
AN ACT

To establish an Independent Chuuk Health Care Plan, and for other purposes.

BE IT ENACTED BY THE CHUUK STATE LEGISLATURE:

1 TITLE I. GENERAL PROVISIONS

2 Section 1-1. Short Title. This Act may be cited as
3 the "Chuuk Health Care Act of 1994."

4 Section 1-2. Purpose. The purpose of this Act is to
5 improve the provision and quality of health services to
6 residents of the State of Chuuk, to establish a financial
7 system to provide universal coverage of an essential level
8 of health care for all eligible enrollees and to create a
9 means for collection of health care premiums for additional
10 coverage. This Act establishes a means to control the
11 costs, improve of health care providers within and outside
12 of Chuuk.

13 Section 1-3. Establishment. The Chuuk Health Care
14 Plan is hereby established as a public corporation under the
15 laws of Chuuk.

16 Section 1-4. Definitions. As used in this Act:

17 (1) "Board" means the Board of Trustees of the
18 Chuuk Health Care Plan;

19 (2) "Bylaws" means the bylaws of the Chuuk
20 Health Care Plan in effect from time to time;

21 (3) "Dependent" means the spouse and children of
22 an enrollee for additional coverage under this Act,
23 including stepchildren and adopted children, who are
24 unmarried and under 19 years of age, and handicapped

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1 dependent children who are physically or mentally
2 incapable of earning a living; any student under 21
3 years of age who is unmarried and a full-time student
4 and who is primarily supported by his or her enrollee
5 parents; and unemployed dependent parents over
6 the age of 60 and are citizens of Chuuk residing in
7 Chuuk;

8 (4) "Employee" means any individual who has been
9 employed for wages or salaries for services from an
10 employer as defined in Subsection (5) of this Section
11 for at least 15 working days and who regularly provides
12 such services to the employer for 20 hours or more each
13 week;

14 (5) "Employer" means any person as defined in
15 Subsection (10) of this Section who employs the
16 services of others and pays them wages or salaries or a
17 person who is self-employed, that is, a person who
18 earns money for labor or goods;

19 (6) "Enrollee" means any individual eligible to
20 receive benefits under this Act; PROVIDED that an
21 enrollee may be eligible for only the essential level
22 of benefits, or may be eligible for additional levels
23 of benefits as provided for in this Act and such
24 regulations as may be issued pursuant hereto;

25 (7) "Executive Director" means the Executive
26 Director of the Chuuk Health Care Plan;

27 (8) "Fund" means the Trust Fund to be
28 established by the Board pursuant to Section 6-1 of
29 this Act;

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1 (9) "Off-island Health Care Facility" means any
2 facility providing covered services as defined in
3 Section 4-4 of this Act which is located outside of
4 Chuuk and which is determined by the Board to be a
5 qualified provider (as defined in Section 4-6 of this
6 Act);

7 (10) "Person" includes any individual, trust,
8 estate, partnership, corporation, association, joint
9 stock company, bank, insurance company, credit union,
10 cooperative, or other entity or group (including any
11 government, whether local or foreign, or any agency or
12 instrumentality thereof);

13 (11) "Plan" means the Chuuk Health Care Plan;

14 (12) "Provider" means any person furnishing any
15 covered service (as defined in Section 4-4 of this
16 Act);

17 (13) "Referral" means a referral of an enrollee
18 to an out of State health care facility granted
19 pursuant to Section 4-2 of this Act;

20 (14) "Regulation" means the regulations adopted
21 by the Board and approved by the Governor for the
22 administration of the Plan;

23 (15) "Resident" means any citizen of Chuuk for
24 whom Chuuk is his principal residence, or any
25 noncitizen who has established an ongoing physical
26 presence in Chuuk and whose presence is sanctioned by
27 law and is not merely transitory in nature;

28 (16) "State" or "Chuuk" means the State of
29 Chuuk; and

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1 (17) "Third-party administrator" means the
2 individual or firm within or outside of Chuuk which
3 contracts to perform administrative services in the
4 operation of the Plan.

5 TITLE II. BOARD OF TRUSTEES, OFFICERS, CORPORATE POWERS

6 Section 2-1. Board of Trustees.

7 (1) The governing and administrative powers of
8 the Plan shall be vested in a Board of Trustees which
9 shall consist of five voting members and the Executive
10 Director who shall serve as an ex-officio, non-voting
11 member of the Board; and

12 (2) The Governor shall appoint the five voting
13 members of the Board, with the advice and consent of
14 the Senate. The Board shall be composed of members
15 experienced in financing, health care administration,
16 medical or legal practice, health care development,
17 or health care improvement. Within five years
18 following the first organizational meeting of the
19 Board, the Board shall submit to the Governor and the
20 Chuuk Legislature draft legislation to provide for the
21 periodic popular selection of Board members by citizen
22 enrollees of the Plan.

23 Section 2-2. Organizational Meeting. The first
24 meeting of the Board shall be held not later than 45 days
25 after appointments of all five voting members of the Board
26 have become effective.

