



June 14, 2018

North Carolina General Assembly Members  
 Legislative Building  
 16 West Jones Street  
 Raleigh, NC 27601

Dear Members of the North Carolina General Assembly:

The undersigned organizations write today to express our significant concern over the health benefit plans created by House Bill 933. We urge the legislature not to move this legislation forward as drafted and provide the opportunity for open and public discussion of this most important issue to the people of North Carolina. We are especially concerned that section 6 of the bill would create substandard health insurance plans and expose hardworking North Carolinians to physical and financial harm. If given the opportunity for discussion and input, the undersigned organizations stand ready to work with you to find solutions that protect patients and consumers by ensuring they have access to affordable and adequate health care coverage.

Our organizations represent millions of patients and consumers facing serious, acute, and chronic health conditions – including thousands of farmers, tradesmen and women, and small business owners in the state of North Carolina. Together, our organizations have a unique perspective on what patients need to prevent disease, cure illness, as well as manage and improve health over the lifetime. A strong, robust marketplace is essential for people with healthcare needs to access comprehensive coverage that includes all of the treatments and services they require to stay healthy at an affordable cost. We urge the General Assembly to make the best use of the recommendations, knowledge and experience our organizations offer here.

Our organizations are deeply concerned about the impact of this proposed legislation could have on North Carolinians - especially on hardworking farmers and small business owners. Section 6 of the bill would allow a new type of self-funded, insurance-like, health benefit plan that would be exempt from state insurance regulation to be sold. North Carolina has a long tradition of fair and balanced insurance regulation. Exempting these special plans from oversight by the statewide elected Insurance Commissioner leaves the consumers of the state without an important voice to protect their interest. To see the full impact of these plans, we need to look no further than Tennessee, where a similar law already exists. The Society of Actuaries found that Tennessee’s market had nearly the worst risk score,

meaning they have the sickest and most expensive enrollees, in the entire country.<sup>1</sup> Tennessee's individual market has seen significantly higher premium increases than North Carolina.<sup>2</sup> While these proposals are advertised to serve farmers, we are deeply concerned they will hurt more than they help. Farm labor is physical and difficult. In these professions, it is not a matter of if you will need healthcare, but when

While these new plans may offer a cheap option for some, they would be allowed to operate outside state law and could fail to meet the needs of our hardest working citizens.

If enacted as written, this proposal would:

- threaten North Carolinians with preexisting conditions;
- offer small benefit that comes with big risks for families;
- drive up higher costs and higher premiums; and
- could harm the same people they purport to help.

### **Harms to those with preexisting conditions**

The plans proposed in this bill are not subject to North Carolina's health insurance regulations and are thereby not health insurance, making them dangerous for those who suffer from preexisting conditions such as cancer, high blood pressure, asthma, mental health conditions, and even congenital health problems that may have required treatment since birth. If passed, this bill would turn back the clock and once again allow plans to discriminate based on health status. Research has shown that such plans routinely, limited coverage to individuals with pre-existing health conditions or refused to cover services related with those conditions, charged older people, women and individuals with pre-existing conditions more for their coverage, or denied coverage all together.<sup>3</sup>

In North Carolina, approximately 27 percent of non-elderly residents have a pre-existing condition that would result in them being uninsurable or would face limited coverage based on their pre-existing condition.<sup>4</sup> Additionally, these plans would not have to cover the Essential Health Benefits (EHBs). For most consumers, the EHBs are what make insurance what it is, they expect their plan to provide coverage for necessary services and medications such as prescription drugs, hospitalizations, preventive care, disease treatment, mental health etc. It is especially critical when someone is diagnosed or suffers a serious health complication. People cannot always plan when they will get sick. By paying a health insurance premium, people expect coverage to be there when they need it, and unfortunately, these plans do not guarantee that.

### **Small benefits and big risks for families**

In addition to the limited benefits these plans provide, they put patients and their families at serious financial risk. Currently, marketplace plans cannot limit EHB services annually or over a person's lifetime. Under the proposed law, plans are free to impose lifetime caps or annual limits on coverage. In addition to directly impacting an individual's health, these policies expose consumers to significant financial risk.

---

<sup>1</sup> Owen, Rebecca. *An Examination of Relative Risk in the ACA Individual Market*. Society of Actuaries. August 2016. <http://www.soa.org/research-reports/2016/relative-risk-aca-market/>. Note: Arkansas' risk score was worse than Tennessee's, but the report considers the state an "outlier" because its private option Medicaid expansion population is counted in the risk score calculation.

