

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2011

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HOUSE BILL 928
Committee Substitute Favorable 6/8/11

Short Title: State Health Plan Solvency Reform Act.

(Public)

Sponsors:

Referred to:

May 5, 2011

A BILL TO BE ENTITLED

AN ACT TO REFORM THE STATE HEALTH PLAN FOR TEACHERS AND STATE EMPLOYEES.

The General Assembly of North Carolina enacts:

SECTION 1. New coverage categories. – (a) G.S. 135-45.2 is amended by adding a new subsection to read:

"(c1) Non-Medicare Eligible Retiree Coverage. – Retirees who (i) would otherwise qualify for coverage under subsections (a) through (c) of this section and (ii) are at least age 65 but do not yet qualify for Medicare shall instead be eligible under this section. The Plan shall set premium contribution rates for retirees who qualify under this section equal to the difference between the total premium for non-Medicare-eligible retiree coverage and the employer contribution for Medicare-eligible retiree coverage under subsections (a) through (c) of this section."

SECTION 1.(b) Effective January 1, 2012, and notwithstanding Section 2.9 of S.L. 2011-85, G.S. 135-45.2(c1), as enacted by subsection (a) of this section, is recodified as G.S. 135-48.40(e) and reads as rewritten:

"(e) Non-Medicare Eligible Retiree Coverage. – Retirees who (i) would otherwise qualify for coverage under subsections (a) through ~~(e)~~ (d) of this section and (ii) are at least age 65 but do not yet qualify for Medicare, shall instead be eligible under this section. The Plan shall set premium contribution rates for retirees who qualify under this section equal to the difference between the total premium for non-Medicare-eligible retiree coverage and the employer contribution for Medicare-eligible retiree coverage under subsections (a) through ~~(e)~~ (d) of this section."

SECTION 1.(c) Effective July 1, 2012, G.S. 135-48.40 is amended by adding a new subsection to read:

"(f) Retiree Supplemental Plan Coverage. – Retirees who (i) would otherwise qualify for coverage under subsections (a) through (e) of this section, (ii) do not qualify for Medicare, and (iii) are eligible for health care coverage from an employer for which the employer pays over fifty percent (50%) of the premium costs shall instead be eligible for coverage under a supplemental plan offered by the Plan to cover out-of-pocket expenses not covered by the retiree's primary plan offered by the retiree's employer. As used in this subsection, the term "employer" does not include an employing unit as defined in this Article."

SECTION 2. Member audits. – (a) G.S. 135-45.11 is amended by adding a new subsection to read:

"(c) Member Audits of Bills. – The Executive Administrator and Board of Trustees shall adopt an incentive program to encourage Plan members to find errors in medical billing in



1 which a member shall be entitled to a payment in an amount equal to ten percent (10%) of the
2 savings that member finds."

3 **SECTION 2.(b)** Effective January 1, 2012, and notwithstanding Section 2.9 of S.L.
4 2011-85, G.S. 135-45.11(c), as enacted by subsection (a) of this section, is recodified as
5 G.S. 135-48.53(a), and G.S. 135-48.53 reads as rewritten:

6 "**§ 135-48.53. ~~Reserved for future codification purposes.~~ Operational mandates by the**
7 **General Assembly.**

8 (a) Member Audits of Bills. – The ~~Executive Administrator~~ State Treasurer and Board
9 of Trustees shall adopt an incentive program to encourage Plan members to find errors in
10 medical billing in which a member shall be entitled to a payment in an amount equal to ten
11 percent (10%) of the savings that member finds."

12 **SECTION 3.** Accident questionnaires. – (a) G.S. 135-45.11 is amended by adding
13 a new subsection to read:

14 "(d) Identification of Third-Party Tortfeasors. – In order to determine the identity of
15 third parties responsible for injuries to Plan members, the Plan or its Claims Processor shall
16 send a questionnaire to Plan members when paying any claim for trauma or similar types of
17 treatment that commonly result from accidents. The questionnaire shall be similar to that used
18 by private insurance companies to identify third parties responsible for injuries to insured
19 parties."

20 **SECTION 3.(b)** Effective January 1, 2012, and notwithstanding Section 2.9 of S.L.
21 2011-85, G.S. 135-45.11(d), as enacted by subsection (a) of this section, is recodified as
22 G.S. 135-48.53(b).

23 **SECTION 4.** Detection of fraud and abuse. – (a) G.S. 135-45.11 is amended by
24 adding a new subsection to read:

25 "(e) Fraud Detection. – The Plan and its Claims Processor shall analyze claims prior to
26 making payments in an effort to detect patterns of fraud and abuse."

27 **SECTION 4.(b)** Effective January 1, 2012, and notwithstanding Section 2.9 of S.L.
28 2011-85, G.S. 135-45.11(e), as enacted by subsection (a) of this section, is recodified as
29 G.S. 135-48.53(c).

30 **SECTION 5.** Calendar year. – The State Health Plan for Teachers and State
31 Employees shall convert from a State fiscal year plan year to a calendar plan year. In order to
32 make this change, the Plan shall operate a half-year plan "year" from July 1, 2012, through
33 December 31, 2012. The Plan shall establish deductibles and out-of-pocket maximums for this
34 shortened period at one-half of what the deductible and out-of-pocket maximums would have
35 been if July 1, 2012, had been the start of a full plan year. In setting rates for this half year, the
36 Plan is authorized to deviate from this section if necessary to maintain grandfather status under
37 the Patient Protection and Affordable Care Act, P.L. 111-148, as amended. The Plan shall offer
38 plan years based on the calendar year starting January 1, 2013.

