

**GENERAL ASSEMBLY OF NORTH CAROLINA**  
**SESSION 2007**

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**HOUSE BILL 2440**  
**Committee Substitute Favorable 7/17/08**

Short Title: State Health Plan/Shortfall Funds.

(Public)

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Sponsors:

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Referred to:

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May 26, 2008

A BILL TO BE ENTITLED

1  
2 AN ACT TO CREATE THE STATE HEALTH PLAN CONTINGENCY ACCOUNT  
3 IN THE OFFICE OF STATE BUDGET AND MANAGEMENT AND TO  
4 PROVIDE FOR CONTINGENT APPROPRIATIONS AND ALLOCATIONS  
5 FROM THE SAVINGS RESERVE ACCOUNT TO THE CONTINGENCY  
6 ACCOUNT TO MEET CLAIMS PAYMENT OBLIGATIONS OF THE NORTH  
7 CAROLINA STATE HEALTH PLAN FOR TEACHERS AND STATE  
8 EMPLOYEES FOR THE 2008-2009 FISCAL YEAR.

9 The General Assembly of North Carolina enacts:

10 **SECTION 1.** Purpose. – The purpose of this act is to provide funds from the  
11 Savings Reserve Account in an amount sufficient to meet the claims payment  
12 obligations of the North Carolina State Health Plan for Teachers and State Employees  
13 ("Plan") in the 2008-2009 fiscal year. It is the intent of the General Assembly that  
14 measures taken in this act to address the shortfall in funds to pay State Health Plan  
15 claims are temporary and that the Savings Reserve Account shall be reimbursed, as soon  
16 as practicable, in the amount of funds appropriated from the Savings Reserve Account  
17 as authorized in this act.

18 **SECTION 2.(a)** State Health Plan Contingency Account. – There is  
19 established in the Office of State Budget and Management the State Health Plan  
20 Contingency Account. Funds in the State Health Plan Contingency Account shall be  
21 from the Savings Reserve Account, shall not exceed one hundred million dollars  
22 (\$100,000,000) for the 2008-2009 fiscal year, and shall be allocated only in the amounts  
23 and for the purposes authorized in this act. At no time shall funds in the Contingency  
24 Account exceed the amount necessary to meet claims payment obligations for the period  
25 for which the request for payment is made by the Executive Administrator.

26 **SECTION 2.(b)** Contingent Appropriations and Allocations From Savings  
27 Reserve Account. – Upon receipt of a request from the Executive Administrator for  
28 funds to meet the Plan's claims payment obligations for the current period, the amount  
29 needed for this purpose is appropriated from the Savings Reserve Account to the State

1 Health Plan Contingency Account. The Office of State Budget and Management shall  
2 transfer these funds from the Contingency Account to the State Health Plan after the  
3 Executive Administrator has reported the facts to the Executive Committee of the  
4 Committee on Hospital and Medical Benefits supporting the amount of the funds  
5 requested for claims payment due at the time of the request. If, at the end of the  
6 2008-2009 fiscal year, there is an unobligated balance remaining in the State Health  
7 Plan Contingency Account, those funds shall revert to the Savings Reserve Account.

8 **SECTION 2.(c)** Legislative Oversight. – Upon determining that additional  
9 funds are needed to meet the Plan's immediately pending claims payment obligations,  
10 the Plan's Executive Administrator shall present to the Executive Committee of the  
11 Committee on Employee Hospital and Medical Benefits the facts supporting the  
12 Executive Administrator's request for funds. Only after providing this information to  
13 the Executive Committee may the Office of State Budget and Management transfer the  
14 funds from the State Health Plan Contingency Account to the Plan and in the amount  
15 necessary to pay immediately pending claims. The Executive Committee shall inform  
16 the Office of State Budget upon the Committee's receipt of the information required  
17 from the Executive Administrator under this act.

18 **SECTION 2.(d)** Reporting. – Beginning September 1, 2008, and quarterly  
19 thereafter, the Executive Administrator shall report to the House of Representatives and  
20 the Senate Appropriations Committees, the Joint Legislative Commission on  
21 Governmental Operations, and to the Committee on Hospital and Medical Benefits on  
22 the financial status of the Plan. The Executive Administrator shall develop a plan for  
23 ensuring the fiscal viability of the Plan and limiting to the extent possible, the impact on  
24 Plan benefits.

25 **SECTION 2.(e)** Information. – The Committee on Hospital and Medical  
26 Benefits shall meet regularly with Plan member organizations to keep them apprised of  
27 the financial status of the Plan and actions being considered or recommended to ensure  
28 future financial stability of the Plan as well as minimizing any adverse impact on Plan  
29 benefits. The Committee on Hospital and Medical Benefits shall keep the House of  
30 Representatives and the Senate appropriations committees apprised of its activities to  
31 keep Plan member organizations informed.

32 **SECTION 2.(f)** Funds for Authorized Purposes Only. – At no time shall the  
33 funds made available under this section be used for purposes other than those authorized  
34 by this section.

35 **SECTION 3.** Effective Date. – This act is effective when it becomes law.