

GENERAL ASSEMBLY OF NORTH CAROLINA  
1985 SESSION

CHAPTER 1020  
HOUSE BILL 2131

AN ACT TO MAKE CHANGES IN THE COMPREHENSIVE MAJOR MEDICAL  
PLAN FOR TEACHERS AND STATE EMPLOYEES.

The General Assembly of North Carolina enacts:

Section 1. G.S. 135-39(h) is amended in the first line by deleting the word "Commission" and substituting the words "Board of Trustees".

Sec. 2. Effective July 1, 1986, G.S. 135-39.4(c) and (e) are repealed. Effective October 1, 1986, G.S. 135-39.4 (a) and (b) are repealed.

Sec. 3. G.S. 135-39.5(15) is amended in the first and second lines by deleting the words "or failure to contract under G.S. 135-39.4(b),".

Sec. 4. Effective January 1, 1987, G.S. 135-40.6(8)a. is amended in the first line by adding between the words "drugs" and "for" the words "in excess of the first two dollars (\$2.00) per prescription for generic drugs and brand name drugs without a generic equivalent and in excess of the first three dollars (\$3.00) per prescription for brand name drugs".

Sec. 5. (a) Effective January 1, 1987, G.S. 135- 40.1(7) is amended in the 12th line by deleting the phrase "(3), or (5)" and substituting the phrase "or (3)" and in the 17th and 18th lines by deleting the phrase "(3), or (5)" and substituting the phrase "or (3)".

(b) G.S. 135-40.3(d)(4) and (5) are repealed effective January 1, 1987.

Sec. 6. G.S. 135-39.5B is amended in the seventh line by inserting between the words "noncontributory" and "basis" the phrase "Employee Only" and by adding a new sentence immediately preceding the last sentence to read: "The amount of State funds contributed to such optional plans shall also not exceed the amount of an optional plan's cost for Employee Only coverage."

Sec. 7. G.S. 135-39.9(c) is repealed.

Sec. 8. G.S. 135-40(b) is amended by deleting the words "Parts I through K of" in the fifth and sixth lines and by deleting the words "Parts I through K" in the tenth line and substituting the words "the request for proposals."

Sec. 9. G.S. 135-40.1(7) is amended in the 13th line by adding after the word "birth" the phrase "without any waiting period for preexisting health conditions." and in the 15th line by inserting between the words "birth" and "so" the phrase "without any waiting period for preexisting health conditions".

Sec. 10. G.S. 135-40.5(d) is amended in the second paragraph, sixth line by deleting the word "knee" and substituting the phrase "knee (except in procedures

involving orthoscopic surgery when the diagnosis and the surgery can be performed in the same procedure and through the same incision)."

Sec. 11. G.S. 135-40.6(2)f. is amended in the seventh line by deleting the phrase "July 1, 1986" and substituting the phrase "January 1, 1987".

Sec. 12. Retroactive to July 1, 1985, G.S. 135- 40.6(5)a. is amended in the second paragraph by adding before the word "corneal" the word "liver,".

Sec. 13. G.S. 135-40.6(8)m. is amended by rewriting the section to read:

"m. Cardiac Rehabilitation: Charges not to exceed six hundred fifty dollars (\$650.00) per fiscal year for cardiac testing and exercise therapy, when determined medically necessary by an attending physician and approved by the Claims Processor for patients with a medical history of myocardial infarction, angina pectoris, arrhythmias, cardiovascular surgery, hyperlipidemia, or hypertension, provided such charges are incurred in a medically supervised facility fully certified by the North Carolina Department of Human Resources."

Sec. 14. G.S. 135-40.6(8)o. is amended by rewriting the paragraph to read:

"o. Foot Surgery: All foot surgery on bones and joints in excess of one thousand dollars (\$1,000), except for emergencies, shall require prior approval from the Claims Processor."

Sec. 15. G.S. 135-40.6(8) is amended by adding a new subdivision p. to read:

"p. Outpatient Diabetes Self-Care Programs: Charges, not to exceed three hundred dollars (\$300.00) per fiscal year, when determined to be medically necessary by an attending physician and approved by the Executive Administrator and Claims Processor as meeting the standards of the National Diabetes Advisory Board for patients with a medical history of diabetes, provided such charges are incurred in a medically supervised facility."

