

Healthy North Carolina: North Carolina's Attempt to Expand Coverage to Small Employers

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Background Facts: NC

- More than 1.3 million nonelderly (18%) were uninsured in NC in 2004.
- Between 1999-2000 and 2003-04:
 - North Carolina experienced larger increase in the percentage of nonelderly who were uninsured than nationally (NC: 15%, US: 10% increase)
 - A greater percentage of North Carolinians lost employer-sponsored insurance than nationally (NC: 9%, US: 6% decrease)

Background Facts: NC

- North Carolina small firms less likely to offer coverage than nationally
 - Problem concentrated in firms <25 employees
- But if work in firm that offers coverage, more likely to be eligible for coverage, and more likely to enroll
 - However, fewer dependents (children) covered by ESI than nationally

Background Facts: NC

- Small group reform covers small firms with 1-50 employees
 - Adjusted community rating with banding
 - Department of Insurance has authority to review the rating methodology, not approve rates
- Small group purchasing pool failed in the 1990s
- North Carolina does NOT have a high-risk pool
 - BCBSNC will provide coverage to anyone regardless of health status, but premiums may be as high as seven times the standard risk
- North Carolina has low HMO penetration

Expanding Coverage to Small Employers

- Political interest in making health insurance coverage more affordable to small employers
 - House: supports tax credits
 - Senate: supports Healthy New York model
- NC IOM Task Force on Covering the Uninsured created hybrid approach
 - Healthy North Carolina with additional tax credits to encourage greater employer and employee participation

Healthy North Carolina: Decision Points

- What firms should be eligible to participate in publicly-subsidized reinsurance program?
 - Size of firm, low-wage employees, length of time uninsured?
- What are appropriate income eligibility thresholds for solo proprietors and/or working individuals?
- How to prevent adverse selection
 - Among employees in eligible small firms?
 - Among solo proprietors or working individuals?



Healthy North Carolina: Decision Points

- What benefits should be covered?
 - Benefits covered under Healthy New York are more comprehensive than those commonly purchased in NC small group market
- What is the proper reinsurance corridor?
 - What is the target reduction in premium prices?
- Is the publicly-funded reinsurance pool the only effort targeted at small employers or should it be combined with other approaches?