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Study finds N.C. ranks high in Affordable Care Act enrollment, costs and subsidies

By Richard Craver
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North Carolina has represented an interesting paradox during the life of the federal health insurance exchange, according to a national study released last week.

The state had the fourth highest enrollment rate for 2017 at 549,158, according to the U.S. Department of Health and Human Services.

Those totals, however, did not lead to increased competition.

Instead, North Carolina is the largest state to have just one exchange insurer with Blue Cross Blue Shield of N.C., according to the Brookings Institution and the Rockefeller Institute of Government.

The state had the nation's highest premium average, with Blue Cross raising its monthly premium by 24 percent for 2017.

However, N.C. exchange participants also are among the biggest beneficiaries of federal subsidies. About 82 percent of 2017 participants were estimated to pay less than $75 a month, and at least 90 percent were expected to qualify for a subsidy.

The N.C. element of a five-state study was researched by Mark Hall, a law professor at Wake Forest University who is a national expert on health care. The other states were California, Florida, Michigan and Texas.

Hall interviewed 27 officials connected to hospitals, insurers, exchange navigators and brokers, regulators, physicians and policy analysts.

Hall previously issued a report in which he determined it made sense economically for North Carolina to expand its Medicaid program to more than 500,000 residents.

"Although North Carolina currently has one of the least competitive exchange marketplaces (after losing Aetna and UnitedHealthcare for 2017), it is not obvious that most consumers are suffering as a result," Hall said.

Health of enrollees

Hall said a primary factor in the high premium average and lack of insurer competition is North Carolina having one of the nation's highest levels of sicker-than-average enrollees in the marketplace, identified by the term "adverse selection."

For example, North Carolina ranks in the bottom 25 percent for adults whose health is listed as fair to poor at 19.2 percent, or nearly 1.5 million North Carolinians.

A 2016 Centers for Disease Control and Prevention study released in September found 30.1 percent of N.C. adults, or 2.36 million, are considered obese — a level that has remained unchanged the past seven years.

"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 said.

That has been a particular concern of hospitals and physicians since the ACA requires hospitals to regard patients as having coverage for up to three months after the patient stops paying premiums.

"The hospital learns only retroactively that the insurer will not pay for the treatment," Hall said he was told by hospital officials.

As a result, Hall found some N.C. hospitals "are not eager to receive patients with ACA coverage."

"They feel that these patients are likely to incur higher costs and be less stable in their source of insurance."

Researchers determined that Florida and Texas also were subject to "adverse selection" in their exchange.

"That misjudgment and uncertainty ultimately caused some plans to incur losses and then withdraw from those marketplaces," according to the overall study, though California and Michigan "retained a reasonable number of insurers through 2017."

There had been projections of more than 600,000 N.C. enrollees for 2017 before the November presidential election.

However, the victory of Donald Trump and his support of Republican congressional efforts to repeal the Affordable Care Act likely led to fewer sign-ups than expected in January. The Trump administration significantly reduced marketing for the exchanges in the final 11 days for enrollment.

Hall also cited as playing a major contributing role the unwillingness of the Republican-controlled General Assembly to expand Medicaid. Republican legislative leaders have cited concerns about the dependability of the federal government to pay up to 95 percent of the administrative costs associated with expansion.

Those factors "have resulted in a worse risk pool for the exchange market ... which also might be due to enrollment efforts that target people with the greatest health care needs," Hall said.

"Some sources pointed to research indicating that states that did not expand Medicaid have experienced worse risk pools in their individual markets, because people near poverty have more unmet medical needs than average."

Changes in market

Before the exchange was established in 2013, Blue Cross held an 86 percent market share in the N.C. individual market.

However, with Aetna and UnitedHealthcare providing exchange plans through 2016, they had combined to chip away at Blue Cross' dominance. In early 2016, Blue Cross was at 65 percent, followed by Aetna at 19 percent and UnitedHealthcare at 16 percent.

Blue Cross said it lost $600 million on ACA-related patient care during 2015 when not including federal reimbursements, and $282 million when including them. By comparison, for 2014 the insurer lost $452 million when not including federal reimbursements and $123 million when including them.

Brian Tajlili, director of actuarial and pricing services for Blue Cross, said in October that the insurer continues to struggle to attract healthy individuals in their 20s, who are pivotal to offset the expenses of those ages 55 and older.

"Many of the (new enrollees) are likely to incur significant medical expenses (in 2017)," Tajlili said.

"This is the primary reason we revised our rate filing (after the Aetna and UnitedHealthcare exits) before deciding to participate in the ACA for 2017 in all 100 counties."

Blue Cross said the expenses for those exchange participants ages 55 and older tend to be 3.5 to 4 times higher than those in their 20s.

The four main reasons are higher emergency department use, more orthopedic surgeries (such as hip and knee replacement), more cardiology and cancer services, and more expensive prescription drugs, whether brand name or generic.

Hall said his survey gave him confidence that Blue Cross would not remain the only

statewide exchange insurer if the exchange were kept in place.

He said Aetna expressed a willingness to return "if profitability is restored in the non-group market."

Hall cautioned that many officials said Blue Cross' dominance is serving as a deterrent to competition, particularly in eastern N.C., where Blue Cross has most of the markets "locked up."

Physicians and hospitals have been reluctant to provide competitors of Blue Cross "with favorable terms" out of concern of affecting their arrangements with Blue Cross.

"Some hospitals also see the strategic value of supporting market entry by competitors to Blue Cross, which otherwise they feel that Blue Cross dominates negotiations with providers."

Hall said main challenges include making rural counties more attractive to exchange insurers, and convincing state legislative leaders to alter state health policies to both encourage young and healthy residents to enroll, and help improve the health of sick enrollees.