

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2013

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SENATE BILL 473  
Health Care Committee Substitute Adopted 4/25/13  
Finance Committee Substitute Adopted 5/8/13  
House Committee Substitute Favorable 7/24/13

Short Title: HealthCare Cost Reduction & Transparency.

(Public)

Sponsors:

Referred to:

March 28, 2013

A BILL TO BE ENTITLED

AN ACT TO IMPROVE TRANSPARENCY IN THE COST OF HEALTH CARE PROVIDED BY HOSPITALS AND AMBULATORY SURGICAL FACILITIES; TO TERMINATE SET-OFF DEBT COLLECTION BY CERTAIN STATE AGENCIES PROVIDING HEALTH CARE TO THE PUBLIC; TO MAKE IT UNLAWFUL FOR HEALTH CARE PROVIDERS TO CHARGE FOR PROCEDURES OR COMPONENTS OF PROCEDURES THAT WERE NOT PROVIDED OR SUPPLIED; TO PROVIDE FOR FAIR HEALTH CARE FACILITY BILLING AND COLLECTIONS PRACTICES; AND TO PROVIDE THAT HOSPITALS RECEIVING MEDICAID REIMBURSEMENTS PARTICIPATE IN THE NORTH CAROLINA HEALTH INFORMATION EXCHANGE NETWORK.

The General Assembly of North Carolina enacts:

**PART I. TITLE**

**SECTION 1.** This act shall be known as the Health Care Cost Reduction and Transparency Act of 2013.

**PART II. TRANSPARENCY IN HEALTH CARE COSTS**

**SECTION 2.** Chapter 131E of the General Statutes is amended by adding a new Article to read:

"Article 1B.

"Transparency in Health Care Costs.

**§ 131E-214.5. Purpose; Department to publish price information.**

(a) It is the intent of this Article to improve transparency in health care costs by providing information to the public on the costs of the most frequently reported diagnostic related groups (DRGs) for hospital inpatient care and the most common surgical procedures and imaging procedures provided in hospital outpatient settings and ambulatory surgical facilities.

(b) The Department of Health and Human Services shall make available to the public on its Internet Web site the most current price information it receives from hospitals and ambulatory surgical facilities pursuant to G.S. 131E-214.6. The Department shall provide this information in a manner that is easily understood by the public and meets the following minimum requirements:



1           (1) Information for each hospital shall be listed separately and hospitals shall be  
2           listed in groups by category as determined by the North Carolina Medical  
3           Care Commission in rules adopted pursuant to G.S. 131E-214.6.

4           (2) Information for each hospital outpatient department and each ambulatory  
5           surgical facility shall be listed separately.

6           (c) Any data disclosed to the Department by a hospital or ambulatory surgical facility  
7           pursuant to the Health Care Cost Reduction and Transparency Act of 2013 shall be and will  
8           remain the sole property of the facility that submitted the data. Any data or product derived  
9           from the data disclosed pursuant to this act, including a consolidation or analysis of the data,  
10           shall be and will remain the sole property of the State. The Department shall not allow  
11           proprietary information it receives pursuant to this act to be used by any person or entity for  
12           commercial purposes.

13           **"§ 131E-214.6. Disclosure of prices for most frequently reported DRGs, CPTs, and**  
14           **HCPCSs.**

15           (a) The following definitions apply in this Article:

16           (1) Ambulatory surgical facility. – A facility licensed under Part 4 of Article 6  
17           of this Chapter.

18           (2) Commission. – The North Carolina Medical Care Commission.

19           (3) Hospital. – A medical care facility licensed under Article 5 of this Chapter or  
20           under Article 2 of Chapter 122C of the General Statutes.

21           (4) Health insurer. – As defined in G.S. 108A-55.4, provided that "health  
22           insurer" shall not include self-insured plans and group health plans as  
23           defined in section 607(1) of the Employee Retirement Income Security Act  
24           of 1974.

25           (5) Public or private third party. – Includes the State, the federal government,  
26           employers, health insurers, third-party administrators, and managed care  
27           organizations.

28           (b) Beginning with the quarter ending June 30, 2014, and quarterly thereafter, each  
29           hospital shall provide to the Department of Health and Human Services, utilizing electronic  
30           health records software, the following information about the 100 most frequently reported  
31           admissions by DRG for inpatients as established by the Commission:

32           (1) The amount that will be charged to a patient for each DRG if all charges are  
33           paid in full without a public or private third party paying for any portion of  
34           the charges.

