

North Carolinians Can't Wait Any Longer For Health Care Reform

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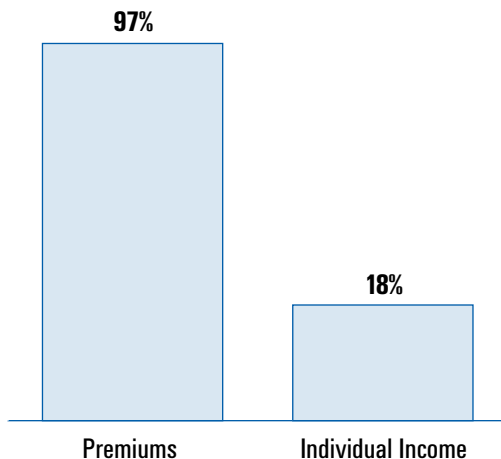
SKYROCKETING PREMIUMS and out-of-pocket medical costs are battering family budgets in North Carolina and making it more difficult for employers, particularly small and low-wage businesses, to provide health insurance for their workers. Health costs are rising at an unsustainable rate. Without reform, these costs threaten North Carolina's state and county budgets, the national economy and every American family.

Comprehensive health reform is needed to set a sustainable path for health care spending, increase the number of Americans with quality, affordable coverage, and make smart health care investments.

Unsustainable Premium Increases Hurt Families and Businesses

- Health insurance premiums for North Carolina working families have skyrocketed, increasing 97 percent from 2000 to 2009. During the same time, the median earnings of North Carolina workers increased 18 percent.¹
- For family health coverage in North Carolina during that time, the average annual combined premium for employers and employees rose from \$6,649 to \$13,083.²
- The full cost of family employer-sponsored health insurance in North Carolina is projected to grow at an annual rate of 6.9 percent, compared to a 0.6 percent yearly decline for income.³

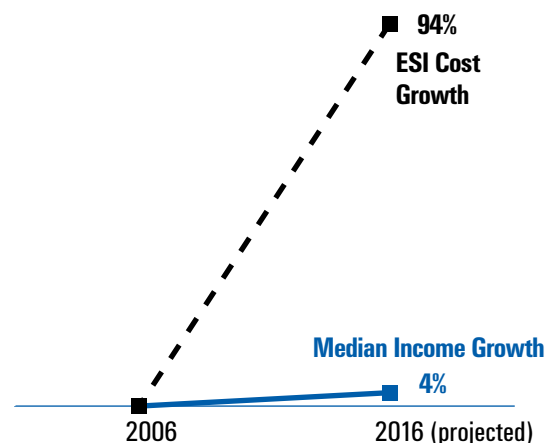
Percentage Increase in Premiums vs Income in North Carolina 2000–2009



Source: Families USA, "Premiums versus Paychecks, by State, 2000 to 2009."

North Carolina Employer Premiums vs Income

Cumulative growth of North Carolina employer sponsored insurance (ESI) premiums compared to median household income, assuming no meaningful health reforms, 2006 to 2016 (projected)



Source: New America Foundation, "The State of State Health: The Cost of Failure" (2007)

- Left unchecked, premiums will be \$21,288 in 2016—fully 53 percent of median household income.⁴

Fewer Businesses Can Afford to Offer Coverage

- Nationally, only 59 percent of small businesses (three to 199 workers) offer their employees health benefits. This is down from 68 percent in 2000.⁵
- Without reform, small businesses will pay nearly \$2.4 trillion in health care costs for their workers over the next 10 years. With reform, small businesses can save as much as \$855 billion, a reduction of 36 percent—money that can be reinvested to grow their small businesses.⁶
- Without reform, 178,000 small business jobs will be lost in 2018 as a result of health care costs. Depending on the particular mechanism used to help small businesses meet their health care obligations, reform can preserve up to 128,000 of these jobs.⁷
- Among North Carolina small business owners, 41 percent reported that they pay for health insurance for their employees. Of those, 88 percent say they are struggling to do so.⁸
- Of the 59 percent of small employers who don't provide insurance, 85 percent say they can't afford it.⁹
- A large majority of respondents (88 percent) agree that people should be able to buy health insurance without regard to past health problems, and 74 percent see pre-existing condition rules as barriers to starting a business.¹⁰
- North Carolina small business owners appreciate choice—65 percent prefer the option of a public or private health plan, while 23 percent are interested only in a private plan and 9 percent prefer only a public option.¹¹
- The survey found that 65 percent say it's important for individuals, employers, insurers, the government and health care