27 Section 2-3. Terms of Office and Reappointment. Of
28 the voting Board members initially appointed, one shall
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1 serve for a term of one year, two shall serve for a term of
2 two years, and two shall serve for a term of three years,
3 all as determined by the drawing of lots at the
4 organizational meeting. A member appointed to fill a
5 vacancy occurring during the term for which his predecessor
6 was appointed shall be appointed for the remainder of that
7 term. Each Board member shall hold office until his
8 successor is appointed and qualified. Board members shall
9 be eligible for reappointment.

10 Section 2-4. Vacancies. Vacancies in the membership
11 of the Board shall be filled in the same manner as the
12 original appointment. A vacancy exists in the case of
13 death, resignation, or removal of any Board member.

14 Section 2-5. Removal. Any Board member may be removed
15 from office by the affirmative vote of four voting Board
16 members.

17 Section 2-6. Meetings.

18 (1) Regular meetings of the Board shall be held
19 quarterly at such times, at such places, and upon such
20 notice as shall be provided in the bylaws;

21 (2) Special meetings of the Board shall be called
22 by the Chairman or by any three Board members at such
23 places and upon such notice as provided in the bylaws;

24 (3) Members of the Board or of any committee of
25 the Board may participate in and act at any meeting of
26 the Board or a committee through the use of a
27 conference telephone or other communication equipment
28 by means of which all persons participating in the
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1 meeting can hear each other. Participation in such
2 meeting shall constitute attendance and presence in
3 person at the meeting of the person or persons so
4 participating; and

5 (4) Full and accurate minutes of all Board
6 meetings shall be kept in such manner as shall be
7 provided in the bylaws.

8 Section 2-7. Quorum. Three voting Board members shall
9 constitute a quorum and the action of three voting Board
10 members present at any meeting is valid as a corporate act.

11 Section 2-8. Deadlock. In the event that the voting
12 members of the Board are evenly divided concerning an action
13 or decision of the Board, the Executive Director shall vote
14 on the action or decision.

15 Section 2-9. Election of Chairman. The Board shall
16 elect from among its members a Chairman who will convene and
17 preside over meetings of the Board. The Chairman shall
18 perform such other duties as may be prescribed by the bylaws
19 or from time to time assigned by the Board. The Chairman
20 shall serve for a term of one year and shall not be eligible
21 for consecutive one year terms as Chairman.

22 Section 2-10. Election of Vice-Chairman. The Board
23 shall elect from among its members a Vice-Chairman who
24 shall, in the absence of the Chairman, perform the duties of
25 the Chairman. The Vice-Chairman shall serve for a term of
26 one year and shall not be eligible for consecutive one year
27 terms as Vice-Chairman.

28 Section 2-11. Compensation of Board members. Board
29 members who are employees of the Chuuk Government or of any
30 other cooperating entity shall serve without compensation
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1 paid by the Plan, but may continue to receive their regular
2 salaries. Board members who are not employees of the Chuuk
3 Government or of any other cooperating entities shall be
4 entitled to compensation at rates established by the Board
5 but not to exceed \$20 per day while attending to the
6 business of the Plan. Board members shall be entitled to
7 payment for travel expenses necessarily incurred when
8 serving the Plan away from their places of residence at
9 rates not to exceed that accorded to Chuuk Government
10 employees.

11 Section 2-12. Exclusion from Employment. No Board
12 member (other than the Executive Director) shall be an
13 employee of the Plan during his term of office as a Board
14 member or for one year thereafter.

15 Section 2-13. Bylaws. The Board shall adopt, amend,
16 or repeal such bylaws as are necessary to provide for the
17 management of the business of the Plan, the organization,
18 meetings, and procedures of the Board, the duties of
19 officers and employees, and the preparation and submission
20 of required reports.

21 Section 2-14. Personnel and Procurement.

22 (1) Officers and employees of the Plan shall be
23 exempt from the provisions of the Public Service System
24 Act and compensation plan of the Chuuk Government;
25 PROVIDED that within 120 days following its first
26 organizational meeting the Board shall provide in the
27 bylaws of the Plan a complete personnel system for the
28 recruitment, management and compensation of officers
29 and employees of the Plan;

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(2) The Plan shall be subject to State procurement and contracting laws until such time that the Board has established and maintained in its bylaws a contracting and procurement code certified by the Director of the Chuuk Department of Treasury to be sufficient to meet United States standards for State and local government administration of Federal Grants;

(3) The personnel and procurement systems established by the Board may provide for reasonable preferences for the employment of qualified citizens of this State and procurement for businesses resident within the State; PROVIDED, HOWEVER, that the systems shall have as their primary objective in employment and procurement the fulfillment of the purposes for which the Plan has been established.

Section 2-15. Officers.

(1) The Board shall select an Executive Director for the Plan who shall serve at the pleasure of the Board;

(2) The Executive Director shall administer the Plan and manage the day-to-day operations of the Plan, in accordance with policies, procedures, rules, regulations, standards, and criteria established by the Board. The Executive Director shall also perform such other duties as may be set forth in this Act, the bylaws, or by the Board. Except as provided in Section 2-8 of this Act, the Executive Director shall serve as an ex-officio, non-voting member of the Board;

1 (3) The Executive Director of the Plan shall have
2 a minimum of five years experience in the health
3 finance, or health administration profession; and

4 (4) The Executive Director may, with approval of
5 the Board, delegate to other officers or employees of
6 the Plan, or to a third-party administrator, any of the
7 duties or functions of the Executive Director.