35           (2) The average negotiated settlement on the amount that will be charged to a  
36           patient required to be provided in subdivision (1) of this subsection.

37           (3) The amount of Medicaid reimbursement for each DRG, including claims and  
38           pro rata supplemental payments.

39           (4) The amount of Medicare reimbursement for each DRG.

40           (5) For the five largest health insurers providing payment to the hospital on  
41           behalf of insureds and teachers and State employees, the range and the  
42           average of the amount of payment made for each DRG. Prior to providing  
43           this information to the Department, each hospital shall redact the names of  
44           the health insurers and any other information that would otherwise identify  
45           the health insurers.

46           A hospital shall not be required to report the information required by this subsection for any  
47           of the 100 most frequently reported admissions where the reporting of that information  
48           reasonably could lead to the identification of the person or persons admitted to the hospital in  
49           violation of the federal Health Insurance Portability and Accountability Act of 1996 (HIPAA)  
50           or other federal law.

1       (c) The Commission shall adopt rules on or before March 1, 2014, to ensure that  
2 subsection (b) of this section is properly implemented and that hospitals report this information  
3 to the Department in a uniform manner. The rules shall include all of the following:

4           (1) The 100 most frequently reported DRGs for inpatients for which hospitals  
5 must provide the data set out in subsection (b) of this section.

6           (2) Specific categories by which hospitals shall be grouped for the purpose of  
7 disclosing this information to the public on the Department's Internet Web  
8 site.

9       (d) Beginning with the quarter ending September 30, 2014, and quarterly thereafter,  
10 each hospital and ambulatory surgical facility shall provide to the Department, utilizing  
11 electronic health records software, information on the total costs for the 20 most common  
12 surgical procedures and the 20 most common imaging procedures, by volume, performed in  
13 hospital outpatient settings or in ambulatory surgical facilities, along with the related CPT and  
14 HCPCS codes. Hospitals and ambulatory surgical facilities shall report this information in the  
15 same manner as required by subdivisions (b)(1) through (5) of this section, provided that  
16 hospitals and ambulatory surgical facilities shall not be required to report the information  
17 required by this subsection where the reporting of that information reasonably could lead to the  
18 identification of the person or persons admitted to the hospital in violation of the federal Health  
19 Insurance Portability and Accountability Act of 1996 (HIPAA) or other federal law.

20       (e) The Commission shall adopt rules on or before June 1, 2014, to ensure that  
21 subsection (d) of this section is properly implemented and that hospitals and ambulatory  
22 surgical facilities report this information to the Department in a uniform manner. The rules  
23 shall include the list of the 20 most common surgical procedures and the 20 most common  
24 imaging procedures, by volume, performed in a hospital outpatient setting and those performed  
25 in an ambulatory surgical facility, along with the related CPT and HCPCS codes.

26       (f) Upon request of a patient for a particular DRG, imaging procedure, or surgery  
27 procedure reported in this section, a hospital or ambulatory surgical facility shall provide the  
28 information required by subsection (b) or subsection (d) of this section to the patient in writing,  
29 either electronically or by mail, within three business days after receiving the request.

30 **"§ 131E-214.7. Disclosure of charity care policy and costs.**

31       (a) Requirements. – A hospital or ambulatory surgical facility required to file Schedule  
32 H, federal form 990, under the Code must provide the public access to its financial assistance  
33 policy and its annual financial assistance costs reported on its Schedule H, federal form 990.  
34 The information must be submitted annually to the Department in the time, manner, and format  
35 required by the Department. The Department must post the information on its Internet Web  
36 site. The information must also be displayed in a conspicuous place in the organization's place  
37 of business.

38       (b) Definitions. – The following definitions apply in this section:

39           (1) Code. – Defined in G.S. 105-228.90.

40           (2) Financial assistance costs. – The information reported on Schedule H,  
41 federal form 990, related to the organization's financial assistance at cost and  
42 the amounts reported on that schedule related to the organization's bad debt  
43 expense and the estimated amount of the organization's bad debt expense  
44 attributable to patients eligible under the organization's financial assistance  
45 policy.

46           (3) Financial assistance policy. – A policy that meets the requirements of section  
47 501(r) of the Code."

48       **SECTION 2A.** The State Health Plan for Teachers and State Employees shall  
49 establish a workgroup to examine the best way to provide teachers and State employees greater  
50 transparency in the costs of health services provided under the State Health Plan. The State  
51 Health Plan for Teachers and State Employees shall report the findings and recommendations

1 of the workgroup to the Joint Legislative Oversight Committee on Health and Human Services  
2 and the Joint Committee on Governmental Operations on or before December 31, 2013, and  
3 annually thereafter, through December 31, 2016.

