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Sicker population + state policy = NC's high ACA costs

By John Murawski
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North Carolina's sky-high health insurance costs under the Affordable Care Act, among the highest in the nation, have long frustrated residents and stumped the experts.

A new study from two prestigious think tanks attempts to unravel the mystery of the state's high ACA costs. The 16-page analysis of North Carolina's ACA market, researched and written by Wake Forest University law professor Mark Hall, was issued Thursday as part of an assessment of five ACA markets: North Carolina, Michigan, Texas, California and Florida.

Hall notes several paradoxes. Even though North Carolina has the fourth-highest ACA enrollment in the United States, it is the second-largest state to have just one health insurance carrier statewide offering ACA plans.

"Despite having lower overall health care costs than national averages and group premiums near the national average," Hall writes, "premiums for Affordable Care Act (ACA) nongroup coverage in North Carolina are the highest in the continental United States."

Group premiums are the monthly costs people pay for health insurance offered by their employers, which is the way many people obtain their health insurance. Hall is asking: Why would ACA rates be so high in a state where employer-sponsored health insurance is average in cost?

But he's also asking a related question: Why does North Carolina have just one statewide ACA insurer? That insurer is Blue Cross and Blue Shield. (There have been other ACA insurers since policies went on the market in 2014, but only BCBS was statewide. Aetna and UnitedHealthcare dropped out of the ACA market at the end of last year. Cigna entered the state's ACA market this year but in just five Triangle counties.)

Hall conducted 27 interviews with North Carolina's health insurers, navigators, agents/brokers, regulators, hospitals, physicians and policy wonks. The report, sponsored by the Brookings Institution's Center for Health Policy and by The Nelson A. Rockefeller Institute of Government, reflects Hall's distillation of his interviews and other research.

Hall was told the dominance of Blue Cross in the state's individual health insurance market is a disincentive to other insurers trying to break into North Carolina's market. That's because some doctors and hospitals are unwilling to contract with Blue Cross competitors on favorable terms, particularly in the eastern part of the state, "where Blue Cross has the market 'locked up.' "

Hall writes high ACA costs are not crippling for those whose health insurance is subsidized by the federal government. In North Carolina, about 90 percent of ACA plans come with federal subsidies, and those with lower household incomes receive the most generous subsidies.

Several factors have come together to drive up health care costs here, Hall writes. State policies have created a skewed ACA in North Carolina that includes the most costly patients

and excludes some of the least expensive patients.

North Carolina was one of the states that allowed people to keep and renew their pre-ACA health insurance. These are old insurance policies, dating to March 2010 and before, when the industry could write cheaper rates for healthy people and reject anyone with a pre-existing condition. As a result, many healthy customers are not in the ACA pool to spread out the costs more evenly.

The Republican-led legislature decision not to expand Medicaid had the result of including some of the poorest residents in the ACA. These are the people whose household incomes are between 100 percent and 138 percent of the federal poverty level.

"On average, such people tend to have more serious health problems," Hall writes. "Therefore, premiums in non-expansion states have been estimated to be 7 percent higher, on average."

Additionally, North Carolina is in the bottom 20 percent of states for public health spending and overall health measures, such as infant mortality rates, teen births, premature births, death rates from heart disease and other chronic conditions, and the number of doctors, dentists and nurses per 10,000 residents.

This has resulted in unhealthy residents taking desperate measures to get much-needed medical care that insurers and hospitals end up paying for.

North Carolina "has an unusually high number of people who sign up for insurance in order to receive expensive treatment and then drop coverage once treatment is no longer needed," Hall writes.

"Hospital sources, in particular, expressed frustration that they sometimes start treating patients for elective procedures who have recently signed up for coverage but then drop it after treatment is complete (or sometimes even during the course of treatment)."