

SENATE BILL NO. 520—COMMITTEE ON HUMAN RESOURCES
AND FACILITIES

(ON BEHALF OF CLARK COUNTY)

MARCH 22, 1999

Referred to Committee on Human Resources and Facilities

SUMMARY—Creates county health system in Clark County as public corporation. (BDR 57-577)

FISCAL NOTE: Effect on Local Government: Yes.
Effect on the State or on Industrial Insurance: Yes.

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EXPLANATION – Matter in ***bolded italics*** is new; matter between brackets ~~for omitted material~~ is material to be omitted.

AN ACT relating to public health; creating a public corporation to operate a county health system in Clark County; and providing other matters properly relating thereto.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN SENATE
AND ASSEMBLY, DO ENACT AS FOLLOWS:

- 1 **Section 1.** NRS 695C.055 is hereby amended to read as follows:
2 695C.055 1. The provisions of NRS 449.465, 679B.158, subsections
3 2, 4, 18, 19 and 32 of NRS 680B.010, NRS 680B.025 to 680B.060,
4 inclusive, and 695G.010 to 695G.260, inclusive, apply to a health
5 maintenance organization ~~that~~ ***except the County Health System established***
6 ***by section 6 of this act.***
7 2. For the purposes of subsection 1, unless the context requires that a
8 provision apply only to insurers, any reference in those sections to
9 “insurer” must be replaced by “health maintenance organization.”
10 **3. The provisions of NRS 695C.130, 695C.140, 695C.160, 695C.230,**
11 ***695C.311 to 695C.320, inclusive, and 695C.330 to 695C.350, inclusive,***
12 ***do not apply to the County Health System.***
13 **Sec. 2.** NRS 695C.060 is hereby amended to read as follows:
14 695C.060 1. ~~Any~~ ***The County Health System established by***
15 ***section 6 of this act or any*** person may apply to the commissioner for and
16 obtain a certificate of authority to establish and operate a health
17 maintenance organization in compliance with this chapter. No person

1 ~~{shall}~~ **may** operate a health maintenance organization without obtaining a
2 certificate of authority under this chapter. A foreign corporation may
3 qualify under this chapter, subject to its qualification to do business in this
4 state as a foreign corporation.

5 2. No person ~~{shall}~~ **may** be certified to establish or operate a health
6 maintenance organization in this state, nor sell or offer to sell, or solicit
7 offers to purchase or receive advance or periodic consideration in
8 conjunction with health care plans unless ~~{such}~~ **the** health maintenance
9 organization provides or arranges for the provision of comprehensive
10 health care services.

11 3. Every health maintenance organization or person operating a health
12 maintenance organization shall submit an application for a certificate of
13 authority under NRS 695C.070 within 30 days after July 1, 1973. Each
14 such applicant may continue to operate until the commissioner acts upon
15 the application. ~~{In the event that}~~ **If** an application is denied under NRS
16 695C.090 and 695C.100, the applicant ~~{shall}~~ **must** thereafter be treated as
17 a health maintenance organization whose certificate of authority has been
18 revoked. For purposes of this subsection, a health maintenance organization
19 shall be deemed to be in operation only if health care services are being
20 provided to the public generally or to some group or groups thereof.

21 **Sec. 3.** NRS 41.0305 is hereby amended to read as follows:

22 41.0305 As used in NRS 41.0305 to 41.039, inclusive, the term
23 “political subdivision” includes an organization that was officially
24 designated as a community action agency pursuant to 42 U.S.C. § 2790
25 before that section was repealed and is included in the definition of an
26 “eligible entity” pursuant to 42 U.S.C. § 9902, the Nevada rural housing
27 authority, an airport authority created by special act of the legislature, **the**
28 **County Health System created by section 6 of this act**, a regional
29 transportation commission and a fire protection district, irrigation district,
30 school district and other special district that performs a governmental
31 function, even though it does not exercise general governmental powers.

32 **Sec. 4.** The legislature finds and declares that the combination of
33 public needs and available resources for the provision of medical care to
34 patients uninsured or receiving public assistance in Clark County, the
35 state’s largest metropolitan area, and the lack of functioning precedents for
36 a unified system for this purpose, are unique to that county and that a
37 general law cannot be made applicable to the unified provision of that care.

38 **Sec. 5.** As used in sections 5 to 26, inclusive, of this act, unless the
39 context otherwise requires:

- 40 1. “Board” means the board of directors of the system.
- 41 2. “Department” means the department of human resources.
- 42 3. “Director” means the person appointed pursuant to section 14 of this
43 act.

1 4. "Division of insurance" means the division of insurance of the
2 department of business and industry.

