inadequate, or unfairly
12 discriminatory; and ~~must~~ shall exhibit a reasonable relationship to the
13 benefits provided by the evidence of coverage. ~~Such~~ The premiums or
14 any revisions ~~thereto~~ to the premiums with respect to nongroup
15 enrollee coverage shall be guaranteed, as to every enrollee covered
16 under the same category of enrollee coverage, for a period of not less
17 than 12 ~~months; or as an~~ months. As an alternative to giving ~~such~~ this
18 guarantee ~~with respect only to~~ for nongroup enrollee coverage, ~~such~~
19 the premium or premium revisions may be made applicable to all
20 similar category of enrollee coverage at one time if the health
21 maintenance organization chooses to apply for ~~such~~ the premium
22 revision with respect to such categories of coverages no more
23 frequently than once in any 12-month period. ~~Such~~ The premium
24 revision shall be applicable to all categories of nongroup enrollee
25 coverage of the same type; provided that no premium revision may
26 become effective for any category of enrollee coverage unless the
27 ~~corporation~~ HMO has given written notice of the premium revision to
28 the enrollee 45 days ~~prior to~~ before the effective date of ~~such~~ the
29 revision. The enrollee thereafter must pay the revised premium in
30 order to continue the contract in force. The Commissioner may
31 ~~promulgate~~ adopt reasonable rules, after notice and hearing, to require
32 the ~~submission~~ submittal of supporting data and such information ~~as is~~
33 ~~deemed~~ as the Commissioner considers necessary to determine
34 whether ~~such~~ the rate revisions meet ~~these standards~~ the standards in
35 this subdivision.
- 36 (3) Group Coverage. – Employer group premiums shall be established in
37 accordance with actuarial principles for various categories of enrollees,
38 provided that premiums applicable to an enrollee shall not be
39 individually determined based on the status of the enrollee's health.
40 Premiums shall not be excessive, inadequate, or unfairly
41 discriminatory; and shall exhibit a reasonable relationship to the
42 benefits provided by the evidence of coverage. The premiums or any
43 revisions to the premiums for employer group coverage shall be
44 guaranteed for a period of not less than 12 months. No premium

1 revision shall become effective for any category of group coverage
2 unless the HMO has given written notice of the premium revision to
3 the master group contract holder 45 days before the effective date of
4 the revision. The master group contract holder thereafter must pay the
5 revised premium in order to continue the contract in force. The
6 Commissioner may adopt reasonable rules, after notice and hearing, to
7 require the submittal of supporting data and such information as the
8 Commissioner considers necessary to determine whether the rate
9 revisions meet the standards in this subdivision."

10
11 **PART IX. HIPAA COVERAGE FOR CONDITIONS FIRST DIAGNOSED**
12 **UNDER PREVIOUS COVERAGE**

13
14 **SECTION 9. G.S. 58-38-30(d) reads as rewritten:**

15 "(d) Exceptions. –

- 16 (1) Exclusion not applicable to certain newborns. – Subject to subdivision
17 (4) of this subsection, a group health insurer shall not impose any
18 preexisting condition exclusion in the case of an individual who, as of
19 the last day of the 30-day period beginning with the individual's date
20 of birth, is covered under creditable coverage.
- 21 (2) Exclusion not applicable to certain adopted children. – Subject to
22 subdivision (4) of this subsection, a group health insurer shall not
23 impose any preexisting condition exclusion in the case of a child who
24 is adopted or placed for adoption before attaining 18 years of age and
25 who, as of the last day of the 30-day period beginning on the date of
26 the adoption or placement for adoption, is covered under creditable
27 coverage. The previous sentence does not apply to coverage before the
28 date of the adoption or placement for adoption.
- 29 (3) Exclusion not applicable to pregnancy. – A group health insurer shall
30 not impose any preexisting condition exclusion relating to pregnancy
31 as a preexisting condition.
- 32 (4) Loss if break in coverage. – Subdivisions (1) and (2) of this subsection
33 shall no longer apply to an individual after the end of the first 63-day
34 period during all of which the individual was not covered under any
35 creditable coverage.
- 36 (5) Condition first diagnosed under previous coverage. – A group health
37 insurer shall not impose any preexisting condition exclusion for a
38 condition for which medical advice, diagnosis, care, or treatment was
39 recommended or received for the first time while the covered person
40 held qualifying previous coverage or prior creditable coverage and the
41 condition was covered under the qualifying previous coverage or prior
42 creditable coverage; provided that the qualifying previous coverage or
43 prior creditable coverage was continuous to a date not more than 63
44 days before the enrollment date for the new coverage."

1
2 **PART X. MEDICARE SUPPLEMENT GUARANTEED ISSUANCE**
3

4 **SECTION 10.** G.S. 58-54-45 reads as rewritten:

5 **"§ 58-54-45. By reason of disability.**

6 (a) In addition to any rule adopted under this Article that is directly or indirectly
7 related to open enrollment, an insurer shall at least make standardized Medicare
8 Supplement ~~Plan A~~ Plans A, C, and J available to persons eligible for Medicare by
9 reason of disability before age 65. This action shall be taken without regard to medical
10 condition, claims experience, or health status. To be eligible, a person must submit an
11 application during the six-month period beginning with the first month the person first
12 enrolls in Medicare Part B.