8 Section 2-16. Corporate Powers. In addition to any
9 other authority granted under this Act, the Plan shall have
10 the capacity to exercise all powers normally exercised by a
11 public corporation, including, but not limited to, the
12 following:

13 (1) To adopt, alter, and use a corporate seal;

14 (2) To sue and be sued in its corporate name;

15 (3) To acquire, in any lawful manner, real,
16 personal or mixed property, either tangible or
17 intangible; to hold, maintain, use, and operate such
18 property; and to sell, lease, or otherwise dispose of
19 such property;

20 (4) To take and otherwise acquire and hold
21 shares, stocks, mortgages, bonds, obligations,
22 securities, and investments of all kinds, foreign and
23 domestic, and to sell or otherwise alienate the same;

24 (5) To acquire and take over in any lawful manner
25 the business, property, goodwill, and liabilities of
26 any entity, including debts, liabilities, and
27 obligations incurred prior to the time of acquisition;

28 (6) To make contracts and incur liabilities, and
29 to borrow or raise any sum or sums of money and issue
30 corporate bonds on such security and upon such terms as
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1 may from time to time be deemed necessary for the
2 expansion and improvement of the Plan;

3 (7) To lend money for its corporate purposes, and
4 to invest or reinvest its funds;

5 (8) To retain and terminate the services of
6 employees, agents, attorneys, auditors, and independent
7 contractors upon such terms and conditions as it may
8 deem appropriate, subject to the provisions of this
9 Act.

10 (9) To conduct its business, carry on its
11 operations, have office, and to exercise the powers
12 granted herein in any locality of the State, in the
13 Federated States of Micronesia, or in any foreign
14 country; PROVIDED that its principal office shall be in
15 the State of Chuuk; and

16 (10) To do all such other things as may be deemed
17 incidental or conducive to the fulfillment of the
18 responsibilities of the Plan.

19 Section 2-17. Regulations. The Board shall with the
20 approval of the Governor adopt, amend, or repeal regulations
21 for the administration of the Plan or its successor in State
22 law. Such regulations shall determine, among other things,
23 assessments for universal coverage, premium amounts,
24 professional service standards, and standards and procedures
25 for referrals, collections, disbursements, and appeals from
26 determinations made in the implementation of the Plan. The
27 regulations shall further provide for specific notice to
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1 enrollees and opportunity to be heard for termination of
2 benefits under the Plan, and shall provide for specific
3 procedures for administrative review and decision on actions
4 taken by the Plan consistent with Section 7-4 of this Act.

5 **TITLE III. ELIGIBILITY FOR BENEFITS**

6 Section 3-1. Basic Eligibility. Every resident of
7 Chuuk shall be enrolled in and shall be eligible to receive
8 benefits as provided under this Act, except that unemployed
9 noncitizens residing in the State who are not dependents of
10 enrollees are not eligible, except as provided in Section
11 3-2 of this Act.

12 Section 3-2. Agreements for Eligibility of Others.
13 The Board is authorized to enter into agreements with the
14 National Government, international organizations, or other
15 entities to extend the benefits of this Act to persons
16 within Chuuk not otherwise eligible therefor. The Board, in
17 entering into such agreements, shall be subject to other
18 State laws, regulations, and agreed-upon practices regarding
19 negotiating agreements with non-State entities.

20 **TITLE IV. NATURE AND SCOPE OF BENEFITS**

21 Section 4-1. Payment for Services.

22 (1) The Plan shall pay the benefit amount for any
23 covered service which is furnished to an enrollee by a
24 qualified provider outside of Chuuk if such covered
25 service is authorized in a referral granted under
26 Section 4-2 of this Act;

27 (2) The Board may by regulation establish and
28 implement a program for payments of benefit amounts by
29 the Plan for covered services furnished to enrollees by
30 qualified providers within Chuuk, and for assessment
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1 and collection of additional premiums; and

2 (3) The Board by regulation shall establish and
3 implement a program for payments of benefit amounts by
4 the Plan for covered services rendered by the qualified
5 providers to enrollees of the Plan who are outside of
6 Chuuk.

7 Section 4-2. Medical Referral Committee.

8 (1) The Chuuk Department of Health Services shall
9 establish a medical referral committee which shall be
10 composed of, at a minimum, three physicians or medical
11 officers who regularly practice in Chuuk. The
12 Department may appoint to its medical referral
13 committee additional members with such qualifications
14 as it deems appropriate;

15 (2) Except as provided in Subsection (5) of this
16 Section, referrals must be authorized by the Chuuk
17 medical referral committee. The Chuuk medical referral
18 committee shall consider as soon as possible a written
19 request made by an enrollee's attending physician or
20 medical officer and shall determine whether a referral
21 of the enrollee to an out of State health care facility
22 is necessary or appropriate for the diagnosis or
23 treatment of, or rehabilitation following injury or
24 illness, or for health maintenance. The medical
25 referral committee shall determine in writing:

26 (a) Whether it recommends a referral;

27 (b) Where covered services are to be provided;

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1 (c) What covered services are necessary or
2 appropriate for the enrollee to receive at such
3 facility; and

4 (d) The projected length of stay.

