

North Carolina Consumers Pay the Price For Health-Insurance Market Failure

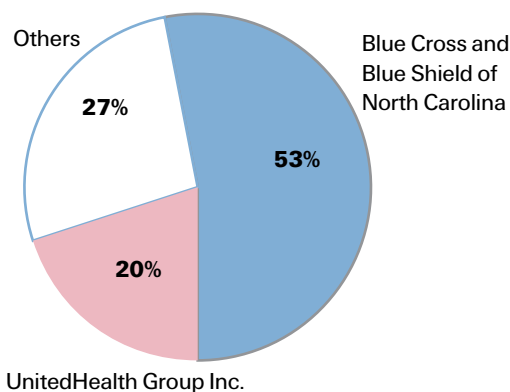
- Blue Cross and Blue Shield of North Carolina, the state's biggest health insurer, holds 53 percent of the state commercial market. Together with UnitedHealth Group Inc., the companies control 73 percent of the market.¹
- From 2004 to 2007, Blue Cross and Blue Shield of North Carolina's annual net income rose 32 percent, from \$150 million to \$198 million.²
- Health insurance premiums for North Carolina working families have skyrocketed, increasing 75 percent from 2000 to 2007.³
- For family health coverage in North Carolina during that time, the average annual combined premium for employers and employees rose from \$6,649 to \$11,618.⁴
- For family health coverage in North Carolina from 2000 to 2007, the average employer's

portion of annual premiums rose 76 percent, while the average worker's share grew by 71 percent.⁵

- From 2000 to 2007, the median earnings of North Carolina workers increased 14 percent, from \$23,080 to \$26,316. During that time health insurance premiums for North Carolina working families rose 5.3 times faster than median earnings.⁶

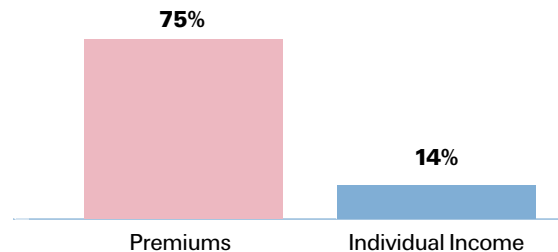
When a firm has more than a 42 percent share of a single market, the U.S. Justice Department considers that market to be "highly concentrated." This means that an insurer could raise premiums and/or reduce the variety of plans or quality of services offered to customers with impunity.⁷

North Carolina Commercial Health Insurance Market Concentration



Source: American Medical Association, "Competition in Health Insurance: A Comprehensive Study of U.S. Markets: 2007 Update."

Percent Increase in Premiums vs Income in North Carolina, 2000–2007



Sources: Families USA, "Premiums Versus Paychecks," September 2008.

ENDNOTES

¹AMA 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>.

²Northwest Federation of Community Organizations, "Insuring Health or Ensuring Profit?," 2008. Accessed at http://www.nwfco.org/pubs/2008.0727_insuring.health.or.ensuring.profit.pdf.

³Families USA, "Premiums versus Paychecks," September 2008. Accessed at <http://www.familiesusa.org/resources/publications/reports/premiums-vs-paychecks-2008.html>.

⁴Ibid.

⁵Ibid.

⁶Ibid.

⁷US Department of Justice, "The Herfindahl-Hirschman Index." Accessed at http://www.usdoj.gov/atr/public/guidelines/horiz_book/15.html; American Hospital Association, "The Case for Reinvigorating Antitrust Enforcement for Health Plan Mergers and Anticompetitive Conduct to Protect Consumers and Providers and Support Meaningful Reform," May 11, 2009. Accessed at <http://www.aha.org/aha/content/2009/pdf/09-05-11-antitrust-rep.pdf>.

This report makes use of data published by the American Medical Association (AMA), which is not a member of the Health Care for America Now coalition. The AMA did not collaborate with HCAN on this report.