

Article 37A.

University of North Carolina Health Care System.

Part 1. Health Care System.

§ 116-350. Definitions.

The following definitions shall apply in this Article:

- (1) Board or Board of Directors. – The Board of Directors of the University of North Carolina Health Care System.
- (2) Chief Executive Officer. – The executive and administrative head of the University of North Carolina Health Care System.
- (3) Component unit. – Any of the following:
 - a. The University of North Carolina Hospitals at Chapel Hill.
 - b. A clinical patient care program established or maintained by the School of Medicine of the University of North Carolina at Chapel Hill.
- (4) System affiliate. – Any corporation, partnership, limited liability company, joint venture, association business trust, or similar entity organized under the laws of the United States of America or any state thereof, whether for profit or nonprofit, if a majority of the members of the governing body or of its partnership or membership interests are one of the following:
 - a. The same as the members of the Board of the System.
 - b. Subject, directly or indirectly, to election or appointment by the Board of the System.
- (5) The University of North Carolina Health Care System or System. – The entity created pursuant to G.S. 116-350.5, the component units of which include the University of North Carolina Hospitals at Chapel Hill and the clinical patient care programs established or maintained by the School of Medicine of the University of North Carolina at Chapel Hill. (2023-134, s. 4.10(b).)

§ 116-350.5. University of North Carolina Health Care System.

(a) Establishment of System. – Effective November 1, 1998, the University of North Carolina Health Care System is established. The System is a State agency and political subdivision governed and administered as an affiliated enterprise of The University of North Carolina in accordance with the provisions of this Article. The System shall provide patient care; facilitate the education of physicians and other health care providers in partnership with the University of North Carolina at Chapel Hill School of Medicine and other health sciences schools affiliated with the constituent institutions of The University of North Carolina System; conduct research collaboratively with the health sciences schools of the University of North Carolina at Chapel Hill and other institutions; facilitate clinical collaboration with and financial sustainability of the University of North Carolina at Chapel Hill School of Medicine; render other services designed to promote the health and well-being of the citizens of North Carolina; and drive innovation and transformation in health care services delivery.

(b) Transfer of Rights. – As of November 1, 1998, all of the rights, privileges, liabilities, and obligations of the Board of the University of North Carolina Hospitals at Chapel Hill, not inconsistent with the provisions of this Article, shall be transferred to and assumed by the Board of the System.

(c) Governance. – The Board of the System shall govern and administer The University of North Carolina Hospitals at Chapel Hill, the clinical patient care programs established or

maintained by the School of Medicine of the University of North Carolina at Chapel Hill, and such other component units, entities and functions as (i) the General Assembly may assign to the System or (ii) the Board may decide, within the limitations of its statutory powers and duties, to establish, administer, or acquire for the purpose of rendering services designed to promote the health and well-being of the citizens of North Carolina.

(d) [Authority to Adopt Certain Policies. –] With respect to G.S. 116-350.30, 116-350.35, 116-350.40, 116-350.45, and 116-350-65, the Board may adopt policies that make the authorities and responsibilities established by one or more of said sections applicable to the University of North Carolina Hospitals at Chapel Hill, to the clinical patient care programs of the School of Medicine of the University of North Carolina at Chapel Hill, or to other component units, System affiliates, persons, or entities affiliated with or under the control of the University of North Carolina Health Care System. (2023-134, s. 4.10(b); 2024-1, s. 1.7(b).)

§ 116-350.10. Board of Directors.

- (a) The Board shall be composed of 25 members as follows:
- (1) Five ex officio members as follows:
 - a. The President of The University of North Carolina or the President's designee.
 - b. The Chief Executive Officer of the University of North Carolina Health Care System.
 - c. The Chancellor of the University of North Carolina at Chapel Hill.
 - d. Two individuals designated by the Chief Executive Officer who meet the following criteria:
 1. Both designees must be members of the executive staff of the University of North Carolina Health Care System.
 2. At least one of the two designees must be a permanent member of the faculty of the School of Medicine of the University of North Carolina at Chapel Hill.
 3. One of the designees must have primary responsibility for hospital leadership.
 4. One of the designees must have primary responsibility for physician leadership.
 - (2) Eight members at large shall be appointed by the General Assembly as follows:
 - a. One member shall be appointed by the General Assembly upon recommendation of the Speaker of the House of Representatives annually.
 - b. One member shall be appointed by the General Assembly upon recommendation of the President Pro Tempore of the Senate annually.
 - (3) Twelve members at large shall be appointed by the President of The University of North Carolina and confirmed by the Board of Governors. The President shall appoint a slate of three members annually for confirmation by the Board of Governors.
 - (4) All at-large positions shall serve four-year terms beginning November 1 of the year of appointment. At-large positions shall be filled by the appointment of persons from the business and professional public at large who have special competence in business management, hospital administration, health care

delivery, or medical practice or who otherwise have demonstrated dedication to the improvement of health care in North Carolina. At-large positions shall not be filled by any of the following:

- a. Members of the Board of Governors.
 - b. Members of the board of trustees of a constituent institution of The University of North Carolina.
 - c. Officers or employees of the State.
 - d. Individuals required by Chapter 120C of the General Statutes to register as lobbyists on or during any of the following:
 1. The two years immediately preceding the effective date of appointment.
 2. The effective date of the appointment.
 3. At any point during the term of appointment.
- (5) No member may be appointed to more than two full four-year terms in succession.
- (6) Any vacancy in an unexpired term shall be filled by the appointing authority for the remainder of the unexpired term. Vacancies for members appointed by the General Assembly shall be filled as provided in G.S. 120-122. Vacancies for members appointed by the President of The University of North Carolina shall be confirmed by the Board of Governors.
- (7) Whenever an at-large member shall fail, for any reason other than ill health or service in the interest of the State or nation, to be present for three successive regular meetings of the Board of Directors, that at-large member's place as a member shall be deemed vacant.

(b) The Board, with each ex officio and at-large member having a vote, shall elect a chair only from among the at-large members for a term of two years. Notwithstanding the foregoing limitation, the Chancellor of the University of North Carolina at Chapel Hill may serve as chair. No person shall be eligible to serve as chair for more than three terms in succession.

(c) The Board shall meet at least four times each year and may hold special meetings at any time and place within the State at the call of the chair. Board members, other than ex officio members, shall receive the same per diem and reimbursement for travel expenses as members of the State boards and commissions generally.

(d) The Board's action on matters within its jurisdiction is final, except that appeals may be made, in writing, to the Board of Governors with a copy of the appeal to the Chancellor of the University of North Carolina at Chapel Hill. The Board shall keep the Board of Governors and the board of trustees of the University of North Carolina at Chapel Hill fully informed about health care policy and recommend changes necessary to maintain adequate health care delivery, education, and research for improvement of the health of the citizens of North Carolina. (2023-134, s. 4.10(b); 2024-1, s. 1.7(c).)

§ 116-350.12. Operational principles of the Board of Directors.

The Board of Directors shall operate according to the following principles:

- (1) All members of the Board of Directors shall be considered fiduciaries of the University of North Carolina Health Care System and shall be responsible for the following:

- a. Discharging their duties to the System with care, skill, prudence, and diligence.
 - b. Acting in good faith and in the best interests of the System.
 - c. Conducting themselves, at all times, in furtherance of the System's organizational goals and not the member's personal or business interests.
 - d. Providing oversight to ensure that the System's resources are dedicated to the fulfillment of its mission.
 - e. Becoming knowledgeable about issues that affect the System.
- (2) The authority of board members shall be collective, not individual, and shall only arise from each member's participation with other members of the Board of Directors when officially convened. Individual board members shall hold no authority to exercise administrative or executive functions on behalf of the System, which shall be vested in the Chief Executive Officer of the System. Individual board members may not bind the Board of Directors or the System, enter into contracts on behalf of the Board of Directors or the System, or otherwise act on behalf of or in the name of the Board of Directors or the System unless authorized to do so by official action of the Board of Directors or the Chief Executive Officer.
- (3) Board members shall adhere to the highest standards of ethical conduct by complying with laws, regulations, and System policies applicable to their service. (2023-134, s. 4.10(b).)

§ 116-350.15. Powers and duties of the Board of Directors.

(a) Contracting Authority. – The Board may authorize the System or any component unit of the System to contract in its individual capacity, subject to such policies and procedures as the Board may direct.

(b) Agreements with Constituent Institutions. – The Board may enter into formal agreements with constituent institutions of The University of North Carolina with respect to the provision of clinical experience for students and for the provision of maintenance and supporting services.