providers to share the responsibility for making care more affordable.¹²

More North Carolinians Uninsured, Leading to Poorer Health, Higher Costs

- One in six North Carolinians was uninsured in 2008, including one in five adults between the ages of 19 and 64 (1,177,000 people) and one in nine residents younger than 18 years old (271,600 children).¹³
- By 2019, without reform the number of uninsured in North Carolina will rise to 2,401,000.¹⁴
- About 62 percent of U.S. personal bankruptcies were directly related to medical bills, according to a recent report; in North Carolina there were 21,808 non-business bankruptcies in 2008.^{15,16}
- Each insured family in North Carolina pays an extra \$1,400 per year and each individual an extra \$500 per year in health insurance premiums as a result of a “hidden tax” to cover the unreimbursed health care expenses of the uninsured.¹⁷

Lack of Competition Among Health Insurers Raises Costs, Limits Choices

- Consolidation in the insurance industry means that employers, particularly small businesses, have fewer insurance choices and less leverage when negotiating a plan for workers. Freedom from genuine competition allows North Carolina insurers to reap oversized profits and raise premiums with impunity.^{18,19}
- Blue Cross and Blue Shield of North Carolina, the state's dominant health insurer, holds 53 percent of the North Carolina market. Together with UnitedHealth Group Inc., they control 73 percent of the commercial market.²⁰
- The negative effects of consolidation in North Carolina are most visible at the local level. In the Winston-Salem area, for example, Blue Cross and Blue Shield of North Carolina controls 77 percent of the market, including self-funded employer-sponsored health plans.²¹

North Carolina Insurance Market Consolidation by Metro Area, 2007²²

Metro Area	Health Insurer With Largest Market Share	Market Share %	Health Insurer With No. 2 Market Share	Market Share %	Combined Market Share % of Top Two Insurers
Asheville	UnitedHealth Group Inc.	50	Blue Cross and Blue Shield of North Carolina	39	89
Burlington	Blue Cross and Blue Shield of North Carolina	53	UnitedHealth Group Inc.	25	78
Charlotte-Gastonia-Concord	Blue Cross and Blue Shield of North Carolina	43	CIGNA Corp.	20	63
Durham	Blue Cross and Blue Shield of North Carolina	55	CIGNA Corp.	18	73
Fayetteville	UnitedHealth Group Inc.	40	Blue Cross and Blue Shield of North Carolina	39	79
Goldsboro	Blue Cross and Blue Shield of North Carolina	72	CIGNA Corp.	23	95
Greensboro-High Point	Blue Cross and Blue Shield of North Carolina	49	UnitedHealth Group Inc.	42	91
Hickory-Morganton-Lenoir	Blue Cross and Blue Shield of North Carolina	72	UnitedHealth Group Inc.	16	88
Jacksonville	Blue Cross and Blue Shield of North Carolina	64	CIGNA Corp.	21	85
Rocky Mount	Blue Cross and Blue Shield of North Carolina	64	CIGNA Corp.	18	82
Wilmington	UnitedHealth Group Inc.	46	Blue Cross and Blue Shield of North Carolina	44	90
Winston-Salem	Blue Cross and Blue Shield of North Carolina	77	UnitedHealth Group Inc.	17	94

Source: American Medical Association, "Competition in health insurance: A comprehensive study of U.S. markets: 2007 update."