13 (b) Persons eligible for Medicare by reason of disability before age 65 who are
14 enrolled in a managed care plan and whose coverage under the managed care plan is
15 terminated through cancellation, nonrenewal, or disenrollment, have the guaranteed
16 right to purchase Medicare Supplement Plans A and C from any insurer within 63 days
17 after the date of termination or disenrollment.

18 (c) An insurer may develop premium rates specific to the disabled population.
19 No insurer shall discriminate in the pricing of the Medicare supplement plans referred to
20 in this section because of the health status, claims experience, receipt of health care, or
21 medical condition of an applicant where an application for the plan is submitted during
22 an open enrollment or is submitted within 63 days after the managed care plan is
23 terminated. The rates and any applicable rating factors for the Medicare supplement
24 plans referred to in this section shall be filed with and approved by the Commissioner."
25

26 **PART XI. MEDICARE SUPPLEMENT AND LONG-TERM CARE RULES**
27

28 **SECTION 11.1.** G.S. 58-54-50 reads as rewritten:

29 **"§ 58-54-50. Rules for compliance with federal law and regulations.**

30 The Commissioner may adopt temporary rules necessary to conform Medicare
31 supplement policies and certificates to the requirements of federal law and regulations,
32 including:

- 33 (1) Requiring refunds or credits if the policies or certificates do not meet
34 loss ratio requirements.
35 (2) Establishing a uniform methodology for calculating and reporting loss
36 ratios.
37 (3) Assuring public access to policies, premiums, and loss ratio
38 information of issuers of Medicare supplement insurance.
39 (4) Establishing standards for Medicare Select policies and certificates.
40 (5) Any other changes required by Congress or the U.S. Department of
41 Health and Human Services, or any successor agency."

42 **SECTION 11.2.** Article 55 of Chapter 58 of the General Statutes is amended
43 by adding the following new section to read:

44 **"§ 58-55-50. Rules for compliance with federal law and regulations.**

1 The Commissioner may adopt temporary rules necessary to conform long-term care
2 policies and certificates to the requirements of federal law and regulations, including
3 any changes required by Congress or the U.S. Department of Health and Human
4 Services, or any successor agencies."

5
6 **PART XII. SHPPA REPEAL TECHNICAL CORRECTIONS**

7
8 **SECTION 12.1.** G.S. 58-50-110(1) is repealed.

9 **SECTION 12.2.** G.S. 58-50-110(14) reads as rewritten:

10 "(14) 'Late enrollee' has the same meaning as defined in G.S.
11 58-68-30(b)(2); provided that the initial enrollment period shall be a
12 period of at least 30 consecutive calendar days. In addition to the
13 special enrollment provisions in G.S. 58-68-30(f), an eligible
14 employee or dependent shall not be considered a late enrollee under a
15 small employer health benefit plan if:

16 a. Repealed by Session Laws 1998-211, s. 9.

17 1, 2. Repealed by Session Laws 1998-211, s. 9.

18 3, 4. Repealed by Session Laws 1993, c. 529, s. 3.3.

19 b. The individual elects a different health benefit plan offered
20 ~~through the Alliance or~~ by the small employer during an open
21 enrollment period;

22 c. Repealed by Session Laws 1998-211, s. 9.

23 d. A court has ordered coverage be provided for a spouse or minor
24 child under a covered employee's health benefit plan and the
25 request for enrollment for a spouse is made within 30 days after
26 issuance of the court order. A minor child shall be enrolled in
27 accordance with the requirements of G.S. 58-51-120; or

28 e. Repealed by Session Laws 1998-211, s. 9."

29 **SECTION 12.3.** G.S. 58-50-130(a)(4a) reads as rewritten:

30 "(4a) A carrier may continue to enforce reasonable employer participation
31 and contribution requirements on small employers applying for
32 coverage; however, participation and contribution requirements may
33 vary among small employers only by the size of the small employer
34 group and shall not differ because of the health benefit plan involved.
35 In applying minimum participation requirements to a small employer,
36 a small employer carrier shall not consider employees or dependents
37 who have qualifying existing coverage in determining whether an
38 applicable participation level is met. "Qualifying existing coverage"
39 means benefits or coverage provided under: (i) Medicare, Medicaid,
40 and other government funded programs; or (ii) an employer-based
41 health insurance or health benefit arrangement, including a self-insured
42 plan, that provides benefits similar to or in excess of benefits provided
43 under the basic health care plan. ~~An accountable health carrier shall~~
44 ~~not enforce participation or contribution requirements on member~~

1 ~~small employers, as defined in G.S. 143-622(18), unless those~~
2 ~~requirements meet with the standards adopted by the State Health Plan~~
3 ~~Purchasing Alliance Board."~~
4