(c) General Powers and Duties. – The Board is authorized to exercise such authority and responsibility and adopt such policies, rules, and regulations as it deems necessary or convenient, not inconsistent with the provisions of this Article, to carry out the patient care, education, research, and public service mission of the System, including, but not limited to, authority to do the following:

- (1) Construct, plan, create, equip, operate, and maintain health care facilities and ancillary enterprises.
- (2) Collect, manage, and control all receipts generated through its clinical operations and other activities.
- (3) Issue bonds and notes as provided in G.S. 116-350.55.
- (4) Acquire and dispose of real or personal property, including existing public or private hospital and health care facilities, by purchase, grant, gift, devise, lease, or otherwise.
- (5) Enter into partnerships, affiliations, and other combinations or arrangements with other hospitals or health care entities, as it deems appropriate, including

- arrangements for management services, to achieve its missions of patient care, education, research, and public service.
- (6) Contract with or enter into any arrangement, including through interlocal cooperation agreements under Part 1 of Article 20 of Chapter 160A of the General Statutes, with other public hospitals of this or other states, federal or public agencies, or with any person, private organization, or nonprofit corporation for the provision of health care.
 - (7) Insure property or operations of the System against risks as the Board may deem advisable.
 - (8) Except as provided in G.S. 116-350.40, to invest any funds held in reserves or sinking funds, or any funds generated from operations, in property or securities in which trustees, executors, or others acting in a fiduciary capacity may legally invest funds under their control.
 - (9) Exercise the following powers conferred upon municipal hospitals and hospital authorities under Article 2 of Chapter 131E of the General Statutes:
 - a. The power to enter into agreements with other hospital entities subject to Article 2 of Chapter 131E of the General Statutes to jointly exercise the powers, privileges, and authorities granted by Article 2 of Chapter 131E of the General Statutes.
 - b. The power to lease any hospital facility, or any part of a hospital facility, to a nonprofit corporation, provided that the terms and conditions of such lease are consistent with the public purposes described in G.S. 131E-12.
 - c. The power to acquire an ownership interest, in whole or in part, in a nonprofit or for-profit managed care company, as provided in G.S. 131E-7.1.
 - d. All powers set forth in G.S. 131E-23 that are not otherwise addressed by this Part.
 - (10) Exercise any or all powers conferred upon the Board, either generally or with respect to any specific health care facility or other operations, through or by designated agents, including private corporations, nonprofit corporations, or limited liability companies formed under the laws of the State.
 - (11) Have the powers of a body corporate and politic, including the power to sue and be sued, to make contracts, and to adopt and use a common seal and to alter the same as may be deemed expedient.
 - (12) [Reserved]
 - (13) Notwithstanding any other provision of law, designate the System's counsel and legal staff to represent the State's interest at any commitment hearing, rehearing, or supplemental hearing held at the University of North Carolina Hospitals at Chapel Hill or any other System location.
 - (14) Notwithstanding G.S. 114-2.3, G.S. 147-17, or any other provision of law, designate, employ, expend funds for, and otherwise engage legal counsel, including private counsel, in any matter as the Board deems necessary to represent the interests of the System and any of its component units, affiliates, officers, or employees.

(d) Limitations. – Notwithstanding the powers and duties provided in this section, the Board shall not relinquish to another entity more than fifty percent (50%) of control of either the UNC Hospitals or the System. (2023-134, s. 4.10(b); 2024-1, s. 1.7(d); 2024-34, s. 13(b).)

§ 116-350.20. Reports due from the Board of Directors.

The Chief Executive Officer and the President of The University of North Carolina jointly shall report by December 31 of each year on the operations and financial affairs of the System to the Joint Legislative Commission on Governmental Operations and the Board of Governors of The University of North Carolina. The report shall include actions taken by the Board under the authority granted by G.S. 116-350.35. (2023-134, s. 4.10(b).)

§ 116-350.25. System Officers and their staff.

(a) Chief Executive Officer. – The executive and administrative head of the University of North Carolina Health Care System shall have the title of "Chief Executive Officer." The Board of Directors, the board of trustees, and the Chancellor of the University of North Carolina at Chapel Hill, following such search process as the boards and the Chancellor deem appropriate, shall identify two or more persons as candidates for the office, who, pursuant to criteria agreed upon by the boards and the Chancellor, have the qualifications for both the positions of Chief Executive Officer of the University of North Carolina Health Care System and Vice-Chancellor for Medical Affairs of the University of North Carolina at Chapel Hill. The names of the candidates so identified, once approved by the Board of Directors and the board of trustees, shall be forwarded by the Chancellor to the President of The University of North Carolina, who if satisfied with the quality of one or more of the candidates, will nominate one as Chief Executive Officer, subject to selection by the Board of Governors. The individual serving as Chief Executive Officer shall have complete executive and administrative authority to formulate proposals for, recommend the adoption of, and implement policies governing the programs and activities of the University of North Carolina Health Care System, subject to all requirements of the Board of Directors. That same individual, when serving as Vice-Chancellor for Medical Affairs, shall have all authorities, rights, and responsibilities of a vice-chancellor of the University of North Carolina at Chapel Hill.