5 (3) All recommendations by a medical referral
6 committee or other authorizations for referral as provided
7 under this Section which will result in financial
8 obligations against the Plan must be approved by the
9 Executive Director in accordance with Section 4-4 of this
10 Act before any financial obligation may be incurred against
11 the Plan for any out of State expenses;

12 (4) The Board shall, in consultation with the Director
13 of the Chuuk Department of Health Services, by regulation
14 establish standards and procedures for payment of referrals
15 costs, and lists of eligible services and permissible
16 charges that may be imposed against the Plan. Such
17 standards, and procedures and lists shall assure that all
18 referrals services and costs charged to the Plan are
19 consistent with the purposes and the objectives of the Plan;

20 (5) The Director of the Department of Health Services
21 shall by regulation provide for alternative means for the
22 authorization of medical referrals in the event of serious
23 and immediate medical emergencies involving situations in
24 which the medical referral committee is unable to meet for
25 the purposes prescribed in Subsection (2) of this Section.

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1 Section 4-3. Supervision. The Board by regulation
2 shall establish policies and procedures to supervise
3 provision of covered services at health care facilities.

4 Section 4-4. Covered Services. Covered services are:

5 (1) Professional services of physicians,
6 dentists, and other health practitioners;

7 (2) Direct services of health institutions;

8 (3) Support services derived from the use of
9 pharmaceuticals, devices, appliances, and other
10 equipment, which the Board by regulation determines are
11 eligible for payment by the Plan;

12 (4) Essential air and sea transportation and
13 ambulatory service to the point of treatment for
14 approved referrals among the islands of Chuuk State and
15 from the State to out of State centers of care;

16 (5) The requisite costs of essential medical
17 attendees and organ donors and of reasonable lodging
18 for out patient care when authorized by the Plan as
19 provided in its regulations issued pursuant to Section
20 2-17 of this Act; and

21 (6) Preventative health care programs sponsored
22 by the Plan on its own initiative or in conjunction
23 with the Chuuk Department of Health Services.

24 Section 4-5. Benefit Amounts. Benefit amounts are the
25 amounts which the Board, by regulation, determines are
26 eligible to be paid by the Plan. Said regulations may
27 provide for reasonable amounts of co-payments to be paid by
28 enrollees or other sources for covered services.

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1 Section 4-6. Qualified Providers. A qualified
2 provider is a person furnishing any covered service who the
3 Board, by regulation, determines meets the generally
4 accepted standards of the profession or who is licensed in
5 Chuuk. The Board shall maintain a list of qualified
6 providers.

7 Section 4-7. Universal Coverage. The Board, by
8 regulation, shall provide for an essential level of health
9 coverage to be financed in accordance with Title VIII of
10 this Act, which coverage shall extend to all eligible
11 enrollees.

12 Section 4-8. Optional Benefits. The Board, by
13 regulation, may provide for and offer to enrollees
14 additional benefits, either in the form of covered services
15 in addition to those defined pursuant to Section 4-4 of this
16 Act or higher benefit amounts than those set pursuant to
17 Section 4-5 of this Act, and shall provide for payment of
18 additional premiums by or on behalf of enrollees for such
19 benefits. Notwithstanding the foregoing language of this
20 Section, the Board shall establish and maintain at least one
21 level of optional coverage available to enrollees and their
22 dependents and prescribe the benefits and premiums
23 pertaining thereto.

24 Section 4-9. Other Coverage. The obligations of the
25 Plan to make payment of benefits under this Act is secondary
26 to the obligation of any other individual or entity to make
27 payment for the same service. The Board, by regulation,
28 shall establish policies and procedures for the coordination
29 of benefits provided by this Act and any other sources,
30 which policies and procedures shall establish a secondary
31 nature of benefits under this Act. Any overpayments of

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1. benefits made under this Act may be recovered by the Plan
2 from any person to or for whom the payment was made or from
3 any company or organization which is obligated to pay for
4 such services.

5 Section 4-10. Claims Procedures. The Board, by
6 regulation, shall establish policies and procedures for the
7 identification of enrollees by providers, filing of claims,
8 and disbursement of payment for covered services.

9 **TITLE V. ASSESSMENTS AND PREMIUMS**

10 Section 5-1. Assessment and Premium Amounts.

11 (1) By regulation, the Board shall assess the
12 requisite amounts and sources for universal coverage
13 for essential care in accordance with State law, and
14 shall determine the premium amounts to be charged by
15 the Plan for additional levels of coverage. The
16 aggregate of all universal coverage payments and
17 premium amounts, along with other sources of income for
18 the Plan, shall be sufficient to pay all costs of
19 benefits under the Plan, the costs of administering the
20 Plan, and reasonable reserves for uncollectible debts
21 to the Plan and unexpected demands on the Plan for
22 payment and other purposes;

23 (2) The Board in its regulations establishing
24 premium amounts, may prescribe differing amounts for
25 enrollees who have no dependents and for enrollees with
26 differing numbers of dependents.