5 **PART XIII. THIRD PARTY ADMINISTRATOR**

6
7 **SECTION 13.(a)** G.S. 58-56-51(b) reads as rewritten:

8 "(b) Each application for the issuance or renewal of a license shall be made upon a
9 form prescribed by the Commissioner and shall be accompanied by a nonrefundable
10 filing fee of one hundred dollars (\$100.00) and evidence of maintenance of a fidelity
11 bond, errors and omissions liability insurance, or other security, of a type and in an
12 amount to be determined by rules of the Commissioner. Applications for issuance of
13 licenses shall include or be accompanied by the following information and documents:

- 14 (1) All organizational documents of the TPA, including any articles of
15 incorporation, articles of association, partnership agreement, trade
16 name certificate, or trust agreement, any other applicable documents,
17 and all amendments to these documents.
- 18 (2) The bylaws, rules, regulations, or similar documents regulating the
19 internal affairs of the TPA.
- 20 (3) The names, addresses, official positions, and professional
21 qualifications of the individuals who are responsible for the conduct of
22 affairs of the TPA, including all (i) members of the board of directors,
23 board of trustees, executive committee, or other governing board or
24 committee, (ii) the principal officers in the case of a corporation or the
25 partners or members in the case of a partnership or association, (iii) all
26 shareholders holding directly or indirectly ten percent (10%) or more
27 of the voting securities of the TPA, and (iv) any other person who
28 exercises control or influence over the affairs of the TPA.
- 29 (4) Annual financial statements or reports for the two most recent years
30 that prove that the applicant is solvent and any other information the
31 Commissioner may require in order to review the current financial
32 condition of the applicant.
- 33 (5) A general description of the business operations, including information
34 on staffing levels and activities proposed in this State and nationwide.
35 The description must provide details setting forth the TPA's capability
36 for providing a sufficient number of experienced and qualified
37 personnel in the areas of claims processing, record keeping, and
38 underwriting.
- 39 (6) If the applicant will be managing the solicitation of new or renewal
40 business, evidence that it employs or has contracted with an agent
41 licensed by this State for soliciting and taking applications. Any
42 applicant that intends to directly solicit insurance contracts or to
43 otherwise act as an insurance agent must provide proof of having a
44 license as an insurance agent in this State.

1 (7) Any other pertinent information required by rules of the
2 Commissioner.

3 The information required by subdivisions (1) through (7) of this subsection, including
4 any trade secrets, shall be kept confidential; provided that the Commissioner may use
5 that information in any judicial or administrative proceeding instituted against the TPA.
6 Applications for renewals of licenses shall include or be accompanied by any changes in
7 the information required by subdivisions (1) through (7) of this subsection. documents,
8 materials, or other information in the possession or control of the Department that are
9 furnished by a third-party administrator, insurer, producer, or any employee or agent
10 acting on behalf of the third-party administrator, insurer or producer, or obtained by the
11 Commissioner, shall be kept confidential. However, the Commissioner may use those
12 documents, materials, or other information in the furtherance of any regulatory or legal
13 action brought as part of the Commissioner's official duties."

14 **SECTION 13.(b)** Article 56 of Chapter 58 of the General Statutes is
15 amended by adding the following new subdivisions to read:

16 "(b1) In order to assist in the performance of the Commissioner's duties, the
17 Commissioner may:

18 (1) Share documents, materials, or other information, including the
19 confidential and privileged documents, materials, or information
20 subject to subsection (b) of this section, with other state, federal, and
21 international regulatory agencies, with the NAIC and with state,
22 federal, and international law enforcement authorities, provided that
23 the recipient agrees to maintain the confidentiality and privileged
24 status of the document, material, communication, or other information.

25 (2) Receive documents, materials, communications, or information,
26 including otherwise confidential and privileged documents, materials,
27 or information, from the NAIC and from regulatory and law
28 enforcement officials of other foreign or domestic jurisdictions, and
29 shall maintain as confidential or privileged any document, material, or
30 information received with notice or the understanding that it is
31 confidential or privileged under the laws of the jurisdiction that is the
32 source of the document, material, or information.

33 (3) Enter into agreements governing sharing and use of information
34 consistent with this section.

35 (b2) No waiver of an existing privilege or claim of confidentiality in the
36 documents, materials, or information shall occur as a result of disclosure to the
37 Commissioner under this section or as a result of sharing as authorized in subsection (g)
38 of this section.

39 (b3) A privilege established under the law of any state or jurisdiction that is
40 substantially similar to the privilege established under this subsection shall be available
41 and enforced in any proceeding in, and in any court of, this State.

42 (b4) In this section, 'department', 'insurance regulator', 'law enforcement official or
43 authority', 'NAIC', and 'regulatory official or agency' include employees, agents,
44 consultants, and contractors of those entities.

1 (b5) Applications for renewals of licenses shall include or be accompanied by any
2 changes in the information required by subdivisions (1) through (7) of subsection (b) of
3 this section."

4 **SECTION 14.** This act becomes effective October 1, 2001.