NORTH CAROLINA | CENTER FOR HEALTH & DEMOCRACY

How Do We Fix Healthcare in North Carolina?

Wendell Potter

Former Cigna health insurance executive, *New York Times* bestselling author, healthcare and campaign finance reform advocate

Executive Summary

The United States healthcare system is facing significant challenges, including rising costs, lack of access to care, and disparities in health outcomes. As a former healthcare executive, I've spent more than a decade calling for reforms to one of the main problems I see in the healthcare industry: health insurers.

The complicated landscape of healthcare and the challenges brought on by health insurers negatively impact American patients, who expect a transparent, high-quality, and affordable healthcare system.

Many of these insurer and patient dynamics are currently playing out in North Carolina. The Tar Heel State has experienced more rural hospital closures than 92 percent of the country, and Blue Cross Blue Shield of North Carolina covers 97 percent of the residents.[1] More than 10 million people have a choice of 11 health insurance providers through the North Carolina exchange, although a recent Meredith Poll from Meredith College in Raleigh, North Carolina, found that 42 percent of individuals surveyed said they only had one health insurance option offered through their employer.[2]

This white paper will look at how minimal competition among health insurers, rampant healthcare claim denials, and increasing premiums allow North Carolina health insurance companies to post record profits, with little competitive pressure to honor claims or ensure coverage includes access to high-quality care. Our solutions call for more patient options, more choice and access to care, and more transparency to ensure North Carolinians get the care they pay for and deserve.

The November 2022 Meredith Poll made it clear that North Carolinians had significant dissatisfaction with their health insurance company once they had to navigate any part of the health insurance process."

"Furthermore, patient dissatisfaction with health insurance companies intensified the more interactions they had with insurers, including claim denials and complicated appeals. The implications from the survey were clear: North Carolinians need swift relief from the lack of health insurance competition and the many obstacles insurers create on the path to accessing healthcare."

— Dr. David McLennan, Professor of Political Science, Director of the Meredith Poll, Meredith College

Healthcare Costs Are Rising in North Carolina

Even before inflation climbed to 8.2 percent nationally, the average American could not afford an emergency expense of more than $400.[3] When it comes to essentials like access to healthcare and affordability, Americans need to know insurance companies, care providers, and policymakers have these issues top of mind as inflation continues and expenses go up. If North Carolina wants to make progress for its citizens and ensure access to quality healthcare outcomes, then we need to address the issues that are causing healthcare costs to skyrocket. The healthcare industry and lawmakers also need to take a hard look at the plans being offered in the name of affordability. For example, high-deductible health plans (HDHPs) have become popular among employers and consumers due to their lower monthly premiums. But there are serious financial impacts to North Carolinians when they're forced to pay thousands of dollars out-of-pocket before the plan begins to cover any medical expenses.

The 2022 Meredith Poll found that 23.7 percent of North Carolinians surveyed think that health insurers play an outsized role in the rising costs of healthcare.[4]

Roadblocks to Coverage: Care Restrictions

If you think health insurers are stopping at high premiums in their pursuit of profits, think again. Health insurance companies are increasingly limiting access to in-network care to maximize profits. Because what's more profitable than in-network care? Out-of-network care where patients pay enormous prices for the same procedures. That, or customers avoid getting care altogether because they can't find an in-network provider. Reducing claims is the name of the game insurance companies play, putting profits over patients whenever possible.

To use a local example, UnitedHealthcare is a significant player in North Carolina's health insurerance industry. It is the state's leading provider of healthcare plans for small businesses of 100 employees or less and ranks second in the large group market of 101 employees or more, based on 2019 data.[5]

As a large health insurer to North Carolina small businesses, its efforts to intentionally reduce access to in-network healthcare providers is even more egregious. According to the *No Surprises Act,* UnitedHealthcare has a legal responsibility to provide its customers with an adequate network of healthcare providers, and it is failing badly on that promise.[6]

Recently, the insurer kicked two of the state's largest anesthesia providers out of network, terminating long-standing agreements and leaving thousands of patients with limited access to in-network anesthesia care.

From Raleigh to Charlotte to Wilmington, patients who have insurance with UnitedHealthcare are finding themselves with little or no option for in-network anesthesia care, even when treated at an in-network hospital.

Members of Congress, the American Medical Association, and dozens of other healthcare groups including the North Carolina Medical Society have sounded the alarm on this practice.[7, 8]

A November 17 letter by multiple healthcare groups noted that restricting care by limiting in-network providers is a red flag practice by insurance providers that must be stopped to preserve access to quality networks and affordable care for consumers.[9]

Rising Premiums vs. Record Profit

Since the pandemic, health insurers nationally and in North Carolina have been earning record profits. While many of their early gains during the spread of COVID-19 came from billions in unused healthcare premiums, those profits show no sign of slowing down.