4 **SECTION 3.** Not later than September 1, 2013, the Department of Health and  
5 Human Services shall communicate the requirements of Section 2 of this act to all hospitals  
6 licensed pursuant to Article 5 of Chapter 131E of the General Statutes, Article 2 of Chapter  
7 122C of the General Statutes, and to all ambulatory surgical facilities licensed pursuant to Part  
8 4 of Article 6 of Chapter 131E of the General Statutes.

9 **SECTION 4.** G.S. 131E-97.3(a) reads as rewritten:

10 **"§ 131E-97.3. Confidentiality of competitive health care information.**

11 (a) For the purposes of this section, competitive health care information means  
12 information relating to competitive health care activities by or on behalf of hospitals and public  
13 hospital authorities. Competitive health care information does not include any of the  
14 information hospitals and ambulatory surgical facilities are required to report under  
15 G.S. 131E-214.6. Competitive health care information shall be confidential and not a public  
16 record under Chapter 132 of the General Statutes; provided that any contract entered into by or  
17 on behalf of a public hospital or public hospital authority, as defined in G.S. 159-39, shall be a  
18 public record unless otherwise exempted by law, or the contract contains competitive health  
19 care information, the determination of which shall be as provided in subsection (b) of this  
20 section."

21 **SECTION 5.** G.S. 131E-99 reads as rewritten:

22 **"§ 131E-99. Confidentiality of health care contracts.**

23 ~~The~~ Except for the information a hospital or an ambulatory surgical facility is required to  
24 report under G.S. 131E-214.6, the financial terms and other competitive health care information  
25 directly related to the financial terms in a health care services contract between a hospital or a  
26 medical school and a managed care organization, insurance company, employer, or other payer  
27 is confidential and not a public record under Chapter 132 of the General Statutes. Nothing in  
28 this section shall prevent an elected public body which has responsibility for the hospital or  
29 medical school from having access to this confidential information in a closed session. The  
30 disclosure to a public body does not affect the confidentiality of the information. Members of  
31 the public body shall have a duty not to further disclose the confidential information."  
32

### 33 **PART III. CERTAIN CHARGES/PAYMENTS PROHIBITED**

34 **SECTION 6.** Article 16 of Chapter 131E of the General Statutes is amended by  
35 adding a new section to read:

36 **"§ 131E-273. Certain charges/payments prohibited.**

37 It shall be unlawful for any provider of health care services to charge or accept payment for  
38 any health care procedure or component of any health care procedure that was not performed or  
39 supplied. If a procedure requires the informed consent of a patient, the charge for any  
40 component of the procedure performed prior to consent being given shall not exceed the actual  
41 cost to the provider if the patient elects not to consent to the procedure."  
42

### 43 **PART IV. HOSPITAL DEBT COLLECTION**

44 **SECTION 7.** G.S. 105A-2(9) reads as rewritten:

45 "(9) State agency. – Any of the following:

46 a. A unit of the executive, legislative, or judicial branch of State  
47 ~~government.~~ government, except for the following:

48 1. Any school of medicine, clinical program, facility, or practice  
49 affiliated with one of the constituent institutions of The  
50 University of North Carolina that provides medical care to the  
51 general public.

- 1                                   2.     The University of North Carolina Health Care System and  
 2   other persons or entities affiliated with or under the control of  
 3   The University of North Carolina Health Care System.  
 4                    b.     A local agency, to the extent it administers a program supervised by  
 5                                   the Department of Health and Human Services or it operates a Child  
 6                                   Support Enforcement Program, enabled by Chapter 110, Article 9,  
 7                                   and Title IV, Part D of the Social Security Act.  
 8                    c.     A community college."