(b) President of UNC Hospitals. – The executive and administrative head of the University of North Carolina Hospitals at Chapel Hill shall have the title of "President of the University of North Carolina Hospitals at Chapel Hill." The Board of Directors shall elect, on nomination of the Chief Executive Officer, the President of the University of North Carolina Hospitals at Chapel Hill.

(c) Administrative and Professional Staff. – The Board of Directors shall elect, on nomination of the Chief Executive Officer, such additional administrative and professional staff employees of the University of North Carolina Health Care System as may be deemed necessary to assist in fulfilling the duties of the office of the Chief Executive Officer, all of whom shall serve at the pleasure of the Chief Executive Officer. (2023-134, s. 4.10(b).)

§ 116-350.30. Personnel.

(a) Employment Authority. – The System may employ a workforce to conduct its operations. Employees who are employed directly by the System, and not by a System affiliate, are State employees whose terms and conditions of employment, including benefit plans and programs, are determined by the Board. Only Articles 5, 6, 7, and 14 of Chapter 126 of the General Statutes, the State Human Resources Act, apply to these State employees. The Board of the System may authorize the System to employ the faculty and staff of the University of North Carolina

School of Medicine as well as other health affairs schools and components of the University of North Carolina at Chapel Hill subject to the provisions of this subsection, provided that any employees who are faculty members shall remain subject to the faculty policies of the University of North Carolina at Chapel Hill, as established or adopted pursuant to delegation from the Board of Governors of The University of North Carolina. A State employee employed by the System immediately prior to January 1, 2024, has the right to (i) continued State employment if the employee remains in the employee's current role or position, unless terminated in accordance with the terms of employment that existed immediately prior to January 1, 2024, subject to all relevant provisions of State and federal law and (ii) continued participation in the State Teachers' and State Employees' Retirement System if the employee was enrolled in the Retirement System immediately prior to January 1, 2024, and maintains State employee status.

(b) Certain Career State Employees. – Notwithstanding subsection (a) of this section, a State employee who achieved career State employee status by October 31, 1998, shall remain subject to the rules regarding discipline or discharge that were effective on October 31, 1998, and shall not be subject to the rules regarding discipline or discharge adopted after that date. (2023-134, s. 4.10(b).)

§ 116-350.35. Finances.

(a) System Budgeting. – The System, the UNC Hospitals, and designated component parts of The University of North Carolina shall not be subject to the provisions of the State Budget Act, except for General Fund appropriations, or otherwise subject to the authority, oversight, or control of the Office of the State Controller. The System, the UNC Hospitals, and designated component parts of The University of North Carolina shall be subject to the authority and oversight of the Office of the State Auditor. The Chief Executive Officer, subject to the Board, shall be responsible for all aspects of budget preparation, budget execution, and expenditure reporting for the System. Separate auditable accounts under the control of the Board shall be maintained for the UNC Hospitals and the clinical patient care programs of the School of Medicine of the University of North Carolina at Chapel Hill. Except for General Fund appropriations, all receipts of the UNC Hospitals may be invested pursuant to G.S. 116-350.40. General Fund appropriations for support of the UNC Hospitals shall be budgeted in a General Fund code under a single purpose, "Contribution to University of North Carolina Hospitals at Chapel Hill Operations" and be transferable to a special fund operating code as receipts. All revenues generated from operations, appropriations, or funds otherwise under the control of the Board shall exclusively be used in furtherance of the missions and goals of the System as determined or approved by the Board.

(b) Patient/Health Care System Benefit. – The Chief Executive Officer, or the Chief Executive Officer's designee, may expend operating budget funds, including State funds, of the System for the direct benefit of a patient, when, in the judgment of the Chief Executive Officer or the Chief Executive Officer's designee, the expenditure of these funds would result in a financial benefit to the System. Any such expenditures are declared to result in the provision of medical services and create charges of the University of North Carolina Health Care System for which the health care system may bill and pursue recovery in the same way as allowed by law for recovery of other health care systems' charges for services that are unpaid.

