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SENATE BILL DRS45039-MR-35

Short Title: Small Business Healthcare Act. (Public)

Sponsors: Senators Bishop, Krawiec, and Edwards (Primary Sponsors).

Referred to:

1 A BILL TO BE ENTITLED
2 AN ACT TO CREATE GREATER OPPORTUNITIES FOR SMALL EMPLOYERS TO
3 PROVIDE EMPLOYEES ACCESS TO HEALTH INSURANCE.

4 Whereas, Association Health Plans are regulated by multiple consumer protection
5 provisions contained in the Employee Retirement Income Security Act (ERISA), including
6 provisions under the Health Insurance Portability and Accountability Act (HIPAA), the
7 Affordable Care Act, the Mental Health Parity and Addiction Equity Act, the Newborns' and
8 Mothers' Health Protection Act, the Women's Health and Cancer Rights Act, and the Genetic
9 Information Nondiscrimination Act; and

10 Whereas, under ERISA, the State has been regulating self-insured Association Health
11 Plans in such a way that, in addition to the federal consumer protections that apply to the fully
12 insured Association Health Plans, fully protects the citizens of this State; and

13 Whereas, new federal Department of Labor regulations regarding Association Health
14 Plans allow for states to provide greater opportunities for small businesses and self-employed
15 individuals to access health benefit plans, while still providing health insurance consumers with
16 the coverage protections established by the foregoing legislation and other provisions of federal
17 law; Now, therefore,

18 The General Assembly of North Carolina enacts:

19
20 **PART I. MORE OPPORTUNITIES FOR SMALL EMPLOYERS AND SOLE**
21 **PROPRIETORS TO ACCESS SELF-INSURED MULTIPLE EMPLOYER WELFARE**
22 **ARRANGEMENTS/ASSOCIATION HEALTH PLANS.**

23 **SECTION 1.(a)** G.S. 58-49-40(a) reads as rewritten:

24 "(a) ~~To meet the requirements for issuance of a license and to maintain a~~ To qualify for
25 licensure as a MEWA, a MEWA must be: meet all of the following requirements:

- 26 (1) ~~Nonprofit;~~ Be a nonprofit.
27 (2) ~~Established by a trade association, industry association, or professional~~
28 ~~association of employers or professionals that has~~ Have a constitution or
29 bylaws and ~~that has~~ have been organized and maintained in good faith for a
30 continuous period of ~~five~~ at least two years for purposes other than that of
31 obtaining or providing ~~insurance;~~ insurance.
32 (3) ~~Operated~~ Be operated pursuant to a trust agreement by a board of trustees that
33 has complete fiscal control over the MEWA and that is responsible for all
34 operations of the MEWA. Except as provided in this subdivision, the trustees
35 must be owners, partners, officers, directors, or employees of one or more
36 employers in the MEWA. With the Commissioner's approval, a person who is



not such an owner, partner, officer, director, or employee may serve as a trustee if that person possesses the expertise required for such service. A trustee may not be an owner, officer or employee of the administrator or service company of the MEWA. The trustees have the authority to approve applications of association members for participation in the MEWA and to contract with an authorized administrator or service company to administer the operations of the ~~MEWA;~~MEWA.

(3a) Have at least one substantial business purpose unrelated to offering and providing health coverage or other employee benefits to its employer members and their employees.

(3b) Have a commonality of interest as described in subsection (h) of this section.

(4) ~~Neither—Be neither~~ offered nor advertised to the public ~~generally;~~ and generally.

(5) ~~Operated—Be operated~~ in accordance with sound actuarial principles."

SECTION 1.(b) G.S. 58-49-40 is amended by adding one new subsection to read:

"(h) A MEWA will be treated as having a commonality of interest if either of the following is true:

(1) It is established by employers in the same trade, industry, line of business, or profession.

(2) It is established by employers in the same region or metropolitan area, provided that region or area is contiguous to the State and includes the State."