Sec. 16. G.S. 135-40.7 is amended by adding a new subdivision to read:

"(17) If a covered service becomes excluded from coverage under the Plan, the Executive Administrator and Claims Processor may, in the event of exceptional situations creating undue hardships or adverse medical conditions, allow persons enrolled in the Plan to remain covered by the Plan's previous coverage for up to three months after the effective date of the change in coverage, provided the persons so enrolled had been undergoing a continuous plan of specific treatment initiated within three months prior to the effective date of the change in coverage."

Sec. 17. Effective October 1, 1986, G.S. 135-40.8(b) is amended by deleting the phrase "one thousand dollars (\$1,000)" and substituting the phrase "five hundred dollars (\$500)."

Sec. 18. G.S. 135-40.10 is amended by adding a new subsection to read:

"(d) Notwithstanding the foregoing provisions of this section or any other provisions of the Plan, the Executive Administrator and Board of Trustees may enter into negotiations with the Health Care Financing Administration, U.S. Department of Health and Human Services, in order to secure a more favorable coordination of the Plan's benefits with those provided by Medicare, including but not limited to, measures by which the Plan would provide Medicare benefits for all of its Medicare-eligible members in return for adequate payments from the federal government in providing

such benefits. Should such negotiations result in an agreement favorable to the Plan and its Medicare-eligible members, the Executive Administrator and Board of Trustees may, after consultation with the Committee on Employee Hospital and Medical Benefits, implement such an agreement which shall supersede all other provisions of the Plan to the contrary related to its payment of claims for Medicare-eligible members."

Sec. 19. G.S. 135-40.11(c) is amended by deleting the phrase "the Teachers' and State Employees' Retirement System of North Carolina." and substituting the phrase "a State-supported Retirement System."

Sec. 20. Article 3 of Chapter 135 of the General Statutes is amended by deleting the words "Plan Administrator" wherever found and substituting the words "Claims Processor."

Sec. 21. G.S. 135-40.7 is amended by adding the following new subdivision:

"(18) Charges for services unless a claim is filed within 18 months from the date of service."

Sec. 22. Part 3 of Article 3 of Chapter 135 of the General Statutes is amended by adding a new section to read:

**"§ 135-40.6A. Prior approval procedures.**—(a) The Executive Administrator and Board of Trustees shall establish procedures to require prior medical approvals for the following services:

- (1) Home Health Care Agency Services in accordance with G.S. 135-40.6(8)c.
- (2) Inpatient Psychiatric Care (after initial 30 days) in accordance with G.S. 135-40.6(1)r.
- (3) Ambulance Transport over 50 miles in accordance with G.S. 135-40.6(8)d.
- (4) Oral Surgery in accordance with G.S. 135-40.6(5)c.
- (5) Durable Medical Equipment (rental and purchase) in accordance with G.S. 135-40.6(8)e.
- (6) Covered Transplants in accordance with G.S. 135-40.6(5)a.
- (7) Foot Surgery in accordance with G.S. 135-40.6(8)o.

(b) The Executive Administrator and Board of Trustees may establish procedures to require prior medical approvals for the following services:

- (1) Skilled Nursing Facility Care (after the initial 30 days);
- (2) Private Duty Nursing;
- (3) Speech Therapy (unless rendered in an inpatient hospital);
- (4) Physical Therapy (in the home);
- (5) Argon Laser Trabeculoplasty;
- (6) Radioallergosorbent Test (RAST);
- (7) Surgical Procedures:
  - a. Elepharoplasties
  - b. Surgery for Hermaphroditism
  - c. Excision of Keloids
  - d. Reduction Mammoplasty
  - e. Morbid Obesity Surgery

- f. Penile Prosthesis
  - g. Excision of Gynecomastia
  - h. Cochlear Implants
  - i. Revision of the Nasal Structure
- (8) Subcutaneous injection of 'filling' material (Example: zyderm, silicone); and
- (9) Suction Lipectomy

(c) No procedure for prior approval may be established except as provided by this section as it may be amended from time to time."

Sec. 23. G.S. 135-40.6(4)a. is amended by deleting "When services are furnished with 30 days of the actual occurrence of injury and provided treatment is initiated within five days of injury occurrence" and substituting "All covered services".

Sec. 24. G.S. 135-40.1(1a) is amended in the first line by inserting between the words "Any" and "necessary" the word "medically".

Sec. 25. G.S. 135-40.7(2) is amended in the first line by deleting the word "or" and in the second line by adding between the words "home" and "for" the phrase ", or in any other facility or location".

Sec. 26. G.S. 135-40.7(5) is amended in the last line between the words "the" and "necessary" the word "medically".