These expenditures shall be restricted (i) to situations in which a patient is financially unable to afford ambulance or other transportation for discharge; (ii) to afford placement in an after-care facility; (iii) to assure availability of a bed in an after-care facility after discharge from the hospitals; (iv) to secure equipment or other medically appropriate services after discharge; or (v) to

pay health insurance premiums. The Chief Executive Officer or the Chief Executive Officer's designee shall reevaluate at least once a month the cost effectiveness of any continuing payment on behalf of a patient.

To the extent that the System advances anticipated government entitlement benefits for a patient's benefit, for which the patient later receives a lump sum "back pay" award from an agency of the State, whether for the current admission or subsequent admission, the State agency shall withhold from this back pay an amount equal to the sum advanced on the patient's behalf by the System, if, prior to the disbursement of the back pay, the applicable State program has received notice from the System of the advancement. (2023-134, s. 4.10(b).)

§ 116-350.40. Regulation of UNC Hospitals funds.

(a) Definition of Funds. – As used in this section, "funds" means:

- (1) Moneys, or the proceeds of other forms of property, received by the UNC Hospitals as gifts or devises.
- (2) Moneys received by the UNC Hospitals pursuant to grants from, or contracts with, the United States government or any agency or instrumentality thereof.
- (3) Moneys received by the UNC Hospitals pursuant to grants from, or contracts with, any State agencies, any political subdivisions of the State, any other states or nations or political subdivisions thereof, or any private entities whereby the UNC Hospitals undertakes, subject to terms and conditions specified by the entity providing the moneys, to conduct research, training, or public service programs.
- (4) Moneys received from or for the operation by the UNC Hospitals of any of its self-supporting auxiliary enterprises, including the Liability Insurance Trust Fund.
- (5) Moneys received for services UNC Hospitals and the patient care programs established or maintained by the School of Medicine of the University of North Carolina at Chapel Hill render in its hospital, clinics, and other operations.
- (6) Moneys received by the UNC Hospitals in respect to borrowings for capital equipment or construction projects to further services it renders in either or both of its hospital or clinical operations.
- (7) The net proceeds from the disposition effected pursuant to Article 7 of Chapter 146 of the General Statutes of any interest in real property owned by or under the supervision and control of the UNC Hospitals if the interest in real property had first been acquired by gift or devise or through expenditure of moneys defined in this section, except the net proceeds from the disposition of an interest in real property first acquired by the UNC Hospitals through expenditure of moneys received as a grant from a State agency or General Fund appropriations.

(b) Fund Management. – The Board of the System is responsible for the custody and management of the funds of the UNC Hospitals. The Board shall adopt uniform policies and procedures applicable to the deposit, investment, and administration of these funds, which shall assure that the receipt and expenditure of such funds is properly authorized and that the funds are appropriately accounted for. The Board may delegate authority, through the Chief Executive Officer, to the President of the UNC Hospitals, when such delegation is necessary or prudent to enable the UNC Hospitals to function in a proper and expeditious manner.

(c) Fund Expenditure. – Funds under this section and investment earnings thereon are available for expenditure by the UNC Hospitals and are hereby appropriated by the General Assembly.

(d) Fund Oversight. – Funds under this section are subject to the oversight of the State Auditor pursuant to Article 5A of Chapter 147 of the General Statutes are not subject to the provisions of the State Budget Act, except for operating and capital funds appropriated from the General Fund.

(e) Fund Reporting. – The UNC Hospitals shall submit such reports or other information concerning its fund accounts under this section as may be required by the Board.

(f) Funds Supplemental. – Funds under this section, or the investment income therefrom, shall not take the place of State appropriations or any part thereof, but any portion of these funds available for general institutional purposes shall be used to supplement State appropriations to the end that the UNC Hospitals may improve and increase their functions, may enlarge their areas of service, and may become more useful to a greater number of people.

(g) Fund Investment. – The Board may deposit or invest the funds under this section in interest bearing accounts and other investments in the exercise of its sound discretion, without regard to any statute or rule of law relating to the investment of funds by fiduciaries. (2023-134, s. 4.10(b).)

§ 116-350.45. Purchases.

Notwithstanding the provisions of Articles 3, 3A, and 3C of Chapter 143 of the General Statutes and G.S. 143-341(8)(i) of the General Statutes, the Board shall establish policies and regulations governing the purchasing requirements of the System. These policies and regulations shall provide for requests for proposals, competitive bidding or purchasing by means other than competitive bidding, contract negotiations, and contract awards for purchasing supplies, materials, equipment, and services which are necessary and appropriate to fulfill the clinical, educational, research, and community service missions of the System.