39 **SECTION 6.** Authorize TRICARE supplement. – (a) G.S. 115C-341.1 reads as
40 rewritten:

41 "**§ 115C-341.1. Flexible Compensation Plan.**

42 Notwithstanding any other provisions of law relating to the salaries of employees of local
43 boards of education, the State Board of Education is authorized to provide a plan of flexible
44 compensation to eligible employees of local school administrative units for benefits available
45 under Section 125 and related sections of the Internal Revenue Code of 1986 as amended. This
46 plan shall not include those benefits provided to employees under Articles 1, 3, ~~3B~~, and 6 of
47 Chapter 135 of the General Statutes nor any vacation leave, sick leave, or any other leave that
48 may be carried forward from year to year by employees as a form of deferred compensation.
49 The plan may, however, offer a TRICARE supplement. In providing a plan of flexible
50 compensation, the State Board may authorize local school administrative units to enter into
51 agreements with their employees for reductions in the salaries of employees electing to

1 participate in the plan of flexible compensation provided by this section. Should the State
2 Board decide to contract with a third party to administer the terms and conditions of a plan of
3 flexible compensation as provided by this section, it may select such a contractor only upon a
4 thorough and completely advertised competitive procurement process."

5 **SECTION 6.(b)** G.S. 115D-25.2 reads as rewritten:

6 "**§ 115D-25.2. Flexible Compensation Plan.**

7 Notwithstanding any other provisions of law relating to the salaries of employees of
8 community college boards of trustees, the State Board of Community Colleges is authorized to
9 provide a plan of flexible compensation to eligible employees of constituent institutions for
10 benefits available under Section 125 and related sections of the Internal Revenue Code of 1986
11 as amended. This plan shall not include those benefits provided to employees under Articles 1,
12 ~~3~~, 3B, and 6 of Chapter 135 of the General Statutes nor any vacation leave, sick leave, or any
13 other leave that may be carried forward from year to year by employees as a form of deferred
14 compensation. The plan may, however, offer a TRICARE supplement. In providing a plan of
15 flexible compensation, the State Board may authorize constituent institutions to enter into
16 agreements with their employees for reductions in the salaries of employees electing to
17 participate in the plan of flexible compensation provided by this section. With the approval of
18 the Director of the Budget, savings in the employer's share of contributions under the Federal
19 Insurance Contributions Act on account of the reduction in salary may be used to pay some or
20 all of the administrative expenses of the program. Should the State Board decide to contract
21 with a third party to administer the terms and conditions of a plan of flexible compensation as
22 provided by this section, it may select such a contractor only upon a thorough and completely
23 advertised competitive procurement process."

24 **SECTION 6.(c)** G.S. 116-17.2 reads as rewritten:

25 "**§ 116-17.2. Flexible Compensation Plan.**

26 Notwithstanding any other provisions of law relating to the salaries of employees of The
27 University of North Carolina, the Board of Governors of The University of North Carolina is
28 authorized to provide a plan of flexible compensation to eligible employees of constituent
29 institutions for benefits available under Section 125 and related sections of the Internal
30 Revenue Code of 1986 as amended. This plan shall not include those benefits provided to
31 employees under Articles 1, ~~3~~, 3B, and 6 of Chapter 135 of the General Statutes nor any
32 vacation leave, sick leave, or any other leave that may be carried forward from year to year by
33 employees as a form of deferred compensation. The plan may, however, offer a TRICARE
34 supplement. In providing a plan of flexible compensation, the Board of Governors may
35 authorize constituent institutions to enter into agreements with their employees for reductions
36 in the salaries of employees electing to participate in the plan of flexible compensation
37 provided by this section. With the approval of the Director of the Budget, savings in the
38 employer's share of contributions under the Federal Insurance Contributions Act on account of
39 the reduction in salary may be used to pay some or all of the administrative expenses of the
40 program. Should the Board of Governors decide to contract with a third party to administer the
41 terms and conditions of a plan of flexible compensation as provided by this section, it may
42 select such a contractor only upon a thorough and completely advertised competitive
43 procurement process."

44 **SECTION 6.(d)** G.S. 126-95(b) reads as rewritten:

45 "(b) Notwithstanding any other provisions of law relating to the salaries of officers and
46 employees of departments, institutions, and agencies of State government, the Director of the
47 Budget may provide a plan of flexible compensation to eligible officers and employees of State
48 departments, institutions, and agencies not covered by the provisions of G.S. 116-17.2 for
49 benefits available under section 125 and related sections of the Internal Revenue Code of 1986,
50 as amended. This plan shall not replace, substitute for, or duplicate any benefits provided to
51 employees and officers under Article 1A of Chapter 120 of the General Statutes and Articles 1,

1 3, 3B, 4, and 6 of Chapter 135 of the General Statutes. The plan may, however, include
2 offerings for products and benefits that are supplemental or additional to these statutory
3 benefits. The plan may also offer a TRICARE supplement. In providing a plan of flexible
4 compensation, the Director of the Budget may authorize State departments, institutions, and
5 agencies to enter into agreements with their employees for reductions in the salaries of
6 employees electing to participate in the plan of flexible compensation provided by this section.
7 With the approval of the Director of the Budget, savings in the employer's share of
8 contributions under the Federal Insurance Contributions Act on account of the reduction in
9 salary may be used to pay some or all of the administrative expenses of the program. Should
10 the Director of the Budget decide to contract with a third party to administer the terms and
11 conditions of a plan of flexible compensation as provided by this section, it may select such a
12 contractor only upon a thorough and completely advertised competitive procurement process."

13 **SECTION 6.(e)** Any State entity that decides to offer a TRICARE supplement
14 option shall use a competitive bid process to award contracts to any third-party provider. The
15 NC Flex plan administered by the Office of State Personnel shall offer a TRICARE supplement
16 no later than January 1, 2013.

17 **SECTION 7.** Unless otherwise specified, this act becomes effective July 1, 2011.