Without Reform, Health Costs of Insured and Uninsured North Carolinans Projected to Double by 2019

- Reducing health care cost growth is key to our fiscal health. "Done correctly, health care reform can genuinely slow the growth rate of health care costs and thus put us on a path to greatly reduced budget deficits in the long run," said Christina D. Romer, chairwoman of the White House Council of Economic Advisers. "Dealing with the looming budget deficits through effective health care reform is

not simply the best way to go, it is likely the only way."²³

- Failing to act will stress state budgets. By 2019, the number of people in North Carolina without insurance will increase from 1,721,000 to 2,401,000, according to the Urban Institute and the Robert Wood Johnson Foundation.²⁴
- The state will face an increased burden that it cannot afford while thousands of families and business will face crippling medical costs and the prospect of medical bankruptcies, according to the Urban/Johnson report.²⁵

Without Reform, Health Costs of Insured and Uninsured North Carolinians Projected to Double by 2019

Projected Aggregate Health Spending in North Carolina Under Current Law, Non-Elderly Population (dollar figures in millions)

	2009	2014	2019	Percent change 2009-2019
Uncompensated Care	\$2,088	\$3,212	\$5,023	141%
Employer Premium Spending	\$12,260	\$18,149	\$26,529	116%

Source: Robert Wood Johnson Foundation, "The Cost of Failure to Enact Health Reform: Implications for States," September 2009.

Racial and Ethnic Health Disparities Persist in North Carolina

- No one has more at stake in the battle over health reform than the 103 million people of color in the U.S.,²⁶ including the 2,997,000 in North Carolina.²⁷
- For people of color in North Carolina and nationwide, life is shorter, chronic illness more prevalent and disability more common. These are predictable side-effects of a health care system that provides these communities in North Carolina with narrower opportunities for regular health services, fewer treatment options and lower-quality care.
- Life expectancy for African Americans in North Carolina is 6 to 10 years shorter than that of whites.²⁸
- About 54 percent of Latinos in North Carolina are uninsured, almost four times the rate for whites. The infant death rate for whites is 6 per 1,000 live births, compared with 13.7 for African Americans.²⁹
- The mortality rate for African Americans in North Carolina is 25 percent higher than for whites.³⁰

North Carolina Racial and Ethnic Disparities and Performance on Key Health Indicators

Commonwealth Fund rankings show increasing cost pressures and deterioration in access across the U.S., together with geographic disparities in performance, highlighting the urgent need for comprehensive national reforms to ensure access, change the trajectory of costs and enhance value.

HEALTH INDICATORS	STATE RANKING (out of 50 states plus District of Columbia)
Percent of nonelderly adults (ages 18-64) insured	36
Percent of children (ages 0-17) insured	37
Percent of adults without a time in the past year when they needed to see a doctor but could not because of cost	44
Percent of adults with a usual source of care	37
Total single premiums per enrolled employee at private-sector establishments that offer health insurance	32
Mortality amenable to health care, deaths per 100,000 population	39
Infant mortality, deaths per 1,000 live births	44
Breast cancer deaths per 100,000 female population	38

Source: Commonwealth Fund. "State Scorecard Data Tables," October, 2009.

NORTH CAROLINA CAN'T WAIT FOR HEALTH REFORM

The aim of health care reform is to improve access to quality health care services in every corner of North Carolina and the nation in a way that does not add to, and begins to lower, the cost burden on middle-income families. Through reform, we must slow the growth in health insurance premiums, extend coverage to the more than one million North Carolinians who are uninsured, inject competition into highly concentrated and anti-competitive insurance markets, reduce racial and ethnic disparities in access to care and health outcomes, and strengthen the economy of North Carolina and the nation. Given the tremendous burden our dysfunctional health care system places on North Carolina families and businesses, North Carolina and the nation cannot wait any longer for health care reform.

Endnotes

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²⁰AMA data in this report are based on combined enrollment in preferred provider organizations (PPOs) and health maintenance organizations (HMOs) in states and metropolitan statistical areas (MSAs) as defined by the U.S. Census Bureau. The AMA calculates market share by dividing an insurer's enrollment in a given product by the total enrollment across all insurers in a market multiplied by 100. Total enrollment is for commercial products only, including self-insured employer-sponsored PPO plans and individual coverage, and does not include Medicare, Medicaid, or Children's Health Insurance Program enrollments. Self-insured employer plans refer to PPOs only. Accessed at <http://www.ama-assn.org/go/competition2007>.

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