The Board of Directors shall submit all initial policies and regulations adopted pursuant to this section to the Division of Purchase and Contract for review upon adoption by the Board. Any subsequent changes to these policies and regulations adopted by the Board shall be submitted to the Division of Purchase and Contract for review. Any comments by the Division of Purchase and Contract shall be submitted to the Chief Executive Officer and to the President of The University of North Carolina. (2023-134, s. 4.10(b).)

§ 116-350.50. Real property.

(a) Acquisition and Disposition. – The Board shall establish policies for acquiring and disposing of any interest in real property by the System and the UNC Hospitals. These policies shall specify procedures for evaluating, negotiating, and approving the acquisition or disposition of an interest in real property by purchase, gift, lease, or rental, but not by condemnation or exercise of eminent domain. Acquisitions and dispositions of interests in real property pursuant to this section shall not be subject to statutes applicable to the acquisition or disposition of interest in real property by or on behalf of State agencies, including, without limitation, the provisions of Article 36 of Chapter 143 of the General Statutes or Chapter 146 of the General Statutes.

(b) Design and Construction. – The Board may, subject to rules and regulations generally applicable to hospital facilities in the State, adopt policies and procedures that exclusively govern the design, construction, and renovation of buildings, infrastructure, utilities, and other property

developments of the System and the UNC Hospitals, including all aspects of vendor selections, contracting, negotiation, and approvals. Design and construction for the System and the UNC Hospitals shall be subject to the requirements of G.S. 44A-26 and G.S. 133-1.1 but shall not otherwise be subject to the provisions of statutes applicable to design and construction projects by or on behalf of State agencies.

(c) Plan Review and Code Enforcement of Certain Construction Projects. – Notwithstanding any other provision of law to the contrary, a local building code inspection department has general authority over plan review and administration, and enforcement, of all sections of the North Carolina State Building Code for construction or renovation projects undertaken by the System or its component units that are on or within privately owned real property leased by the System, or its component units, within its jurisdiction. Nothing in this subsection shall be construed to abrogate the authority of the Department of Labor under G.S. 143-139(c) and (d). (2023-134, s. 4.10(b).)

§ 116-350.55. Bonds and notes.

(a) Bonds and Notes. – In addition to the provisions of Article 3 of Chapter 116D of the General Statutes, the System shall be authorized to issue bonds and notes on behalf of itself or any component units or System affiliate in accordance with the provisions of Article 3 of Chapter 116D of the General Statutes, in the same manner and for the same purposes as the Board of Governors of The University of North Carolina may issue bonds and notes as provided for therein. In doing so, the System shall have the same powers conferred upon the Board of Governors by such Article and, for purposes of this section, references in such Article to the Board of Governors shall mean and be deemed to include the System.

(b) [Applicable Provisions. –] Notwithstanding subsection (a) of this section, in connection with the issuance of bonds or notes of the System in accordance with this section and Article 3 of Chapter 116D of the General Statutes, the following provisions apply:

- (1) Institutions within the meaning of G.S. 116D-22 include the System and any component unit or System affiliate.
- (2) The approval of the Director of the Budget, as provided in G.S. 116D-26, 116D-27, 116D-29, and 116D-30, does not apply to bonds or notes issued by the System pursuant to this section and Article 3 of Chapter 116D of the General Statutes.
- (3) The first paragraph of G.S. 116D-26(b) does not apply to bonds or notes issued by the System pursuant to this section and Article 3 of Chapter 116D of the General Statutes.
- (4) Nothing herein shall limit or restrict the right of the System to obtain a loan from a financial institution, provided that the System may not pledge real property owned by the State of North Carolina as collateral. (2023-134, s. 4.10(b).)

§ 116-350.60. Nonprofit merger authority.

The University of North Carolina Health Care System and any domestic nonprofit corporation may merge in the manner provided in G.S. 55A-11-09, except that the merger need not comply with G.S. 55A-11-02 as required by G.S. 55A-11-09(b)(3). For the purposes of this section, the University of North Carolina Health Care System is deemed an unincorporated "business entity" as defined in G.S. 55A-11-09(a) and the University of North Carolina Health Care System, the

University of North Carolina Hospitals, or another component unit of the System is the surviving business entity of any merger effected pursuant to this section. For any plan of merger pursuant to this section, along with the applicable items set forth in the articles of merger under G.S. 55A-11-09(d), the University of North Carolina Health Care System shall set forth reference to this section. G.S. 55A-11-09(e1) does not apply to a merger under this section. (2023-134, s. 4.10(b); 2024-1, s. 1.7(e).)