27 (3) The Board, by regulation, may establish
28 additional classifications for enrollees for which
29 different premiums will be determined, based on one or
30 more of the following:

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1 (a) Covered services for which the enrollee
2 is eligible or is likely to use;

3 (b) Location;

4 (c) Risk of or exposure to injury or
5 illness; or

6 (d) Other factors normally considered by the
7 health and hospitalization programs and the health
8 maintenance organization industry in the
9 determination of premiums.

10 Section 5-2. Billed Amounts.

11 (1) The Board by regulation may, subject to
12 Section 5-4 of this Act, establish classifications for
13 the portion of the premium amounts to be billed to an
14 enrollee, employer, State Government, National
15 Government or other entity or person. Such
16 classifications shall be based on one or more of the
17 following:

18 (a) Payments on behalf of the enrollees or
19 employers by a State Government of the Federated
20 States of Micronesia, the National Government, the
21 Government of the United States of America, or any
22 other source;

23 (b) Time of payment; and

24 (c) Any other factor reasonably related to
25 the purposes of this Act.

26 (2) The Plan shall bill the amounts determined
27 under this Section.

28 Section 5-3. Responsibility for Benefit Offerings.

29 (1) All employers shall offer to their employees
30 the opportunity to accept first level optional coverage
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1 as prescribed by Section 4-8 of this Act;

2 (2) Employers may at their discretion offer to
3 their employees additional coverage beyond the first
4 level of optional coverage; and

5 (3) Notwithstanding Subsections (1) and (2) of
6 this Section, enrollees who are not employed and
7 enrollees desiring additional coverage beyond the first
8 level when it is not offered by the employer, may
9 attain such coverage by making full payment of the
10 premium to the Plan in the manner prescribed by Section
11 5-4 (4) of this Act.

12 Section 5-4. Liability for Premium Payment.

13 (1) An employer of an enrollee with respect to
14 whom a premium amount is billed shall be responsible
15 for payment of one-half of such premium amount. The
16 employer may, by written agreement filed with the Plan,
17 assume responsibility to pay more than one-half of the
18 premium amount;

19 (2) The employer shall collect the balance of the
20 premium by deducting and withholding such amount from
21 the enrollee's compensation with respect to pay periods
22 as specified by the Board's regulation. Every employer
23 required to deduct and withhold a premium amount shall
24 be liable for the payment of such amount as well as the
25 employer's share of the premium amount and shall pay
26 such premium amounts to the Plan with reports or
27 returns as specified by the Board by regulation;

28 (3) The Board by regulation shall establish
29 policies and procedures to equitably allocate the
30 employer's portion of the premium amount among
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1 employers if an enrollee is employed by more than one
2 employer during a premium payment period; and

3 (4) Any person required to pay a premium amount
4 for whom a collection procedures is not otherwise
5 provided in this Act or the regulations shall pay such
6 premium amount of the Plan with report or returns as
7 specified by the Board.

8 Section 5-5. Supplemental Revenues. The Plan shall
9 seek appropriations from the Chuuk Legislature, the National
10 Congress and from other sources, for such additional
11 revenues as it is reasonably anticipated will be necessary
12 to compensate for any reduction the total amount of
13 assessments and premiums collected or that are otherwise
14 deemed to be beneficial to the financial status of this
15 Plan.

16 Section 5-6. Premium Collection. The Board by
17 regulation shall establish and implement procedures to
18 regularly collect premium amounts from government
19 appropriations, enrollees, employers and other sources.

20 Section 5-7. Sanctions.

21 (1) If any premium amount imposed by this Act or
22 regulations is not paid by an employer or enrollee on
23 or before the date prescribed for such payment, there
24 shall be collected, in addition to such premium amount
25 and penalties, interest on the unpaid balance of the
26 premium amount at the rate of 10 percent per annum from
27 its due date until the date it is paid;

28 (2) An employer who has failed to make premium
29 payments when required under this Act shall be liable
30 to the Plan for the reasonable costs incurred by the
31 Plan and/or employee or covered dependent(s) for
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1 medical services required by the employee or covered
2 dependent(s); PROVIDED, that such liability shall not
3 exceed the costs of such services allowable under the
4 Plan at the level for which the premiums were to be
5 made; and

6 (3) Any employer found to carry on any employment
7 practice directly or indirectly designed to discourage
8 or prevent employees from exercising the option to
9 accept the first level of voluntary coverage shall be
10 subject to a penalty of not more than ten times the
11 amount due to the Plan by the employer for each
12 employee so affected by such practice. Receipts from
13 the penalty shall first go to payment of the affected
14 employees' premium payments. The remainder shall be
15 deposited in the Trust Fund of the Plan as the
16 realization of general revenue.

17 Section 5-8. Remedies.

18 (1) The Board is authorized to take civil action
19 and impose liens, if necessary, to collect overdue
20 premiums or any amount imposed or authorized under this
21 Act; and

22 (2) If any person liable to pay any amount under
23 this Act neglects or refuses to pay the same after
24 demand, the amount including any fine or interest
25 assessed pursuant to Section 5-7 of this Act, together
26 with any costs that may accrue in addition thereto
27 shall be a lien in favor of the Plan upon all property
28 and rights to property, whether real or personal,
29 belonging to such person and may be collected by levy
30 upon such property in the same manner as the levy of an
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1 execution.