Sec. 27. G.S. 135-40.1(6) is amended in the fourth and fifth lines by deleting the phrase "the Teachers' and State Employees' Retirement System." and substituting the phrase "a State-supported Retirement System."

Sec. 28. Effective October 1, 1986, Section 21.12 of Chapter 922 of the 1983 Session Laws is repealed.

Sec. 29. Compliance with the Consolidated Omnibus Budget Reconciliation Act of 1985.

(a) G.S. 135-40.2(a)(3) is amended in the last line by adding after the word "programs", the words "provided the death of the former Plan member occurred prior to October 1, 1986".

(b) Effective January 1, 1988, G.S. 135-40.2(a)(3) is repealed.

(c) G.S. 135-40.2(b)(2) is rewritten to read: "(2) Former members of the General Assembly who enroll before October 1, 1986."

(d) G.S. 135-40.2(b) is amended by adding a new subdivision to read:  
 "(2a) For enrollments after September 30, 1986, former members of the General Assembly if covered under the Plan at termination of membership in the General Assembly."

(e) G.S. 135-40.2(b)(3) is rewritten to read: "(3) Surviving spouses of deceased former members of the General Assembly who enroll before October 1, 1986."

(f) G.S. 135-40.2(b) is amended by adding a new subdivision to read:  
 "(3b) For enrollments after September 30, 1986, surviving spouses of deceased former members of the General Assembly, if covered under the Plan at the time of death of the former member of the General Assembly."

(g) Effective October 1, 1986, G.S. 135-40.2(b) is amended by adding a new subsection to read:

"(8) Surviving spouses of deceased retirees and surviving spouses of deceased teachers, State employees, and members of the General Assembly provided the death of the former Plan member occurred after September 30, 1986, and the surviving spouse was covered under the Plan at the time of death."

(h) Effective January 1, 1988, G.S. 135-40.2(b) is amended by adding a new subdivision to read:

"(9) Surviving spouses of deceased retirees and surviving spouses of deceased teachers, State employees, and members of the General Assembly provided the death of the former Plan member occurred prior to October 1, 1986."

(i) Effective October 1, 1986, G.S. 135-40.2(b)(5) is rewritten to read:

"(5) The spouses and eligible dependent children of enrolled employees, retirees, and members of the General Assembly."

(j) G.S. 135-40.2(b)(7) is repealed.

(k) G.S. 135-40.2(b) is amended in the first and second lines by deleting the phrase "in a full" and substituting the phrase "on a fully".

(l) Effective October 1, 1986, G.S. 135-40.2(b) is amended by adding a new subdivision to read:

"(10) Any eligible dependent child of the deceased retiree, teacher, State employee, or member of the General Assembly, provided the child was covered at the time of death of the retiree, teacher, State employee, or member of the General Assembly (or was in esse at the time and is covered at birth under this Part), or was covered under the Plan on September 30, 1986. Any eligible spouse or dependent child of a person eligible under subdivisions (8) or (9) of this subsection if the spouse or dependent child was enrolled before October 1, 1986."

(m) Effective October 1, 1986, G.S. 135-40.11(a)(1) is rewritten to read:

"(1) The last day of the month in which an employee or retired employee dies. Provided such surviving spouse or eligible dependent children were covered under the Plan at the time of death of the former employee or retired employee, or were covered on September 30, 1986, any such surviving spouse or eligible dependent children may then elect to continue coverage under the Plan by submitting written application to the Claims Processor and by paying the cost for such coverage when due at the applicable fees. Such coverage shall cease on the last day of the month in which such surviving spouse or eligible dependent children die, except as provided by this Article."

(n) The first paragraph of G.S. 135-40.11(a) is amended before the colon by deleting "dependents" both places those words appear, and substituting "Surviving spouse or eligible dependent children".

(o) G.S. 135-40.11(a)(3) is amended by rewriting the section to read:

"(3) The last day of the month in which a divorce becomes final."

(p) Effective October 1, 1986, G.S. 135-40.11(b) is rewritten to read:

"(b) Coverage under this Plan as a dependent child ceases when the child ceases to be a dependent child as defined by G.S. 135-40.1(3) except, coverage may continue under this Plan for a period of not more than 36 months after loss of dependent status on

a fully contributory basis provided the dependent child was covered under the Plan at the time of loss of dependent status."

(q) Effective October 1, 1986, G.S. 135-40.11(c)(1) is amended by rewriting the section to read:

"(1) In the event of termination for any reason other than death, coverage under the Plan for an employee and his or her eligible spouse or dependent children, provided the eligible spouse or dependent children were covered under the Plan at termination of employment or were covered on September 30, 1986, may be continued for a period of not more than eighteen months following termination of employment on a fully contributory basis."