<sup>2</sup> Holahan, John, Linda J. Blumberg, and Erik Wengle. *Changes in Marketplace Premiums, 2017 to 2018*. Urban Institute. March 2018. [https://www.urban.org/sites/default/files/publication/97371/changes\\_in\\_marketplace\\_premiums\\_2017\\_to\\_2018\\_0.pdf](https://www.urban.org/sites/default/files/publication/97371/changes_in_marketplace_premiums_2017_to_2018_0.pdf).

<sup>3</sup> Palanker Dania, JoAnn Volk, Kevin Lucia, and Kathy Thomas. *Mental Health Parity at Risk*. National Alliance on Mental Illness. June 2018. <https://www.nami.org/parityatrisk>

<sup>4</sup> Claxton, Gary, Cynthia Cox, Anthony Damico, Larry Levitt, and Karen Pollitz. *Pre-existing Conditions and Medical Underwriting in the Individual Insurance Market Prior to the ACA*. Kaiser Family Foundation. December 2016. <http://files.kff.org/attachment/Issue-Brief-Pre-existing-Conditions-and-Medical-Underwriting-in-the-Individual-Insurance-Market-Prior-to-the-ACA>.

Furthermore, by operating outside of state regulations, these plans would not be subject to financial oversight. Currently, marketplace plans are required to spend 80 percent of premiums they collect on claims. These plans would not have that requirement, thereby being allowed to keep more profits as well as spend more on advertising, marketing and broker commissions and less on patient care. If the plan cannot pay claims, enrollees will be left without coverage and holding the bill for their health care.

### **Drive up costs and premiums**

These proposed plans are meant to attract younger, healthier people. In fact, these new plans could be able to actively recruit new members, regardless of their occupation, for a nominal fee. This would pull healthier people away from the larger marketplace risk pool and result in premium hikes for those who need comprehensive plan sold on the state marketplace. These premium increases will, again, hurt North Carolinians with preexisting conditions the hardest as they are in need of comprehensive coverage and could be denied by these new plans if they did try to apply.

### **Conclusion**

In closing, we urge the General Assembly to reject this proposal. Our organizations stand ready to help find a North Carolina solution to ensure that more North Carolinians have access to adequate and affordable health coverage. One example is to find a North Carolina solution to closing the coverage gap. By doing so, 365,000 uninsured people in the state, including farmers, fishermen, and realtors, could gain coverage.<sup>5</sup> States that have moved to close the coverage gap have lower premiums and healthier risk scores in their marketplace.<sup>6</sup> Additionally, other states have leveraged federal dollars to create reinsurance programs to reduce premiums across the marketplace. These are just two solutions we believe will offer better protection for patients while bringing down costs for all North Carolinians. We look forward to working with you to address these concerns.

Thank you in advance for your consideration, and we look forward to continuing to work closely with you to ensure that all North Carolinians have access to affordable, comprehensive coverage that best meets their needs. If you have any questions about the content of this letter, please contact Betsy Vetter at [betsy.vetter@heart.org](mailto:betsy.vetter@heart.org) or 919-463-8328.

Sincerely,

American Cancer Society Cancer Action Network  
American Diabetes Association  
American Heart Association  
Chronic Disease Coalition  
Cystic Fibrosis Foundation  
Epilepsy Foundation  
Leukemia & Lymphoma Society  
Lutheran Services in America  
March of Dimes

Mended Hearts  
Mended Little Hearts  
Muscular Dystrophy Association  
NAMI, National Alliance on Mental Illness  
NAMI NC, National Alliance on Mental Illness,  
North Carolina  
National Multiple Sclerosis Society  
National Psoriasis Foundation

---

<sup>5</sup> Buettgens, Matthew. *The Implications of Medicaid Expansion in the Remaining States: 2018 Update*. Urban Institute. May 2018. [https://www.urban.org/sites/default/files/publication/98467/the\\_implications\\_of\\_medicaid\\_expansion\\_2001838\\_2.pdf](https://www.urban.org/sites/default/files/publication/98467/the_implications_of_medicaid_expansion_2001838_2.pdf).

<sup>6</sup> Antonisse, Larisa, Rachel Garfield, Robin Rudowitz, and Samantha Artiga. *The Effects of Medicaid Expansion under the ACA: Updated Findings from a Literature Review*. Kaiser Family Foundation. March 28, 2018. <https://www.kff.org/medicaid/issue-brief/the-effects-of-medicaid-expansion-under-the-aca-updated-findings-from-a-literature-review-march-2018/>.