10 **PART V. FAIR HEALTH CARE FACILITY BILLING AND COLLECTIONS**  
 11 **PRACTICES**

12                    SECTION 8.(a) G.S. 131E-91 reads as rewritten:

13 "**§ 131E-91. ~~Itemized charges on discharged patient's bill~~Fair billing and collections**  
 14 **practices for hospitals and ambulatory surgical facilities.**

15           (a)     All hospitals and ambulatory surgical facilities licensed pursuant to this Chapter  
 16 shall, upon request of the ~~patient~~patient, ~~within 30 days of discharge,~~present an itemized list of  
 17 charges to all discharged ~~patients.~~patients detailing in language comprehensible to an ordinary  
 18 layperson the specific nature of the charges or expenses incurred by the patient. Patient bills  
 19 that are not itemized shall include notification to the patient of the right to request, free of  
 20 charge, an itemized bill. A patient may request an itemized list of charges at any time within  
 21 three years after the date of discharge or so long as the hospital or ambulatory surgical facility,  
 22 a collections agency, or another assignee of the hospital or ambulatory surgical facility asserts  
 23 the patient has an obligation to pay the bill. Each hospital and ambulatory surgical facility shall  
 24 establish a method for patients to inquire about or dispute a bill.

25           (b)     If a patient has overpaid the amount due to the hospital or ambulatory surgical  
 26 facility, whether as the result of insurance coverage, patient error, health care facility billing  
 27 error, or other cause, and the overpayment is not in dispute or on appeal, the hospital or  
 28 ambulatory surgical facility shall provide the patient with a refund within 45 days of receiving  
 29 notice of the overpayment.

30           (c)     A hospital or ambulatory surgical facility shall not bill insured patients for charges  
 31 that would have been covered by their insurance had the hospital or ambulatory surgical facility  
 32 submitted the claim or other information required to process the claim within the allotted time  
 33 requirements of the insurer.

34           (d)     Hospitals and ambulatory surgical facilities shall abide by the following reasonable  
 35 collections practices:

36           (1)     A hospital or ambulatory surgical facility shall not refer a patient's unpaid  
 37                   bill to a collections agency, entity, or other assignee during the pendency of  
 38                   a patient's application for charity care or financial assistance under the  
 39                   hospital's or ambulatory surgical facility's charity care or financial assistance  
 40                   policies.

41           (2)     A hospital or ambulatory surgical facility shall provide a patient with a  
 42                   written notice that the patient's bill will be subject to collections activity at  
 43                   least 30 days prior to the referral being made.

44           (3)     A hospital or ambulatory surgical facility that contracts with a collections  
 45                   agency, entity, or other assignee shall require the collections agency, entity,  
 46                   or other assignee to inform the patient of the hospital's or ambulatory  
 47                   surgical facility's charity care and financial assistance policies when  
 48                   engaging in collections activity.

49           (4)     A hospital or ambulatory surgical facility shall require a collections agency,  
 50                   entity, or other assignee to obtain the written consent of the hospital or

1 ambulatory surgical facility prior to the collections agency, entity, or other  
 2 assignee filing a lawsuit to collect the debt.

3 (5) For debts arising from the provision of care by a hospital or ambulatory  
 4 surgical center, the doctrine of necessities as it existed at common law shall  
 5 apply equally to both spouses, except where they are permanently living  
 6 separate and apart, but shall in no event create any liability between the  
 7 spouses as to each other. No lien arising out of a judgment for a debt owed a  
 8 hospital or ambulatory surgical facility under this section shall attach to the  
 9 judgment debtors' principal residence, or, if the land upon which the  
 10 principal residence is located is greater than five acres, then no lien shall  
 11 attach to the judgment debtors' principal residence and the surrounding five  
 12 acres, held by them as tenants by the entirety or that was held by them as  
 13 tenants by the entirety prior to the death of either spouse where the tenancy  
 14 terminated as a result of the death of either spouse.

15 (6) For debts arising from the provision of care by a hospital or ambulatory  
 16 surgical facility to a minor, there shall be no execution on or otherwise  
 17 forced sale of the principal residence of the custodial parent or parents for a  
 18 judgment obtained for the outstanding debt until such time as the minor is  
 19 either no longer residing with the custodial parent or parents or until the  
 20 minor reaches the age of majority, whichever occurs first.

21 (e) The Commission shall adopt rules to ensure that this section is properly  
 22 ~~implemented~~ ~~implemented.~~ ~~and that patient bills which are not itemized include notification to~~  
 23 ~~the patient of his right to request an itemized bill.~~ The Department shall not issue ~~nor~~ ~~or~~ renew a  
 24 license under this ~~Chapter~~ Article unless the applicant has demonstrated that the requirements  
 25 of this ~~section~~ subsection are being met."

26 **SECTION 8.(b)** Article 2A of Chapter 131E of the General Statutes is repealed.

27 **SECTION 8.(c)** Part 4 of Article 6 of Chapter 131E of the General Statutes is  
 28 amended by adding a new section to read:

29 **"§ 131E-147.1. Fair billing and collections practices for ambulatory surgical facilities.**

30 All ambulatory surgical facilities licensed under this Part shall be subject to the fair billing  
 31 and collections practices set out in G.S. 131E-91."