3 5. "Program" means the program of services provided by the system.

4 6. "System" means the County Health System.

5 **Sec. 6.** 1. The County Health System is hereby created as a nonprofit
6 public corporation to serve a municipal and charitable purpose. The system
7 shall be deemed to be a local government for the purpose of eligibility for
8 any federal benefit related to the purposes of the system.

9 2. The board of county commissioners of Clark County, as hospital
10 trustees ex officio, shall appoint the board of directors of the corporation,
11 consisting of seven members nominated by the board of county
12 commissioners and two members nominated by the governor. Vacancies on
13 the board of directors must be filled in the same manner as the initial
14 appointments.

15 **Sec. 7.** 1. The nominees to serve as directors must reside or be
16 employed in Clark County and be broadly representative of the cities and
17 towns of the county and experienced in business or community affairs. A
18 director may not be an elected officer or an employee of the county, a
19 provider of health care or an employee of a provider of health care.

20 2. Except for the initial allotted terms of 1 year, the members of the
21 board shall serve for terms of 2 years. The members first appointed shall
22 choose by lot, at their first meeting, four members to serve for terms of 1
23 year.

24 **Sec. 8.** 1. The board shall hold at least six regular meetings each
25 year.

26 2. The board shall adopt rules for its proceedings. A majority of the
27 members constitutes a quorum, but the approval of an official act requires
28 four affirmative votes unless the number of members prohibited by conflict
29 of interest from voting reduces the number of members eligible to vote to
30 fewer than four, in which case approval of the official act requires
31 affirmative votes of all members eligible to vote on the matter.

32 3. Each member of the board is entitled to receive from the system \$80
33 for each meeting of the board he attends, and the board may provide the
34 same remuneration for attendance at meetings of committees of the board,
35 but the total for all meetings attended in a calendar month may not exceed
36 \$320. In addition, a member is entitled to reimbursement for actual and
37 necessary expenses for attending meetings, at the rate payable to county
38 officers and employees generally.

39 **Sec. 9.** 1. The board shall remove a member from office if a majority
40 of the other members find that he:

41 (a) Neither lives nor is employed in Clark County;

42 (b) Has been convicted of a felony;

1 (c) Has failed to attend three consecutive meetings of the board or a
2 majority of the meetings of the board held in the most recent calendar year,
3 unless good cause is shown, as determined by the board; or

4 (d) Has failed to perform his duties as a member of the board.

5 2. The board shall remove a member from office at the written request
6 of the governor or the board of county commissioners of Clark County,
7 whichever nominated the member, if the request sets forth the manner in
8 which he no longer meets the criteria for his nomination.

9 **Sec. 10.** The system may:

10 1. Operate as a health maintenance organization pursuant to the
11 provisions of chapter 695C of NRS;

12 2. Enter into agreements with public agencies to provide health care for
13 which the public agency is otherwise responsible;

14 3. Enter into agreements with private persons to provide health care for
15 which the system is responsible;

16 4. Acquire or dispose of any interest in real or personal property;

17 5. Borrow money from, otherwise become obligated to or accept
18 contributions, grants or other financial assistance from any person,
19 government or governmental agency for costs incurred in developing its
20 program of services and expenses incurred or anticipated in operating the
21 program;

22 6. Employ persons or contract for services required for the
23 performance of its duties; and

24 7. Sue or be sued.

25 **Sec. 11.** The system may, to the extent permitted by federal law, enter
26 into agreements to provide or arrange for the provision of health care, for
27 compensation, to persons who are uninsured or are eligible for benefits:

28 1. Under Medicaid or the program established pursuant to 42 U.S.C.
29 §§ 1397aa to 1397jj, inclusive, to provide health insurance for uninsured
30 children from low-income families in this state; or

31 2. From the county under the provisions of chapter 428 of NRS for the
32 medically indigent.

33 **Sec. 12.** 1. Except as otherwise provided in this section, the system
34 may apply through the department for all waivers from federal regulation
35 and all approvals from the Federal Government which are necessary to
36 establish and operate its program of services, including a demonstration
37 project pursuant to 42 U.S.C. § 1315. The demonstration project may not
38 be used to curtail any existing rights of persons receiving Medicaid at the
39 time of the application.

40 2. An application for a waiver or approval may include providing
41 services pursuant to Medicaid through the program to persons who
42 otherwise would not receive medical assistance pursuant to Medicaid.