2 TITLE VI. TRUST FUND

3 Section 6-1. Fund. The Board shall establish a Trust
4 Fund which shall be administered exclusively for the purpose
5 of this Act. All payments for benefits under this Act shall
6 be paid from the Fund. The Fund shall consist of:

7 (1) All assessments for universal coverage as
8 provided under this Act;

9 (2) All premiums collected from enrollees and
10 employers;

11 (3) All money received as subsidies to the Plan
12 from the Chuuk Government, the National Government, or
13 any other source for payment to the Fund; and

14 (4) All co-payments, fines, penalties and
15 interest payments collected pursuant to this act.

16 Section 6-2. Management of Fund. The Executive
17 Director shall be the custodian of the Fund and shall
18 administer the Fund in accordance with the rules and
19 regulations established by the Board. All monies in the
20 Fund shall be held in trust solely for the purposes of this
21 Act. With the approval and under the direction of the
22 Board, the Executive Director may, from time to time, invest
23 such monies in the Fund as are in excess of the amount
24 deemed necessary for a reasonable future period. The
25 investments shall at all times be so made that all the
26 assets of the Fund shall be readily convertible into cash
27 when needed for the purposes of this Act.

28 Section 6-3. Authorization. There is hereby
29 authorized for appropriation such sums from such Fund of the
30 Chuuk Treasury as may be determined annually to pay

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1 assessments required thereof by Section 5-1 of this Act and
2 to assist in the financing of the Trust Fund to be
3 established pursuant to Section 6-1 of this act. All sums
4 appropriated shall remain available until fully expended.

5 TITLE VII. ADMINISTRATION

6 Section 7-1. Consultation Requirements. The Board
7 shall establish appropriate measures to assure that it
8 consults with enrollees and providers on a regular basis and
9 is advised of the impact of its policies and procedures on
10 such individuals.

11 Section 7-2. Fiscal and Operational Integrity. The
12 Board shall take all measures necessary to assure the fiscal
13 and operational integrity of the Plan and shall review the
14 Plan no less often than quarterly for such purposes.
15 Review shall include utilization reviews, reviews of
16 financial statements, reviews of premium and benefit
17 schedules, and reviews of operational policies and
18 procedures. In particular, the Board shall take all
19 measures necessary to assure that:

20 (1) Its policies and procedures support the
21 health care objectives of Chuuk;

22 (2) Payments for benefits do not exceed revenues
23 to the Fund; and

24 (3) Only payments for benefits which the Plan is
25 obligated to provide are made.

26 Section 7-3. Third-party Administrators and
27 Consultants. The Board may retain the services of
28 third-party administrators or qualified health care or
29 business consultants as it deems necessary for the
30 successful operation of the Plan.

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1 Section 7-4. Determination and appeals. Except as
2 otherwise provided in this act determinations of
3 eligibility, covered services, qualified providers, benefit
4 amount, premium amounts to be billed, and all other matters
5 arising in the implementation of the Plan shall be made by
6 the Executive Director may be made to the Board in
7 accordance with procedures specified in the regulations.

8 Section 7-5. Budget Preparation.

9 (1) The Executive Director shall prepare in
10 advance of each fiscal year an annual budget for the
11 Plan, taking into consideration anticipated capital and
12 operating expenditures and anticipated revenues. The
13 Plan shall use the same fiscal year as that of the
14 Chuuk Government. The budget shall indicate the
15 operating capital, and maintenance requirements of the
16 Plan that will be met with the anticipated revenues of
17 the Plan, and such essential requirements as cannot be
18 met without increase in revenues of outside financial
19 assistance. The annual budget shall be reviewed and
20 approved by the Board; and

21 (2) The estimated administrative costs budgeted
22 for any fiscal year of the Plan shall not exceed an
23 expenditure maximum equal to ten percent of the Plan's
24 estimated income for such year. For purposes of this
25 Section, "administrative costs" include the costs of
26 salaries and wages, maintenance of branch offices,
27 patient and physician care coordination, third-party
28 administrator contractual service fees, office supplies
29 and equipment, as well as actuarial, auditing, legal,
30 computer, financial management, accounting, and similar

1 services. For purposes of this Section, "income"
2 includes universal coverage payments made, premiums
3 collected, investment income, fines, penalties and
4 interest collected. "Income" also includes such
5 subsidiary funds received from the Chuuk Government,
6 the National Government, or any other sources for
7 payment to the Fund that are not allocated to any
8 particular or specific use or category of
9 expenditures; PROVIDED that the specific approval
10 of the Board must be obtained for any budgeted
11 administrative cost from such particular or special use
12 of category funds in excess of the expenditure maximum
13 prescribed in this Section.

