

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1989

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HOUSE BILL 467*
Committee Substitute Favorable 5/10/89

Short Title: Indigent Care Study Recommendations.

(Public)

Sponsors:

Referred to:

March 6, 1989

A BILL TO BE ENTITLED
AN ACT TO REMOVE BARRIERS TO COVERAGE IN EMPLOYER-SPONSORED
GROUP HEALTH PLANS.

The General Assembly of North Carolina enacts:

Section 1. G.S. 58-254.4(b) 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 conforms to the requirements of the following paragraph subdivisions:

(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

1 employees, or by the agents, the group shall be structured on an
2 actuarially sound basis.

3 (2) For employer groups of 50 or more persons no evidence of individual
4 insurability may be required at the time the person first becomes
5 eligible for insurance or within 31 days thereafter except for any
6 insurance supplemental to the basic coverage for which evidence of
7 individual insurability may be required. With respect to trustee
8 groups the phrase 'groups of 50' must be applied on a participating unit
9 basis for the purpose of requiring individual evidence of insurability.

10 (3) Policies may contain a provision limiting coverage for
11 preexisting conditions. Preexisting conditions must be covered no
12 later than 12 months after the effective date of coverage. Preexisting
13 conditions are defined as 'those conditions for which medical advice
14 or treatment was received or recommended or which could be
15 medically documented within the 12-month period immediately
16 preceding the effective date of the person's coverage.' Preexisting
17 conditions exclusions may not be implemented by any successor
18 plan as to any covered persons who have already met all or part of
19 the waiting period requirements under any prior group plan. Credit
20 must be given for that portion of the waiting period which was met
21 under the prior plan."

22 Sec. 2. G.S. 58-254.4(c) reads as rewritten:

23 "(c) The term 'employees' as used in this section shall be deemed to include, for
24 the purposes of insurance hereunder, employees of a single employer, the officers,
25 managers, and employees of the employer and of subsidiary or affiliated corporations of
26 a corporation employer, and the individual proprietors, partners, and employees of
27 individuals and firms of which the business is controlled by the insured employer
28 through stock ownership, contract or otherwise. Employees shall be added to the group
29 coverage no later than 90 days after their first day of employment. Employment shall
30 be considered continuous and not be considered broken except for unexcused absences
31 from work for reasons other than illness or injury. The term 'employee' is defined as a
32 nonseasonal person working 22 1/2 hours per week, and who is otherwise eligible for
33 coverage. The term 'employer' as used herein may be deemed to include the State of
34 North Carolina, any county, municipality or corporation, or the proper officers, as such,
35 of any unincorporated municipality or any department or subdivision of the State,
36 county, such corporation, or municipality determined by conditions pertaining to the
37 employment."

38 Sec. 3. Article 26 of Chapter 58 of the General Statutes is amended by
39 adding a new section to read:

40 "**§ 58-254.4A. Renewal, discontinuance, or replacement of group health insurance.**

41 (a) This section applies to group accident, group health, or group accident and
42 health policies or certificates that are delivered, issued for delivery, renewed, or used in
43 this State which provide hospital, surgical, or major medical expense insurance, or any
44 combination of these coverages, on an expense incurred or service basis. It specifically

1 includes a certificate issued under a policy that was issued to a trust located out of this
2 State, but which includes participating employers located in this State. Renewal of
3 these policies or certificates is presumed to occur on the anniversary date that the
4 coverage was first effective on the employees of the employer.

5 (b) Whenever a contract described in subsection (a) of this section is replaced
6 by another group contract within 15 days of termination of coverage of the previous
7 group contract, the liability of the succeeding insurer for insuring persons covered under
8 the previous group contract is:

9 (1) Each person who is eligible for coverage in accordance with the
10 succeeding insurer's plan of benefits with respect to classes eligible
11 and activity at work and nonconfinement rules must be covered by the
12 succeeding insurer's plan of benefits; and

13 (2) Each person not covered under the succeeding insurer's plan of
14 benefits in accordance with subdivision (b)(1) of this section must
15 nevertheless be covered by the succeeding insurer if that person was
16 validly covered, including benefit extension, under the prior plan on
17 the date of discontinuance and if the person is a member of the class of
18 persons eligible for coverage under the succeeding insurer's plan."

19 Sec. 4. The provisions of this act also apply to Chapters 57 and 57B of the
20 General Statutes where applicable to effect similar changes to hospital and medical
21 service corporations and health maintenance organizations.

22 Sec. 5. This act shall become effective January 1, 1990.