In 2021, UnitedHealthcare reported $24 billion in profit on revenue of $287.6 billion.[10] Those numbers climbed for 2022 profits and revenue, with United reporting $28.4 billion in profit from $324.2 billion in revenue.[11]

	UnitedHealthcare	
Year	2021	2022
Profit	$24 Billion	$28.4 Billion
Revenue	$287.6 Billion	$324.2 Billion

Instead of giving their health plan customers relief from the ever-increasing premiums and out-of-pocket requirements, UnitedHealthcare spent profits from premiums on revenue-increasing tactics like buying back shares of stock, a gimmick that boosts the value of shares and makes shareholders richer.[12]

United also paid shareholders $5.3 billion in dividends in 2021. Despite record-breaking profits in 2021 and 2022, health insurers across the country are raising premiums by nearly double digits in every state in 2023.

$10.7B

in revenue reported by Blue Cross Blue Shield of North Carolina (BCBSNC) in 2021.

Locally, Blue Cross Blue Shield of North Carolina (BCBSNC) reported $10.7 billion in revenue in 2021 with a net income of $569.3 million.[13] They followed the lead of health insurers in other states by announcing a staggering 7.2 percent rate increase for customers in 2023.[14] According to a January 2023 national analysis of monthly health insurance costs, North Carolina has the seventh-highest cost per month, roughly 18.9 percent higher than the national average of $560.[15]

Premium increases continue to outpace inflation, too. According to the U.S. Bureau of Labor Statistics, costs for physician services increased roughly 1.1 percent; inpatient hospital and outpatient services increased 3.9 percent and 3.5 percent, respectively; and insurance premiums increased 13.8 percent.[16] The only conclusion from these data points is that health insurers are looking to increase their profits at the literal expense of patients and the healthcare system.

The financial burden of healthcare is officially shifting to individuals. It's no surprise that the Meredith Poll found high levels of dissatisfaction for consumers as almost half, 48.3 percent, of respondents reported being very dissatisfied with their health insurer. And who can blame them? With the lingering impact of rising interest rates, stubborn inflation, and the resulting increase in the price of everything, North Carolina families are cutting back while health insurance companies rake in the profits.

Out-of-Network Costs, Out-of-Pocket Expenses and Denials

One key tactic that health insurers use to push patients toward high out-of-network costs and increase profits even more are claim denials. If increasing premiums and questionable in-network coverage weren't the only options, health insurers can now get between patients and their doctors to decide if a procedure, prescription, or treatment is covered.

Management consulting and strategic financial planning firm Kaufman Hall found that 67 percent of healthcare leaders saw increased claim denials in 2022.[17]

Modern Healthcare found initial claim denial rates for hospitals increased from 10.2 percent in 2021 to 11 percent in 2022, totaling 110,000 denied claims a year.

In 2020 alone, BCBSNC denied just shy of 15 percent, or 2,901,677, of claims in North Carolina, according to a national analysis of Affordable Care Act (ACA) denials and appeals done by the Kaiser Family Foundation (KFF).[18] The 2021 update showed BCBSNC remains consistent at denying millions of North Carolinians coverage. The 2021 numbers ranked BCBSNC as the third highest denier of care for health insurers, with more than 5 million in-network claims with a 13.7 percent denial rate and 2.9 million total denials.[19]

The Meredith Poll findings suggest that trend hasn't changed post-pandemic. More than 20 percent of respondents reported a denied health insurance claim from their health insurer.

Unfortunately, just 0.1 percent of patients nationally who have an ACA in-network claim denied go through the appeals process, according to KFF. Those numbers climbed incrementally in 2021, with 0.2 percent of appeals filed. Health insurers can essentially bank on patients accepting the denial and paying more for care they thought was in-network.

North Carolinians who reported a claim denial also had significantly lower satisfaction with their health insurer. Almost three-in-four of those who had a claim denied reported feeling dissatisfied with their insurance company, with most of those being extremely dissatisfied, according to the Meredith Poll.

Health insurers are making more medical decisions for patients, instead of doctors or caregivers. The Meredith Poll numbers show that 21.3 percent said insurance companies denied a claim that "wasn't medically necessary," and 21 percent said that the treatment or medication was not on the approved list of covered services.

In 2020, health insurance companies nationwide denied more than 42 million ACA claims for reasons including "lacking prior authorization, excluded services, and medical necessity," according to the KFF data. The 2021 KFF data show an increase of 6 million claim denials for a total of 48.3 million in-network claims denied.

Health insurers are in the business of ensuring patients can receive health-related services for the premiums they pay. They should not play a role in medical decision making. Outside of procedures and treatments, medications and prescriptions are big business for many health insurers, too. CVS, Cigna, and UnitedHealth own 80 percent of the prescription drug market and, through pharmacy benefit managers (PBMs) and practices like white bagging, are increasingly in control of the prices and type of drugs provided to patients.

Health insurers' ownership of PBMs has drawn so much scrutiny that the Federal Trade Commission is investigating health-insurer owned PBMs. Patients and their doctors are the ones who should be deciding what type of care they'll receive.

Sixteen percent of Meredith Poll respondents report having had to go through unnecessary paperwork to get treatment, including procedures and prescriptions, in the past two years. All that unnecessary paperwork adds up—literally.