1 3. The system shall not apply for a waiver of the provisions concerning
2 payment to federally qualified health centers or noninstitutional providers
3 of health care pursuant to 42 U.S.C. § 1396(a)(10), (13), (30) or (37). As
4 used in this subsection, federally qualified health center has the meaning
5 ascribed to it in paragraph (a) of subsection 4 of NRS 422.273.

6 **Sec. 13.** 1. The county comptroller of Clark County, at least annually
7 and oftener if he deems it appropriate, shall review the financial condition
8 of the system, report his findings to the board of directors of the system and
9 the board of county commissioners of Clark County, and provide a copy of
10 his findings to any other public agency upon request. The county
11 comptroller may direct that other operation or financial audits of the system
12 be made.

13 2. Upon written request of the county comptroller, the system shall
14 provide full access to all its records and documents for the purpose of the
15 review and audits required by this section.

16 3. Clark County is not liable for any damage or loss resulting from an
17 act or omission of the county comptroller pursuant to this section, or from
18 the reliance of any person upon his findings.

19 **Sec. 14.** 1. The board shall appoint a director to manage the program
20 of services of the system. The person appointed must have experience in
21 the management of a similar program.

22 2. The director is responsible to the board and serves at the pleasure of
23 the board. He shall:

24 (a) Attend all meetings of the board and serve as its secretary, keeping
25 or causing to be kept minutes of its proceedings;

26 (b) Report regularly to the board concerning the administration of the
27 program;

28 (c) Report annually, and make such special reports as he considers
29 advisable, to the board of county commissioners of Clark County
30 concerning the work of the board of directors of the system;

31 (d) Direct and supervise all of the technical and administrative activities
32 of the system; and

33 (e) Coordinate the activities of the system with the personnel and
34 agencies of Clark County.

35 **Sec. 15.** 1. The board shall establish an advisory board of providers
36 of health care to furnish technical expertise and advice.

37 2. The advisory board must include the following members nominated
38 as set forth in this subsection and confirmed by a two-thirds vote of the
39 board:

40 (a) A hospital administrator nominated by the Nevada Association of
41 Hospitals and Health Systems;

42 (b) An administrator of a health maintenance organization nominated by
43 the Nevada Association of Health Maintenance Organizations;

- 1 (c) A physician nominated by the Clark County Medical Society;
- 2 (d) A representative of community health clinics nominated by the
- 3 director of community health clinics in Clark County;
- 4 (e) A pharmacist nominated by an association of pharmacists in Clark
- 5 County;
- 6 (f) A representative nominated by the Home Health Care Association of
- 7 Nevada; and
- 8 (g) A registered nurse nominated by the Nevada Nurses Association.

9 3. The board may appoint additional members. If any of the
10 organizations named in subsection 2 ceases to exist, the board shall
11 designate a successor nominating organization.

12 **Sec. 16.** 1. The board shall establish an advisory board to represent
13 patients, consisting of:

- 14 (a) Two members eligible for or receiving services under the program,
- 15 nominated by the director;
- 16 (b) One member nominated by the director of social services of Clark
- 17 County;
- 18 (c) One member nominated by the director of family and youth services
- 19 of Clark County;
- 20 (d) One member nominated by the legal aid society of Clark County;
- 21 and
- 22 (e) One member nominated by the Clark County chapter of the
- 23 American Association of Retired Persons.

24 2. The board may appoint additional members. If any of the
25 organizations named in subsection 1 ceases to exist, the board shall
26 designate a successor nominating organization. A nominated member must
27 be confirmed by a two-thirds vote of the board.

28 **Sec. 17.** 1. Each advisory board shall choose by lot at its first
29 meeting three members to serve for initial terms of 1 year. All other
30 members shall serve for terms of 2 years.

31 2. Each advisory board shall elect a chairman annually from among its
32 members.

33 3. Each advisory board shall hold at least six regular meetings each
34 year.

35 **Sec. 18.** Each member of an advisory board is entitled to receive from
36 the system \$80 for each meeting of the advisory board that he attends, and
37 the board of directors may provide the same remuneration for attendance at
38 meetings of committees of the advisory board, but the total for all meetings
39 attended in a calendar month may not exceed \$320. In addition, a member
40 is entitled to reimbursement for actual and necessary expenses for attending
41 meetings, at the rate payable to county officers and employees generally.

1 **Sec. 19.** A member of the board of directors or an advisory board shall
2 not participate in a decision concerning a proposed contract if he has a
3 conflict of interest. For the purposes of this section, a member does not
4 have a conflict of interest if:

5 1. He was nominated to represent the interests of a group of providers
6 of health care or services;

7 2. The contract authorizes him or other members of the group he
8 represents to provide services under the program of the system;

9 3. The terms of the contract are substantially similar to other contracts
10 with other members of the group he represents;

11 4. He does not influence or attempt to influence a fellow member of the
12 board or advisory board concerning the contract;

13 5. He discloses his interest in the contract to his fellow members and
14 abstains from voting; and

15 6. The board or advisory board notes the disclosure and decision in its
16 official records and enters into the contract in good faith by a sufficient
17 vote after reducing the number of votes required to take the action by the
18 number of members to whom this section specifically applies.

