

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2007**

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HOUSE BILL 1236

Short Title: Limit Excessive NPO Corp. Compensation.

(Public)

Sponsors: Representatives Allred; and Faison.

Referred to: Insurance.

March 29, 2007

A BILL TO BE ENTITLED
AN ACT TO LIMIT EXCESSIVE COMPENSATION OF EXECUTIVES OF
CERTAIN NONPROFIT CORPORATIONS PROVIDING HOSPITAL AND
MEDICAL SERVICE PLANS.

Whereas, recently granted bonuses to executives of certain nonprofit medical corporations that offer hospital and medical service plans are perceived as shockingly high by public officials and subscribers who believe that such salaries contribute to spiraling health insurance premiums; Now, therefore,
The General Assembly of North Carolina enacts:

SECTION 1. Part 1 of Article 65 of Chapter 58 of the General Statutes is amended by adding the following new section to read:

"§ 58-65-52. Limitations on excessively high compensation for corporate executives.

No officer or executive of a corporation subject to this Article may receive excessive compensation, as determined by the Commissioner. The Commissioner may regulate excessive compensation, taking into account the nonprofit nature of the corporation and other factors the Commissioner deems relevant. A member of or subscriber to health benefits provided by the corporation may petition the Commissioner for a review of the executive compensation of that corporation. The Commissioner may initiate a proceeding on his own motion to make a final determination as to whether the compensation is excessive. The Commissioner may impose a penalty in accordance with G.S. 58-2-70."

SECTION 2. G.S. 58-65-55 reads as rewritten:

"§ 58-65-55. Issuance and continuation of license.

(a) Every corporation subject to this Article shall pay to the Commissioner a fee of two hundred fifty dollars (\$250.00) for filing an application for a license. Fee payment shall be contemporaneous with the filing. Before issuing or continuing any such license or certificate the Commissioner may make such an examination or investigation as the Commissioner deems expedient. The Commissioner shall issue a

1 license upon the payment of a fee of one thousand five hundred dollars (\$1,500) and
2 upon being satisfied on the following points:

3 (1) The applicant is established as a bona fide nonprofit hospital service
4 corporation as defined by this Article and Article 66 of this Chapter.

5 (2) The rates charged and benefits to be provided are fair and reasonable.

6 (3) The amounts provided as working capital of the corporation are
7 repayable only out of earned income in excess of amounts paid and
8 payable for operating expenses and hospital and medical and/or dental
9 expenses and such reserve as the Department deems adequate, as
10 provided hereinafter.

11 (4) That the amount of money actually available for working capital be
12 sufficient to carry all acquisition costs and operating expenses for a
13 reasonable period of time from the date of the issuance of the
14 certificate.

15 (5) That the compensation of the corporation's executives is not excessive
16 as provided in G.S. 58-65-52.

17 (b) The license shall continue in full force and effect, subject to payment of an
18 annual license continuation fee of one thousand five hundred dollars (\$1,500), subject to
19 all other provisions of subsection (a) of this section and subject to any other applicable
20 provisions of the insurance laws of this State."

21 **SECTION 3.** This act applies only to hospital or medical corporations that
22 have 2,000,000 or more members or subscribers. This act is effective when it becomes
23 law and applies to licenses issued or continued on and after that date.