SECTION 1.(c) G.S. 58-49-30 is amended by adding a new subsection to read:

"(f) As used in this section, the term "employer" shall include sole proprietors and self-employed workers."

SECTION 1.(d) G.S. 58-49-50 is amended by adding a new subdivision to read:

"(10a) A copy of the most recent M-1 form as filed with the United States Department of Labor."

PART II. REGULATIONS IMPACTING FULLY INSURED ASSOCIATION HEALTH PLANS.

SECTION 2.(a) G.S. 58-51-80(b)(1) reads as rewritten:

"(b) No policy or contract of group accident, group health or group accident and health insurance shall be delivered or issued for delivery in this State unless the group of persons ~~thereby~~ insured by the policy or contract conforms to the requirements of the following subdivisions: all of the following requirements:

(1) Under a policy issued to an employer, principal, or to the trustee of a fund established by an employer or two or more employers in the same industry or kind of business, or by a principal or two or more principals in the same industry or kind of business, which employer, principal, or trustee shall be deemed the policyholder, covering, except as hereinafter provided, only employees, or agents, of any class or classes thereof determined by conditions pertaining to employment, or agency, for amounts of insurance based upon some plan which will preclude individual selection. The premium may be paid by the employer, by the employer and the employees jointly, or by the employee; and where the relationship of principal and agent exists, the premium may be paid by the principal, by the principal and agents, jointly, or by the agents. If the premium is paid by the employer and the employees jointly, or by the principal and agents jointly, or by the employees, or by the agents, the group shall be structured on an actuarially sound basis. For the purposes of this subdivision, the term "employer" includes a multiple employer welfare arrangement that is classified by the United States

1 Department of Labor as a bona fide group or association under at least one of
 2 the following:

- 3 a. The requirements set forth in section 3(5) of the Employee Retirement
 4 Income Security Act of 1974.
 5 b. Any United States Department of Labor advisory opinion addressing
 6 circumstances in which the United States Department of Labor will
 7 consider a person as able to act directly or indirectly in the interest of
 8 direct employers in sponsoring an employee welfare benefit plan."

9 **SECTION 2.(b)** G.S. 58-51-80(b)(1a) reads as rewritten:

10 "(1a) Under a policy issued to an association or to a trust or to the trustee or trustees
 11 of a fund established, created, or maintained for the benefit of members of one
 12 or more associations. The association or associations shall have at the outset
 13 a minimum of 500 persons and shall have been organized and maintained in
 14 good faith for purposes other than that of obtaining insurance; shall have been
 15 in active existence for at least ~~five~~two years; and shall have a constitution and
 16 bylaws that provide that (i) the association or associations hold regular
 17 meetings not less than annually to further purposes of the members; (ii) except
 18 for credit unions, the association or associations collect dues or solicit
 19 contributions from members; and (iii) the members, other than associate
 20 members, have voting privileges and representation on the governing board
 21 and committees. The policy is subject to the following requirements:
 22"

23 **SECTION 2.(c)** G.S. 58-68-25(a) reads as rewritten:

24 **"§ 58-68-25. Definitions; excepted benefits; employer size rule.**

25 (a) Definitions. – ~~In addition to other definitions throughout this Article, the The~~
 26 following definitions ~~and their cognates~~ apply in this Article:

- 27 (1) ~~"Bona Bona fide association". association.~~ – With respect to health insurance
 28 coverage offered in this State, an association ~~that~~meeting all of the following
 29 requirements:
 30 a. Has been actively in existence for at least five years.
 31 b. Has been formed and maintained in good faith for purposes other than
 32 obtaining insurance.
 33 c. Does not condition membership in the association on any health
 34 status-related factor relating to an ~~individual (including individual,~~
 35 including an employee of an employer or a dependent of an
 36 ~~employee)-employee.~~
 37 d. Makes health insurance coverage offered through the association
 38 available to all members and individuals eligible for coverage through
 39 a member regardless of any health status-related factor relating to the
 40 ~~members (or individuals eligible for coverage through a~~
 41 ~~member)-members or eligible individuals.~~
 42 e. Does not make health insurance coverage offered through the
 43 association available other than in connection with a member of the
 44 association.
 45 f. Meets the additional requirements as may be imposed under State law.
 46 (2) ~~"COBRA-COBRA continuation provision". provision.~~ – Any of the following:
 47 a. Section 4980B of the Internal Revenue Code of 1986, other than
 48 subdivision (f)(1) of the section insofar as it relates to pediatric
 49 vaccines.
 50 b. Part 6 of subtitle B of title I of the Employee Retirement Income
 51 Security Act of 1974, other than section 609 of the Act.

- 1 c. Requirements for certain group health plans for certain State and local
- 2 employees under Title XXII of the Public Health Service Act (42
- 3 U.S.C.S. § 300bb, et seq.) as requirements for certain group health
- 4 plans for certain State and local employees.Act.
- 5 d. Article 53 of this ~~Chapter~~ or the Chapter.
- 6 e. The health insurance continuation law of another state.
- 7 (3) ~~"Employee". Employee.~~ – The meaning given the term under As defined in
- 8 section 3(6) of the Employee Retirement Income Security Act of 1974.
- 9 (4) ~~"Employer". Employer.~~ – The meaning given the term under As defined in
- 10 section 3(5) of the Employee Retirement Income Security Act of 1974, except
- 11 that the term shall include only employers of two or more employees.1974.
- 12 (4a) ~~"Group Group health insurance coverage". coverage.~~ – Health insurance
- 13 coverage offered in connection with a group health plan.
- 14 (4b) ~~"Group Group health plan". plan.~~ – The meaning given the term under As
- 15 defined in 45 C.F.R. § 146.145(a).
- 16 (4c) ~~"Group market". Group market.~~ – The market for health insurance coverage
- 17 offered in connection with a group health plan.
- 18 (5) ~~"Health Health insurance coverage" or "coverage" or "health insurance plan"~~
- 19 ~~or "plan". coverage, health insurance plan, coverage, or plan.~~ – Benefits
- 20 consisting of medical care, provided directly through insurance or otherwise
- 21 and including items and services paid for as medical care, under any accident
- 22 and health insurance policy or certificate, hospital or medical service plan
- 23 contract, or health maintenance organization contract, written by a health
- 24 insurer. Health insurance coverage includes group health insurance coverage
- 25 and individual health insurance coverage.
- 26 (6) ~~"Health insurer". Health insurer.~~ – An insurance company subject to this
- 27 Chapter, a hospital or medical service corporation subject to Article 65 of this
- 28 Chapter, a health maintenance organization subject to Article 67 of this
- 29 Chapter, or a multiple employer welfare arrangement subject to Article 49 of
- 30 this Chapter, that offers and issues health insurance coverage.
- 31 (7) ~~"Health Health status-related factor". factor.~~ – Any of the factors described in
- 32 G.S. 58-68-35(a)(1).
- 33 (8) ~~"Individual Individual health insurance coverage". coverage.~~ – Health
- 34 insurance coverage offered to individuals in the individual market, but not
- 35 short-term limited duration insurance.
- 36 (9) ~~"Individual market". Individual market.~~ – The market for health insurance
- 37 coverage offered to individuals.
- 38 (10) ~~"Large employer". Large employer.~~ – An employer who employed an average
- 39 of at least 51 employees on business days during the preceding calendar year
- 40 and who employs at least two employees one employee on the first day of the
- 41 health insurance plan year.
- 42 (11) ~~"Large Large group market". market.~~ – The health insurance market under
- 43 which individuals obtain health insurance coverage, directly or through any
- 44 arrangement, on behalf of themselves and their dependents through a group
- 45 health insurance plan maintained by a large employer.
- 46 (12) ~~"Medical care". Medical care.~~ – Amounts paid for for any of the following:
- 47 a. The diagnosis, cure, mitigation, treatment, or prevention of disease, or
- 48 amounts paid for the purpose of affecting any structure or function of
- 49 the body.