§ 116-350.65. Public records.

The following records of the System are not public records under Chapter 132 of the General Statutes:

- (1) Records related to patient care and patient services, including, but not limited to, patient records, vendor contracts, quality initiatives, quality measures, and reports related to quality requirements; provided, however, that any contracts with other State agencies or documents publicly reported to government regulatory or oversight bodies shall be considered public records.
- (2) Records related to strategic planning or initiatives, including potential affiliations and new services or businesses.
- (3) Consultations with the Joint Legislative Commission on Governmental Operations as provided by law. (2023-134, s. 4.10(b).)

Part 2. Liability Insurance or Self-Insurance.

§ 116-350.100. Authorization to secure insurance or provide self-insurance.

The Board is authorized to establish a liability insurance program through the purchase of contracts of insurance or the creation of self-insurance trusts, or through combination of such insurance and self-insurance, to provide the System, UNC Hospitals, component units, System affiliates, and individual health care practitioners with coverage against claims of personal or entity liability based on conduct within the course and scope of health care and related functions undertaken by such entities or individuals as employees, agents, or officers of (i) the System, (ii) the University of North Carolina Hospitals at Chapel Hill or other component units or System affiliates, or (iii) any health care institution, agency, or entity which has an affiliation agreement with the System or with the University of North Carolina Hospitals at Chapel Hill. The types of health care practitioners to which the provisions of this Part may apply include, but are not limited to, medical doctors, dentists, nurses, residents, interns, medical technologists, nurses' aides, and orderlies. Subject to all requirements and limitations of this Article, the coverage to be provided, through insurance or self-insurance or combination thereof, may include provision for the payment of expenses of litigation, the payment of civil judgments in courts of competent jurisdiction, and the payment of settlement amounts, in actions, suits, or claims to which this Part applies. (2023-134, s. 4.10(b); 2024-1, s. 1.7(f).)

§ 116-350.105. Establishment and administration of self-insurance trust funds; rules and regulations; defense of actions against covered persons; application of G.S. 143-300.6.

(a) In the event the Board elects to act as self-insurer of a program of liability insurance, it may establish one or more insurance trust accounts to be used only for the purposes authorized by this Article; provided, however, said program of liability insurance shall not be subject to regulation by the Commissioner of Insurance. The Board is authorized to receive and accept any

gift, donation, appropriation, or transfer of funds made for the purposes of this section and to deposit such funds in the insurance trust accounts. All expenses incurred in collecting, receiving, and maintaining such funds and in otherwise administering the self-insured program of liability insurance shall be paid from such insurance trust accounts.

(b) Subject to all requirements and limitations of this Article, the Board is authorized to adopt rules for the establishment and administration of the self-insured program of liability insurance, including, but not limited to, rules and regulations concerning the eligibility for and terms and conditions of participation in the program, the assessment of charges against participants, the management of the insurance trust accounts, and the negotiation, settlement, litigation, and payment of claims.

(c) The Board is authorized to create a UNC Health Liability Insurance Trust Fund Council composed of not more than 13 members; one member each shall be appointed by the State Attorney General, the State Insurance Commissioner, the Director of the Office of State Budget and Management, and the State Treasurer; the remaining members shall be appointed by the Board. Subject to all requirements and limitations of this Article and to any rules and regulations adopted by the Board under the terms of subsection (b) of this section, the Board may delegate to the UNC Health Liability Insurance Trust Fund Council responsibility and authority for the administration of the self-insured liability insurance program and of the insurance trust accounts established pursuant to such program.

(d) Defense of all suits or actions against an individual health care practitioner who is covered by a self-insured program of liability insurance established by the Board under the provisions of this Article may be provided in accordance with the provisions of G.S. 143-300.3 of Article 31A of Chapter 143; provided, that in the event it should be determined pursuant to G.S. 143-300.4 that defense of such a claim should not be provided by the State, or if it should be determined that counsel other than the Attorney General should be employed or, if the individual health care practitioner is not an employee of the State as defined in G.S. 143-300.2, then private legal counsel may be employed by the UNC Health Liability Insurance Trust Fund and paid for from funds in the insurance trust accounts.