14 Section 7-6. Tax Exemption. The Plan shall exist and
15 operate solely for the benefit of the publics and shall to
16 the extent allowed by law be exempt from any taxes or
17 assessments on any of its property, operations, or
18 activities. Nothing herein shall be deemed to exempt
19 employees and independent contractors of the Plan from tax
20 liability for income received from the Plan.

21 Section 7-7. Corporate Debts and Obligations. Unless
22 otherwise expressly provided by law, the Chuuk Government
23 shall not be liable or responsible for any debts or
24 obligations of the Plan.

25 Section 7-8. Immunity from Liability. The Plan and
26 officers, employees and Board members of the Plan shall be
27 immune from liability for acts or omissions with respect to
28 service for the Plan to the same extent as the Chuuk
29 Government and officers, directing boards and employees of
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1 the Chuuk Government with respect to Government service.

2 Section 7-9. Records and Reporting.

3 (1) The Executive Director shall keep accurate
4 records of the Plan's business transactions. Such
5 records shall include, but not be limited to,
6 accounting of all income and expenditures, assets (both
7 tangible and intangible), and liabilities of the Plan.
8 The Executive Director shall prepare and submit to the
9 Board a monthly report, which shall include the monthly
10 financial report. The Board, not later than 90 days
11 after the close of each fiscal year, shall submit to
12 the Governor and the Chuuk Legislature, a complete
13 report showing the activities of the Plan during the
14 fiscal year, the present financial condition of the
15 Plan, and such other matters as the Board shall deem
16 appropriate;

17 (2) The personal records of the Plan shall be
18 confidential. No officer, employee, or Board member of
19 the Plan shall disclose any personal records obtained
20 by him in any manner in connection with his service as
21 such officer, employee, or Board member, or otherwise.
22 For purposes of this Section, the term "officer,
23 employee, or Board member" includes a former officer,
24 employee or Board member. "Personal records" means any
25 records concerning any individual enrollee or employer;

26 (3) The books of account of the Plan shall be
27 audited by the Chuuk Public Auditor annually.

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1 TITLE VIII. SUPPORT FOR THE ESSENTIAL LEVEL OF HEALTH
2 INSURANCE COVERAGE

3 Section 8-1. Intent. The Chuuk Legislature is of the
4 mind that all persons eligible for enrollment in the Plan
5 will in fact be enrolled. To this end, the Chuuk
6 Legislature anticipates creating a source of public
7 financing, which along with other mandated sources of
8 financing, will ensure that all such persons are accorded
9 the essential level coverage under the Plan.

10 Section 8-2. Financing. Not later than July 1, 1994,
11 the Board of the Plan shall submit to the Legislature a
12 detailed proposal for the financing of the essential level
13 of coverage under the Plan. Such proposal shall include the
14 sources, levels and expected revenues to be collected and
15 shall include such draft legislation to amend this Title as
16 the Plan deems necessary to secure financing.

17 Section 8-3. Health Care Premium Fund. There is
18 hereby created within the Chuuk Treasury a Health Care
19 Premium Fund to which all collections imposed by this Title,
20 along with all civil penalties and interest with respect
21 thereto, shall be deposited.

22 Section 8-4. Appropriation Requests. The Plan shall,
23 following consultation with appropriate officials of the
24 State and National Governments, present an annual request to
25 the Chuuk Legislature for appropriation from the Fund to
26 provide the State Government's share of payments necessary
27 to finance the essential level of health care coverage for
28 all eligible enrollees. Such request shall include
29 information as to the level of support being requested of
30 the National Government and other sources for financing the
31 essential level of coverage provided by the Plan.

1 Section 8-5. Authorization. There is hereby
2 authorized for appropriation from the Health Care Premium
3 Fund such amounts as may be determined annually in the
4 Comprehensive Budget Act for the sole purpose of assisting
5 in the financing of an essential level of health care
6 coverage for all persons eligible therefor under this act.
7 Sums so appropriated shall be administered and expended by
8 the Plan in accordance with this act and shall remain
9 available until fully expended.

10 Section 8-6. Review. The Plan shall periodically
11 undertake a comprehensive review of the financial demands of
12 maintaining an essential level of health care coverage as
13 provided by this act and the revenue generation capacities
14 of this Title along with National Government assistance and
15 other means of support for this coverage; and shall
16 thereafter make recommendations to the Chuuk Legislature as
17 to modifications to the financing systems of this Title and
18 other methods and sources of support.

19 **TITLE IX. GOVERNMENT ASSISTANCE**

20 Section 9-1. Government Assistance to the Plan. For
21 the purpose of planning, undertaking and carrying out the
22 provisions of this Act and the subsequent operation of the
23 Plan established hereunder, and where permissible under law,
24 the Chuuk Government, or any agency or political subdivision
25 thereof; may, if the Chief Executive Officer of the
26 respective Governmental Branch or political subdivision
27 determines that the project is of importance and benefit to
28 that branch or political subdivision and be of advantage to
29 the people of this State:

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1 (1) Dedicate, sell, convey or lease interests in
2 real or personal properties, rights or privileges that
3 it may have to the Plan;

4 (2) Incur expenses on behalf of the Plan subject
5 to reimbursement under such conditions as may be agreed
6 upon with the Board of the Plan;

7 (3) Do any and all things necessary to aid or
8 cooperate in the planning or carrying out the duties,
9 powers and obligations of the Plan;

10 (4) Lend, advance, grant or contribute funds to
11 the Plan and provide for or waive the repayment of any
12 such funds loaned or advanced; and

13 (5) Contract with or furnish services to the Plan
14 upon conditions and terms as may be agreed upon.