- 1 b. ~~Amounts paid for transportation~~ Transportation primarily for and
2 essential to medical care ~~referred to in~~ under sub-subdivision a. of this
3 subdivision.
4 c. ~~Amounts paid for insurance~~ Insurance covering medical care ~~referred~~
5 ~~to in~~ under sub-subdivisions a. and b. of this subdivision.
6 (13) ~~"Network plan"~~ Network plan. – Health insurance coverage of a health
7 insurer under which the financing and delivery of medical care (including
8 items and services paid for as medical care) are provided, in whole or in part,
9 through a defined set of health care providers under contract with the health
10 insurer.
11 (14) ~~"Participant"~~ Participant. – ~~The meaning given the term~~ As defined under
12 section 3(7) of the Employee Retirement Income Security Act of 1974.
13 (15) ~~"Placed for adoption"~~ Placed for adoption. – The assumption and retention by
14 a person of a legal obligation for total or partial support of a child in
15 anticipation of adoption of the child. The child's placement with the person
16 terminates upon the termination of the legal obligation.
17 (16) ~~"Small employer"~~ Small employer. – ~~The meaning given to the term in~~
18 G.S. 58-50-110(22). ~~As defined in G.S. 58-50-110(22).~~
19 (17) ~~"Small group market"~~ market. – The health insurance market under
20 which individuals obtain health insurance coverage, directly or through any
21 arrangement, on behalf of themselves and their dependents through a group
22 health insurance plan maintained by a small employer."
23

24 **PART III. ALLOW MORE SMALL EMPLOYERS TO PURCHASE STOP-LOSS**
25 **COVERAGE.**

26 **SECTION 3.** G.S. 58-50-130(a)(5) reads as rewritten:

- 27 "(5) No small employer carrier, insurer, subsidiary of an insurer, or controlled
28 individual of an insurance holding company shall provide stop loss,
29 catastrophic, or reinsurance coverage to small employers who employ fewer
30 than ~~26~~ 12 eligible employees that does not comply with the underwriting,
31 rating, and other applicable standards in this Act. An insurer shall not issue a
32 stop loss health insurance policy to any person, firm, corporation, partnership,
33 or association defined as a small employer that does any of the following:
34 a. Provides direct coverage of health expenses payable to an individual.
35 b. Has an annual attachment point for claims incurred per individual that
36 is lower than twenty thousand dollars (\$20,000) for plan years
37 beginning in 2013. For subsequent policy years, the amount shall be
38 indexed using the Consumer Price Index for Medical Services for All
39 Urban Consumers for the South Region and shall be rounded to the
40 nearest whole thousand dollars. The index factor shall be the index as
41 of July of the year preceding the change divided by the index as of July
42 2012.
43 c. Has an annual aggregate attachment point lower than the greater of
44 one of the following:
45 1. One hundred twenty percent (120%) of expected claims.
46 2. Twenty thousand dollars (\$20,000) for plan years beginning in
47 2013. For subsequent policy years, the amount shall be indexed
48 using the Consumer Price Index for Medical Services for All
49 Urban Consumers for the South Region and shall be rounded
50 to the nearest whole thousand dollars. The index factor shall be

1 the index as of July of the year preceding the change divided
2 by the index as of July 2012.
3 Nothing in this subsection prohibits an insurer from providing
4 additional incentives to small employers with benefits
5 promoting a medical home or benefits that provide health care
6 screenings, are focused on outcomes and key performance
7 indicators, or are reimbursed on an outcomes basis rather than
8 a fee-for-service basis."
9

10 **PART IV. EFFECTIVE DATE**

11 **SECTION 4.** This act is effective October 1, 2019, and applies to contracts entered
12 into, amended, or renewed on or after that date, and to licenses issued or renewed on or after that
13 date.