

**GENERAL ASSEMBLY OF NORTH CAROLINA**  
**SESSION 2001**

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**HOUSE BILL 1719**

Short Title: State Employees' Health Plan/Presc. Drugs. (Public)

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Sponsors: Representatives Wright, Baddour; Adams, Alexander, Allen, Barefoot, Bell, Blue, Bonner, Boyd-McIntyre, Church, Coates, Cole, Cox, J. Crawford, Culpepper, Cunningham, Dedmon, Earle, Easterling, Edwards, Fox, Gibson, Goodwin, Hackney, Haire, Hall, Hensley, Hill, Hunter, Hurley, Insko, Jarrell, Jeffus, Lucas, Luebke, McAllister, McLawhorn, Michaux, Nesbitt, Nye, Oldham, Owens, Redwine, Rogers, Saunders, Smith, Sutton, Tolson, Tucker, Underhill, Wainwright, Warner, Warren, Warwick, Weiss, Willingham, Womble, and Yongue.

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Referred to: Health.

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June 13, 2002

A BILL TO BE ENTITLED

1 AN ACT TO PROVIDE THAT PRESCRIPTION DRUG BENEFITS UNDER THE  
2 TEACHERS' AND STATE EMPLOYEES' COMPREHENSIVE MAJOR  
3 MEDICAL PLAN ("PLAN") SHALL BE ADMINISTERED UNDER THE PLAN'S  
4 CONTRACT WITH BLUE CROSS BLUE SHIELD IF THERE IS NOT A  
5 SATISFACTORY RESOLUTION OF THE PLAN'S CONTRACT DISPUTE  
6 WITH ADVANCE PCS.  
7

8       Whereas, more than 554,000 teachers, State employees, retired teachers and  
9 State employees, and members of their families have some 8,000,000 outpatient  
10 prescription drug claims with over \$533 million in charges processed annually through  
11 the North Carolina Teachers' and State Employees' Comprehensive Major Medical Plan  
12 (hereafter "Plan"); and

13       Whereas, the Plan entered into a contract with ADVP Operations, LP, also  
14 known as AdvancePCS, on December 1, 2000, with an expiration of November 30,  
15 2003, and extensions through November 30, 2005, at the option of the Plan, for the  
16 purpose of processing the Plan's outpatient prescription drugs for members of the Plan;  
17 and

18       Whereas, the Plan's contract with AdvancePCS requires AdvancePCS to have  
19 a network to serve members of the Plan with at least ninety-seven percent (97%) of the  
20 pharmacies in North Carolina; and

21       Whereas, the Plan has reported that for approximately three-quarters of the  
22 Plan's fiscal year beginning July 1, 2001, it has paid AdvancePCS approximately twenty

1 million dollars (\$20,000,000) more than the Plan should have paid under the terms of its  
2 contract with AdvancePCS; and

3         Whereas, on May 10, 2002, the Plan notified AdvancePCS of the Plan's intent  
4 to terminate the contract for the contractor's failure to comply with the terms of the  
5 contract; and

6         Whereas, on or about May 24, 2002, AdvancePCS notified the pharmacies in  
7 the network compiled to serve the members of the Plan that, effective immediately,  
8 AdvancePCS payments to pharmacies on behalf of the Plan were being cut by  
9 AdvancePCS by forty percent (40%), amounting to approximately eight million dollars  
10 (\$8,000,000) annually in dispensing fees, plus another nineteen million dollars  
11 (\$19,000,000) annually in ingredient prices for branded and generic prescription drugs;  
12 and

13         Whereas, subsequent to receiving notice from AdvancePCS of the payment  
14 reduction, pharmacies throughout North Carolina notified members of the Plan that the  
15 pharmacies could no longer afford to accept the Plan's payments as reduced by  
16 AdvancePCS in its notice to pharmacies sent on or about May 24, 2002; and

17         Whereas, the withdrawal of pharmacies from the network due to the  
18 AdvancePCS reduction in payments places AdvancePCS in violation of its contract with  
19 the Plan to have ninety-seven percent (97%) of the pharmacies in North Carolina  
20 participating in the Plan's network of pharmacies; and

21         Whereas, failure of AdvancePCS to maintain a ninety-seven percent (97%)  
22 pharmacy network exposes Plan members to paying estimated charges of over five  
23 hundred thirty-three million dollars (\$533,000,000) annually to pharmacies instead of  
24 the Plan's existing statutory copayments amounting to some one hundred sixty-five  
25 million dollars (\$165,000,000) annually paid to network pharmacies; and

26         Whereas, Blue Cross and Blue Shield of North Carolina was awarded a  
27 contract by the Plan to process the Plan's claims for the period July 1, 1997, through  
28 June 30, 2005, with extensions through June 30, 2007, at the option of the Plan; and

29         Whereas, the claims processing contract between Blue Cross and Blue Shield  
30 of North Carolina and the Plan included the processing of outpatient prescription drug  
31 claims filed by pharmacies and Plan members; and

32         Whereas, Blue Cross and Blue Shield of North Carolina processed the  
33 outpatient prescription drug claims for the Plan in an outstanding manner, including  
34 providing rebates from pharmaceutical manufacturers on the contractor's formularies;  
35 and

36         Whereas, contract payments to Blue Cross and Blue Shield of North Carolina  
37 paid by the Plan for the processing of outpatient prescription drugs were not reduced  
38 when the Plan entered into an outpatient prescription drug claims processing contract  
39 with AdvancePCS on December 1, 2000; Now, therefore,

40 The General Assembly of North Carolina enacts:

41         **SECTION 1.** The Teachers' and State Employees' Comprehensive Major  
42 Medical Plan ("Plan") shall continue negotiations with AdvancePCS to reach, as soon as  
43 possible, a resolution of the contract dispute that does not adversely impact members of  
44 the Plan. Notwithstanding the provisions of Article 3 of Chapter 135 of the General

1 Statutes concerning a pharmacy benefit manager, if the Plan and AdvancePCS fail to  
2 reach a satisfactory resolution of the contract dispute by August 1, 2002, then the Plan  
3 shall return claim processing responsibilities for outpatient prescription drugs to Blue  
4 Cross and Blue Shield of North Carolina under the Plan's existing claims processing  
5 contract with Blue Cross and Blue Shield of North Carolina. A "satisfactory resolution"  
6 of the contract dispute between the Plan and AdvancePCS means a resolution that does  
7 not adversely impact members of the Plan. In returning the processing of outpatient  
8 prescription drugs to Blue Cross and Blue Shield of North Carolina, the Plan's  
9 Executive Administrator and Board of Trustees shall resume paying pharmacies on the  
10 basis of dispensing fees and ingredient prices for branded and generic drugs that was  
11 paid to the pharmacies on the Plan's behalf for three-fourths of the year beginning July  
12 1, 2001. If the Plan has not reached a satisfactory resolution of its contract dispute with  
13 AdvancePCS by August 1, 2002, then the Plan shall return the processing of outpatient  
14 prescription drugs to Blue Cross and Blue Shield of North Carolina on that date.

15 **SECTION 2.** This act is effective when it becomes law.