15 Section 9-2. Initial Administration. In addition to
16 such assistance as may be provided under Section 9-1 of this
17 Title, the Governor shall provide the initial Board of
18 Trustees appointed under this act with office space and
19 administrative assistance for the first twelve months of its
20 operations, unless such space and assistance is otherwise
21 acquired by the Board.

22 Section 9-3. Authorization for Initial Financing.
23 There is hereby authorized for appropriation from the
24 General Fund of the Chuuk Treasury the sum of \$10,000, or so
25 much thereof as may be appropriated and necessary for the
26 start-up and initial administration of the Plan established
27 by this act, for the development of the detailed proposal
28 for the financing of the Plan as required by Section 8-2 of
29 this act, and for the complete review of the contents of
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1 this statute as required by Section 10-1 of this Act. Prior
2 to the organization of the first Board of Trustees of the
3 Plan under this Act, not more than 35 percent of the monies
4 appropriated under the authorization of this Section may be
5 administered and expended by the Governor solely for the
6 purposes specified in this Section. Following the
7 organization of the Board, the Governor shall cause the
8 remainder of monies appropriated hereunder and not expended
9 or obligated for expenditure by the Governor to be deposited
10 in the Trust Fund established by the Board pursuant to
11 Section 6-1 of this Act. Monies so deposited in the Trust
12 Fund may only be expended by the Plan for the purposes
13 specified in this Section, and shall remain available
14 therein until fully expended. The Board, in its annual
15 report to the Governor and the Legislature as provided by
16 Section 7-9 of this Act, shall provide a full accounting of
17 the use of monies appropriated under the authorization of
18 this Section, inclusive of such uses and expenditures by the
19 Office of the Governor prior to the transfer of the
20 appropriation to the Trust Fund.

21 Section 9-4. Initial Appropriation. The sum of
22 \$50,000 is hereby appropriated from the General Fund of the
23 State for the Start-up and initial administration of the
24 Chuuk Health Care Plan established by this Act and the
25 development of the detailed proposal for the financing of
26 the Plan as required by Section 8-2 of said Act, and the
27 complete review of the contents of the statute as required
28 by Section 10-1 of said Act.

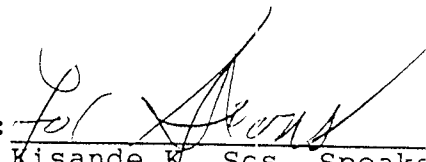
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TITLE X. EFFECTIVE DATE

Section 10-1. Effective Date. This act shall take effect upon the approval of the Governor, or upon its becoming law without such approval; PROVIDED, HCWEVER, that no level of coverage may be extended, no mandatory premiums may be imposed, nor obligation to provide benefits deriving therefrom may be undertaken prior to the enactment of a financing system for coverage of persons under the essential level of care pursuant to Title VII of this act; PROVIDED FURTHER, that in addition to the requirements of Section 8-2 of this act, the Board of the Plan shall within six months following its initial organization, conduct a complete review of the contents of this act and shall thereafter present to the Legislature a full report as to its proposed implementation of the Plan along with such draft legislation as the Board deems necessary to amend this act to fully realize the purpose of this act and to ensure compliance of the Plan with all existing laws and regulations.

Signed by:

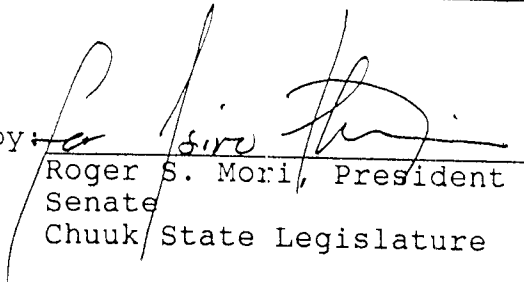

Kisande K. Scs, Speaker
House of Representatives
Chuuk State Legislature

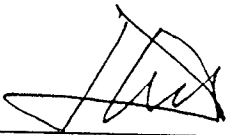
Attested:


Herter Sorim, Chief Clerk
House of Representatives
Chuuk State Legislature

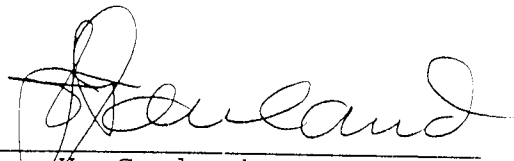
Date: March 22, 1994

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Signed by: 
Roger S. Mori, President
Senate
Chuuk State Legislature

Attested: 
Datasi Albert, Chief Clerk
Senate
Chuuk State Legislature

Date: March 23, 1994

Approved by: 
Sasao H. Gouland, Governor
Chuuk State Government

Date: 4/24/94

HISTORY : H.B.NO: 2-87;S.D.2
S.S.C.R.NO: 2-2-11