(r) G.S. 135-40.11(c)(2) is repealed.

(s) Effective October 1, 1986, G.S. 135-40.11 is amended by adding a new subsection to read:

"(e) A legally divorced spouse and any eligible dependent children of a covered employee or retired employee may continue coverage under this Plan for a period of not more than thirty-six months following the first of the month after a divorce becomes final on a fully contributory basis, provided the former spouse and any eligible dependent children were covered under the Plan at the time a divorce became final."

(t) Effective October 1, 1986, G.S. 135-40.11 is amended by adding a new subsection to read:

"(f) A legally separated spouse of a covered employee or retired employee may continue coverage under this Plan for a period not to exceed thirty-six months from the separation date on a fully contributory basis, provided the separated spouse was covered under the Plan at the time of separation and provided the covered employee's or retired employee's actions result in the loss of coverage for the separated spouse. Eligible dependent children may also continue coverage if covered under the Plan at time of separation, provided the employee's or retired employee's actions result in the loss of coverage for the dependent children."

(u) G.S. 135-40.11 is amended by adding a new subsection to read: "(g) Whenever this section gives a right to continuation coverage, such coverage must be elected no later than a date set by the Executive Administrator and Board of Trustees."

(v) Effective October 1, 1986, G.S. 135-40.11 is amended by adding a new subsection to read:

"(h) Continuation coverage under this Plan shall not be continued past the occurrence of any one of the following events:

- (1) The termination of the Plan.
  - (2) Failure of a Plan member to pay monthly in advance any required premiums.
  - (3) A member becomes a covered employee under any group health plan or, in the case of a surviving spouse, when the surviving spouse remarries and becomes covered under a group health plan.
  - (4) A member becomes eligible for Medicare benefits."
- (w) G.S. 135-40.11 is amended by adding a new section to read:

"(i) Notice requirements concerning continuation coverage shall be developed by the Executive Administrator and Board of Trustees."

(x) G.S. 135-40.11 is amended by adding a new section to read:

"(j) The spouse and any eligible dependent children of a covered employee may continue coverage under the Plan on a fully contributory basis for a period not to exceed 36 months from the date the employee becomes eligible for Medicare benefits which results in a loss of coverage under the Plan, provided that the spouse and eligible dependent children were covered under the Plan at the time the employee became eligible for Medicare benefits which results in a loss of coverage under the Plan."

(y) This section shall be effective October 1, 1986, unless otherwise specified.

Sec. 30. Effective October 1, 1986, G.S. 135- 40.13(c)(4) is amended by deleting sub-subdivision b., by redesignating sub-subdivision c. as sub-subdivision e. and by adding three new sub-subdivisions to read:

"b. Except as stated in sub-subdivision c. of this subdivision when this Plan and another Plan cover the same child as a dependent of different persons called parents:

1. the benefits of the Plan of the parent whose birthday falls earlier in the calendar year are determined before the benefits of the Plan of the parent whose birthday falls later in the calendar year; but
2. if both parents have the same birthday, the benefits of the Plan that has covered a parent for a longer period of time are determined before those of the Plan that has covered the other parent for a shorter period of time; however, if the other Plan has a rule based on the gender of the parent, and if as a result, the Plans do not agree on the order of benefits, the rule in the other Plan will determine the order of benefits.

c. If two or more Plans cover a person as a dependent child of divorced or separated parents, benefits for the child are determined in this order:

1. first, the Plan of the parent with custody of the child;
2. second, the Plan of the spouse of the parent with custody of the child; and
3. third, the Plan of the parent not having custody of the child.

However, if the specific terms of a court decree state that one of the parents is responsible for the health care expenses of the child, and the entity obligated to pay or provide the benefits of the Plan of that parent has actual knowledge of those terms, the benefits of that Plan are determined first. This paragraph does not apply with respect to any claim determination period or Plan year during which any benefits are actually paid or provided before the entity has actual knowledge.

d. The benefits of a Plan that covers the person as an employee who is neither laid off nor retired (or as that employee's dependent) are determined before those of a Plan that covers that person as a laid-off or retired employee (or as that employee's dependent). If the other Plan does not have this rule, and if, as a result, the Plans do not agree on the order of benefits, this rule is ignored."

Sec. 31. Unless otherwise specified by this act, this act shall become effective July 1, 1986.

In the General Assembly read three times and ratified, this the 15th day of July, 1986.