(e) For purposes of the requirements of G.S. 143-300.6, the coverage provided State employees by any self-insured program of liability insurance established by the Board pursuant to the provisions of this Article shall be deemed to be commercial liability insurance coverage within the meaning of G.S. 143-300.6(c).

(f) By rules adopted by the Board in accordance with subsection (b) of this section, the Board may provide that funds maintained in insurance trust accounts under such a self-insured program of liability insurance may be used to pay any expenses, including damages ordered to be paid, which may be incurred by the System or the University of North Carolina Hospitals at Chapel Hill with respect to any claim, based on alleged negligent acts in the provision of health care services, which may be prosecuted under the provisions of Article 31 of Chapter 143 of the General Statutes. (2023-134, s. 4.10(b); 2024-34, s. 13(c).)

§ 116-350.110. Funding of self-insurance program.

(a) If the Board elects to establish a self-insurance trust fund, the initial contribution to the fund shall be determined by an independent actuary but shall be no less than three hundred thousand dollars (\$300,000). Annual contributions to said fund shall be made in an amount to be determined each year by the UNC Health Liability Insurance Trust Fund Council upon the advice of an independent actuary and shall include amounts necessary to pay all costs of administration of

the self-insurance program and claims adjustment, including litigation in addition to amounts necessary to pay claims. Contributions shall be no less than one hundred fifty percent (150%) of the amounts actually paid each year on medical malpractice claims until such time as the UNC Health Liability Insurance Trust Fund Council, with the advice of an independent actuary and the approval of the Board, determines that an annual contribution in a lesser amount will not impair the adequacy of the fund to satisfy existing and potential health care malpractice claims for a period of one year.

(b) Claims certified to be paid from the fund shall be paid in the order of award or settlement. In the event that the fund created hereunder shall at any time have insufficient funds to assure that both existing and future claims will be paid, the Board is hereby authorized to borrow necessary amounts up to thirty million dollars (\$30,000,000) per established self-insurance trust fund account to replenish the fund. The Board shall maintain funds in each self-insurance trust at no less than one hundred thousand dollars (\$100,000) at all times.

(c) Funds borrowed by the Board to replenish the trust fund account may be secured by pledging noncapital assets of the members. Members shall mean those entities, agencies, departments, or divisions of the System which directly contribute funds to the self-insurance trust. In no event shall individual health care providers be deemed members for the purposes of this section.

(d) Obligations issued under the provisions of this Part shall not be deemed to constitute a debt, liability, or obligation of the State or of any political subdivision thereof or a pledge of the faith and credit of the State or of any such political subdivision but shall be payable solely from the revenues or assets of the members. Each obligation issued under this Part shall contain on the face thereof a statement to the effect that the System shall not be obligated to pay the same nor the interest thereon except from the revenues or assets pledged therefor and that neither the faith and credit nor the taxing power of the State or of any political subdivision thereof is pledged to the payment of the principal of or the interest on such obligation. (2023-134, s. 4.10(b).)

§ 116-350.115. Termination of fund.

Any fund created hereunder may be terminated by the Board upon their determination that other satisfactory and adequate arrangements have been made to assure that both existing and future health care malpractice claims or judgments against the participants in the self-insurance program will be paid and satisfied. Upon the termination of any fund pursuant to this section, the full amount remaining in such fund upon termination less any outstanding indebtedness shall promptly be repaid to the System and allocated among the participating entities according to their respective contributions as determined by the Board. (2023-134, s. 4.10(b).)

§ 116-350.120. Sovereign immunity.

Nothing in this Article shall be deemed to waive the sovereign immunity of the State. (2023-134, s. 4.10(b).)

§ 116-350.125. Confidentiality of records.

Records pertaining to the liability insurance program, including all information, correspondence, investigations, or interviews concerning or pertaining to claims or potential claims against participants in the program or applications for participation in the program shall not be considered public records under Chapter 132 of the General Statutes and shall not be subject to

discovery under the Rules of Civil Procedure, Chapter 1A of the General Statutes. (2023-134, s. 4.10(b); 2024-1, s. 1.7(g).)

§ 116-350.130. Further action.

The Board is hereby authorized to take all action necessary to effectuate the purposes and provisions of this Part. (2023-134, s. 4.10(b).)

§ 116-350.135. Appropriation.

The funds described by this Part are appropriated and shall be used only as provided by this Part. (2023-134, s. 4.10(b).)

§§ 116-350.136 through 116-359. Reserved for future codification purposes.