32 **SECTION 8.(d)** G.S. 58-3-245 reads as rewritten:

33 **"§ 58-3-245. Provider ~~directories~~ directories; cost tools for insured.**

34 (a) Every health benefit plan utilizing a provider network shall maintain a provider  
 35 directory that includes a listing of network providers available to insureds and shall update the  
 36 listing no less frequently than once a year. In addition, every health benefit plan shall maintain  
 37 a telephone system and may maintain an electronic or on-line system through which insureds  
 38 can access up-to-date network information. The health benefit plan shall ensure that a patient is  
 39 provided accurate and current information on each provider's network status through the  
 40 telephone system and any electronic or online system. If the health benefit plan produces  
 41 printed directories, the directories shall contain language disclosing the date of publication,  
 42 frequency of updates, that the directory listing may not contain the latest network information,  
 43 and contact information for accessing up-to-date network information.

44 (b) Each directory listing shall include the following network information:

- 45 (1) The provider's name, address, telephone number, and, if applicable, area of  
 46 specialty.  
 47 (2) Whether the provider may be selected as a primary care provider.  
 48 (3) To the extent known to the health benefit plan, an indication of whether the  
 49 provider:  
 50 a. Is or is not currently accepting new patients.

1           b.       Has any other restrictions that would limit an insured's access to that  
2                    provider.

3       (c)       The directory listing shall include all of the types of participating providers. Upon a  
4 participating provider's written request, the insurer shall also list in the directory, as part of the  
5 participating provider's listing, the names of any allied health professionals who provide  
6 primary care services under the supervision of the participating provider and whose services are  
7 covered by virtue of the insurer's contract with the supervising participating provider and  
8 whose credentials have been verified by the supervising participating provider. These allied  
9 health professionals shall be listed as a part of the directory listing for the participating provider  
10 upon receipt of a certification by the supervising participating provider that the credentials of  
11 the allied health professional have been verified consistent with the requirements for the type of  
12 information required to be verified under G.S. 58-3-230.

13       (d)       A health care provider shall provide to a patient or prospective patient, upon  
14 request, information on that provider's network status with a particular health benefit plan."

## 15 16 **PART VI. PARTICIPATION IN NORTH CAROLINA HEALTH INFORMATION** 17 **EXCHANGE**

18           **SECTION 9.** Article 29A of Chapter 90 of the General Statutes is amended by  
19 adding a new section to read:

### 20 **"§ 90-413.3A. Required participation in NC HIE for some providers.**

21       (a)       The General Assembly makes the following findings:

22           (1)       That controlling escalating health care costs of the Medicaid program is of  
23 significant importance to the State, its taxpayers, and its Medicaid  
24 recipients.

25           (2)       That the State needs timely access to claims and clinical information in order  
26 to assess performance, pinpoint medical expense trends, identify beneficiary  
27 health risks, and evaluate how the Sate is spending Medicaid dollars.

28           (3)       That making this clinical information available through the North Carolina  
29 Health Information Exchange will improve care coordination within and  
30 across health systems, increase care quality, enable more effective  
31 population health management, reduce duplication of medical services,  
32 augment syndromic surveillance, allow more accurate measurement of care  
33 services and outcomes, increase strategic knowledge about the health of the  
34 population, and facilitate health cost-containment.

35       (b)       Notwithstanding any other provision of law, based upon the findings set forth in  
36 subsection (a) of this section, any hospital, as defined in G.S. 131E-76(c), that has an electronic  
37 health record system shall connect to the NC HIE and submit individual patient demographic  
38 and clinical data on services paid for with Medicaid funds."

## 39 40 **PART VII. EFFECTIVE DATE**

41           **SECTION 10.** Sections 4, 5, and 9 of this act become effective January 1, 2014.  
42 Section 6 of this act becomes effective December 1, 2013, and applies to health care procedures  
43 and services rendered on or after that date. Section 6 shall not apply to administrative actions or  
44 litigation filed before the effective date of this section. Section 7 of this act becomes effective  
45 January 1, 2014, and applies to tax refunds determined by the Department of Revenue on or  
46 after that date. Section 8 of this act becomes effective October 1, 2013, and applies to hospital  
47 and ambulatory surgical facility billings and collections practices occurring on or after that  
48 date. The remainder of this act is effective when it becomes law.