A 2017 study found that medical paperwork accounted for a third of total spending for many healthcare-related costs, including health insurers, clocking in at $812 billion.[20] Despite all of society's technological advancements, and a serious outcry to make healthcare more cost-effective, it is still common practice for health insurers to use copious amounts of confusing paperwork to make getting their money as cumbersome as possible, which ultimately drives the cost of care even higher.

Solutions To Fixing Healthcare In North Carolina, Starting With Insurance

While "fixing" the healthcare industry in North Carolina, and nationally, will take time and significant collaboration among insurance companies, healthcare providers, and policymakers, there are several initial steps that can be taken immediately to help improve the consumer experience.

Solutions:

- **Diversify healthcare insurance options in N.C.**
- **Consider policy to cap market share percentages for health insurance companies serving N.C.**
- **Track state health insurance denial rates, and assess appeal processes to ensure consumers have fair return for their payment, so that access to care increases, not decreases.**
- **Put parameters on how health insurance companies can use premium increases, ensuring they go toward paying providers and hospitals fairly, not pure profits.**

The number of health insurance options in North Carolina needs to be diversified. The Meredith Poll says that only 8.3 percent of North Carolinians think health insurers have their best interest in mind. Increased competition would drive these companies to care more about their members' needs and ensuring their satisfaction.

Looking at a recent analysis of the monthly cost of healthcare in North Carolina, the lack of competition among private health insurers may be reflected in the high prices. BCBSNC and Wellcare of North Carolina are both available in most counties across North Carolina, over 100. But they are some of the most expensive, with BCBSNC costing $628 a month and Wellcare running $925.[21]

Lawmakers and regulators should look to limit the percentage of market share any one insurance company can hold. With such a stronghold on the N.C. market, new entrants will have a hard time right-sizing the market without directives and policy changes from state legislators. Special attention should be paid to cutting through health insurance company approval and denial red tape. By eliminating practices and policies that unnecessarily put payors in the middle of the doctor-patient relationship, North Carolinians' access to care can increase. Health insurers in North Carolina also need to be held accountable to cover the care their members receive, without pointing to "the fine print" to dodge unsavory expenditures. This would help to uphold and potentially expand in-network access.

Lastly, North Carolinians should demand that premium increases go toward paying hospitals and providers fairly, not just lining the pockets of health insurance companies.

Solutions like more competition among insurers or honoring treatment and medication decisions between doctors and patients should not be radical policies. But the current state of health insurers and their obvious pursuit of profits have made common-sense solutions like quality, affordable healthcare seem out of the ordinary. Lawmakers and regulators can bring real change to North Carolina when it comes to the care of its citizens. That starts with holding health insurers across the state accountable.

Sources

1. Healthcare Insider, "Top Individual Health Insurance Companies, Mapped," Jan. 5, 2022
2. 2022 Meredith Poll, "Just 8.3% of North Carolinians Think Health Insurers Have Best Interests in Mind"
3. United States Census, Quick Facts – North Carolina, Population Estimates, July 2, 2021 (V2021)
4. 2022 Meredith Poll, "Just 8.3% of North Carolinians Think Health Insurers Have Best Interests in Mind"
5. Kaiser Family Foundation, State Health Facts, "Small Group Insurance Market Competition"
6. U.S. Department of Health and Human Services, Press Release: HHS Announces Rule to Protect Consumers from Surprise Medical Bills, July 1, 2021
7. North Carolina Medical Society, "Regulatory Issues: Surprise Billing"
8. Congressional letter, Interim Final Rule, "Requirements Related to Surprise Billing, Part II"
9. American Medical Association, "Re: Concerns with Interim Final Rule Requirements Related to Surprise Billing: Part II implementing the No Surprises Act (NSA)"
10. SEC, "UnitedHealth Group Reports 2021 Results," Jan. 19, 2022
11. UnitedHealth Group, "UnitedHealth Group Reports 2022 Results," Jan. 13, 2023
12. Tarbell, "The Potter Report: UnitedHealth's $24 Billion Profit"
13. BlueCross BlueShield of North Carolina, "Skyrocketing Drug and COVID-19 Costs Drive Record Medical Expenses in 2021; Affordability Efforts and Investments Keep Blue Cross NC Financially Strong," March 1, 2022
14. Blue Cross Blue Shield of North Carolina, Press Release, Sep. 1, 2022
15. Value Penguin, Lending Tree, "Average Cost of Health Insurance (2023)"
16. U.S. Bureau of Labor Statistics, "Table 7. Consumer Price Index for All Urban Consumers (CPI-U): U.S. City Average, by Expenditure Category, 12-Month Analysis Table"
17. Modern Healthcare, "Health Systems See Increasing Claim Denials as Payer 'Delay Tactic'"
18. Kaiser Family Foundation, "Claims Denials and Appeals in ACA Marketplace Plans in 2020"
19. Kaiser Family Foundation, "Claims Denials and Appeals in ACA Marketplace Plans in 2021"
20. UPI, "Medical Paperwork Costs $812B Per Year In U.s."
21. Value Penguin, Lending Tree, "Best Cheap Health Insurance in North Carolina (2023)"

NORTH CAROLINA | CENTER FOR HEALTH & DEMOCRACY