GENERAL ASSEMBLY OF NORTH CAROLINA
1991 SESSION

CHAPTER 195
HOUSE BILL 460

AN ACT TO MAKE AMENDMENTS TO THE STATUTES GOVERNING HEALTH MAINTENANCE ORGANIZATIONS.

The General Assembly of North Carolina enacts:

Section 1. G.S. 58-67-50(a) reads as rewritten:

"(a) (1) Every enrollee residing in this State is entitled to evidence of coverage under a health care plan. If the enrollee obtains coverage under a health care plan through an insurance policy or a contract issued by a hospital or medical service corporation, whether by option or otherwise, the insurer or the hospital or medical service corporation shall issue the evidence of coverage. Otherwise, the health maintenance organization shall issue the evidence of coverage.

(2) No evidence of coverage, or amendment thereto, shall be issued or delivered to any person in this State until a copy of the form of the evidence of coverage, or amendment thereto, has been filed with and approved by the Commissioner.

(3) An evidence of coverage shall contain:

a. No provisions or statements which are unjust, unfair, inequitable, misleading, deceptive, which encourage misrepresentation, or which are untrue, misleading or deceptive as defined in G.S. 58-67-65(a); and

b. A clear and complete statement, if a contract, or a reasonably complete summary, if a certificate of:

1. The health care services and insurance or other benefits, if any, to which the enrollee is entitled under the health care plan;

2. Any limitations on the services, benefits, or kind of benefits, to be provided, including any deductible or copayment feature;

3. Where and in what manner information is available as to how services may be obtained;

4. The total amount of payment for health care services and the indemnity or service benefits, if any, which the enrollee is obligated to pay with respect to individual contracts, or an indication whether the plan is

contributory or noncontributory with respect to group certificates;

5. A clear and understandable description of the health maintenance organization's method of resolving enrollee ~~complaints.~~ complaints;

6. A description of the reasons, if any, for which an enrollee's enrollment may be terminated for cause, which reasons may include behavior that seriously impairs the health maintenance organization's ability to provide services or an inability to establish and maintain a satisfactory physician-patient relationship after reasonable efforts to do so have been made.

Any subsequent change may be evidenced in a separate document issued to the enrollee.

(4) A copy of the form of the evidence of coverage to be used in this State, and any amendment thereto, shall be subject to the filing and approval requirements of subsection (b) unless it is subject to the jurisdiction of the Commissioner under the laws governing health insurance or hospital or medical service corporations in which event the filing and approval provisions of such laws shall apply. To the extent, however, that such provisions do not apply the requirements in subsection (c) shall be applicable."

Sec. 2. G.S. 58-53-70 reads as rewritten:

"**§ 58-53-70. Exclusions.**

~~The~~ An insurer shall not be required to issue a converted policy covering any person if such person is or can be covered by Medicare. Furthermore, ~~the~~ an insurer shall not be required to issue a converted policy covering any person if:

(1) a. Such person is covered for similar benefits by another hospital, surgical, medical or major medical expense insurance policy, or hospital or medical service subscriber contract or medical practice or other prepayment plan, or by any other plan or program;

b. Such person is or could be covered for similar benefits, whether or not covered for such benefits, under any arrangement of coverage for individuals in a group, whether insured or uninsured; or

c. Similar benefits are provided for or available to such person, whether or not covered for such benefits, by reason of any State or federal law; and

(2) The benefits under sources of the kind referred to in subdivision (1)a of this section for such person, or benefits provided or available under sources of the kind referred to in subdivisions (1)b and (1)c of this section for such person, together with the converted policy's benefits

would result in overinsurance according to the insurer's standards for ~~overinsurance.~~ overinsurance; or

(3) An enrollee's enrollment in a health maintenance organization has been terminated for cause in accord with the terms of the enrollee's evidence of coverage or the health maintenance organization's contract with the group."

Sec. 3. G.S. 58-53-75 reads as rewritten:

"**§ 58-53-75. Information.**

A converted policy may provide that ~~the~~ an insurer may at any time request information of ~~the~~ an insured policyholder with respect to any person covered thereunder as to whether he is covered for the similar benefits described in G.S. 58-53-70(1)a or is or could be covered for the similar benefits described in G.S. 58-53-70(1)b and 58-53-70(1)c. The converted policy may provide that as of any premium due date ~~the~~ an insurer may refuse to renew the policy or the coverage of any insured person for the following reasons only:

(1) Either those similar benefits for which such person is or could be covered, together with the converted policy's benefits, would result in overinsurance according to the insurer's standards for overinsurance, or the policyholder of the converted policy fails to provide the requested information;

(2) Fraud or material misrepresentation in applying for any benefits under the converted policy; ~~or~~

(3) Eligibility of any insured person for coverage under Medicare, or under any other State or federal law providing benefits substantially similar to those provided by the converted ~~policy.~~ policy; or

(4) Termination of an enrollee's enrollment in a health maintenance organization for cause in accord with the terms of the enrollee's evidence of coverage or the health maintenance organization's contract with the group."

Sec. 4. G.S. 58-67-5(i) reads as rewritten:

"(i) 'Net worth' means the excess of total assets over the total liabilities and may include borrowed funds that are repayable only from the net earned income of the health maintenance organization and repayable only with the advance permission of the Commissioner. ~~In determining net worth only tangible assets shall be considered.~~ For the purposes of this subsection, 'assets' means (i) tangible assets and (ii) other investments permitted under G.S. 58-67-60; provided, however, that the depreciated cost of office furniture and equipment in the principal office shall not exceed ten percent (10%) of a health maintenance organization's net worth."

Sec. 5. This act is effective upon ratification.

In the General Assembly read three times and ratified this the 3rd day of June, 1991.

James C. Gardner
President of the Senate

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Daniel Blue, Jr.
Speaker of the House of Representatives