19 **Sec. 20.** 1. If the system obtains a certificate of authority to operate
20 as a health maintenance organization, it shall establish an automated
21 program for managing information, capable of timely producing detailed
22 and accurate information concerning the financial condition of the system
23 and other information generally required by the department in its contracts
24 with health maintenance organizations.

25 2. The department shall review the program and approve it if the
26 department determines that the program meets the requirements of
27 subsection 1. If the department approves the program, it may contract with
28 the system and make payments for the provision of services related to
29 health care. Such a contract need not comply with the requirements of
30 chapter 332 of NRS for competitive bidding.

31 **Sec. 21.** The department shall carry out capitated enrollment in
32 Medicaid pursuant to a contract with the system for the provision of
33 services related to health care to persons receiving medical assistance
34 pursuant to Medicaid in such a manner that appropriate levels of
35 administrative services will be provided to the providers of health care.
36 Such a contract must require the department to control the number of
37 persons receiving such services through the system to ensure that the
38 providers of services related to health care and the administrative structure
39 of the system are able to provide and support the provision of appropriate
40 and timely services.

1 **Sec. 22.** 1. In addition to any other information required to be
2 provided pursuant to Title 57 of NRS or a regulation adopted pursuant to
3 that Title, the system shall each month provide to the division of insurance,
4 the department and each member of the board a copy of:

5 (a) Detailed and accurate information concerning the financial condition
6 of the system as produced by the automated program established pursuant
7 to section 20 of this act;

8 (b) A projection of the assets and liabilities of the system, including
9 those incurred but not contained in the information provided pursuant to
10 paragraph (a); and

11 (c) An explanation of any material increase or decrease in current or
12 projected assets or liabilities.

13 2. Upon request, the system shall provide the information described in
14 paragraph (c) of subsection 1 to any hospital, group of physicians or clinic
15 that has contracted with the system to provide services related to health
16 care.

17 **Sec. 23.** In addition to any other information required to be provided
18 pursuant to Title 57 of NRS or a regulation adopted pursuant to that Title,
19 the system shall immediately notify the division of insurance, the
20 department and each member of the board in writing of any information or
21 situation that the director reasonably believes is likely to result in the
22 system's becoming unable to satisfy its financial obligations. The notice
23 must describe the information or situation, the anticipated financial
24 consequences and the actions that the director or the system will take to
25 address those consequences.

26 **Sec. 24.** 1. The division of insurance shall not waive or change the
27 financial requirements of chapter 695C of NRS or of any regulation
28 adopted pursuant to that chapter as they apply to the system within 3 years
29 after the date the system begins to accept capitated payments.

30 2. If the system is not in compliance with the requirements described in
31 subsection 1, it shall develop, subject to the approval of the department and
32 the division of insurance, a program for stopping losses appropriate to the
33 risks incurred.

34 **Sec. 25.** If the department determines that the system may not be able
35 to meet its financial obligations to providers of health care who have
36 contracted with it for the provision of services involving the department,
37 the system shall submit its relevant financial records to the department. If
38 after reviewing those records the department determines that the system
39 will not be able to meet those obligations, the director of the department
40 shall immediately terminate all contracts between the system and the
41 department.

- 1 **Sec. 26.** 1. If the system ceases to function for the purposes for
2 which it was established and all of the obligations of the system have been
3 satisfied or the assets of the system have been exhausted, the board shall
4 dissolve the system.
- 5 2. The board shall, before it dissolves the system, notify the department
6 of its intent to do so. Within 30 days after receiving the notice, the
7 department shall conduct an audit of the records of the system to determine
8 its liabilities and assets and shall report the findings to the board within 10
9 days after it completes the audit.
- 10 3. The board shall prepare a plan to liquidate or otherwise dispose of
11 the assets and pay the liabilities of the system to the extent of the assets,
12 and present the plan to the department within 30 days after receiving the
13 results of the audit. The department shall approve or modify and approve
14 the plan within 30 days after receiving it. The board shall comply with the
15 plan as approved or modified.
- 16 4. If the system is dissolved, files for bankruptcy or ceases to function,
17 Clark County has the same priority as a provider of health care in the
18 disbursement of assets.