



THE FACES *of*  
NORTH CAROLINA'S  
UNINSURED



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## **NORTH CAROLINA'S UNINSURED:** **Who they are. What they face.**

Yes, the uninsured are the poor, the homeless, the less fortunate. But they're also your neighbors across the street. Your child's best friend at school. The small business owner who waves from her shop every morning. They are every race, religion, ethnicity and creed.

The 15.6 percent\* of North Carolinians – that's 1.3 million of the state's residents – without health coverage come from every socioeconomic class, every level of education and every region of this diverse state.

There is no one "face" of North Carolina's uninsured. There are many faces – perhaps more than you ever imagined. But the challenges they're dealt are very similar – such as greater risk for developing debilitating illnesses, an increased number of hospital stays and significantly reduced productivity at work.

Blue Cross and Blue Shield of North Carolina (BCBSNC) knows this. We confront this problem every day. And we are committed to working together to find solutions.

\* "Income, Poverty and Health Insurance Coverage in the United States: 2005." U.S. Census Bureau. August 2006.

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## UNTAPPED PUBLIC PROGRAMS

While cost is the number one reason most non-elderly uninsured don't have health insurance, lack of awareness about existing publicly funded programs is a close runner-up. Medicaid and N.C. Health Choice provide health insurance to low-income individuals and families. However, many of those who are eligible for these programs aren't signed up.

Why don't they sign up? Some don't know about the programs despite significant outreach efforts across North Carolina. Some find the application process too complicated or feel there is a stigma attached to public programs. Sometimes, it's because they and their children have been lucky and haven't had any serious health conditions – yet. In all of these cases, the result is the same: a missed opportunity to live healthier lives.

## Facts

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### Estimates of citizens eligible for Medicaid or N.C. Health Choice, but not signed up\*

- 192,000 uninsured children under 18
- 46,000 uninsured adults with dependent children
- 13,000 uninsured pregnant women
- 4,000 uninsured people with disabilities

\* Holmes M., Presentation to N.C. Institute of Medicine. Covering Uninsured Task Force, April 2005. Based on 2001-2003 Current Population Survey data. The analyses show that as many as 192,000 uninsured children under age 18, 46,000 uninsured adults with dependent children, 13,000 uninsured pregnant women and 4,000 uninsured people with disabilities may be income-eligible for Medicaid or N.C. Health Choice, but not enrolled.

However, this is likely to be an overestimate of people who are potentially eligible for publicly subsidized health insurance. The Current Population Survey typically undercounts people who are eligible for Medicaid. Further, noncitizens and some individuals that have too many resources may not qualify even if they meet other program rules.



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## THE HIGH COST OF HEALTH

To put it simply, health care is just too expensive for the majority of individuals in North Carolina who are currently uninsured. Insurance can help pay for health care, but it cannot change the fact that health care costs have risen dramatically. Many families are faced with choosing between having the basic, everyday life necessities, and paying for medical coverage that – at least in times of good health – may seem a less urgent need.

Businesses – particularly smaller ones – have to weigh the cost of providing health insurance coverage to employees against making enough profit to cover inventory, salaries and all of the other line items that keep the doors open. Not paying for insurance may save money in the short term, but there may be more significant costs down the road.

Without insurance, access to preventive care – such as mammograms, colorectal screenings, PSA tests and other procedures that can detect illnesses before they become serious – can be reduced. Often this means that the diagnosis and treatment of serious illness comes at a much later and more costly stage. Worker productivity decreases exponentially. And children’s performance in school is adversely impacted.

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## Facts

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### What's driving costs up?\*

- Increased cost (not usage) of hospital services. Between 1990 and 2000, hospital spending increased 104 percent in North Carolina and accounted for 35 percent of the increase in personal health care spending.
- Increased use and prices of prescription drugs. Between 1990 and 2000, prescription drug spending rose 250 percent in North Carolina and accounted for 16 percent of total growth in personal health care expenditures.
- Increased availability and use of technology, such as CT scans, MRIs and PET scans. In North Carolina, diagnostic imaging costs have risen 21 percent in just two years.\*\*
- Overall population growth and the increased prevalence of certain health problems, including heart disease, mental disorders, pulmonary disorders, cancer and trauma.

\* "Covering the Uninsured—Rising Healthcare Costs." Fact Sheet. N.C. Task Force on Covering the Uninsured. April 2006.

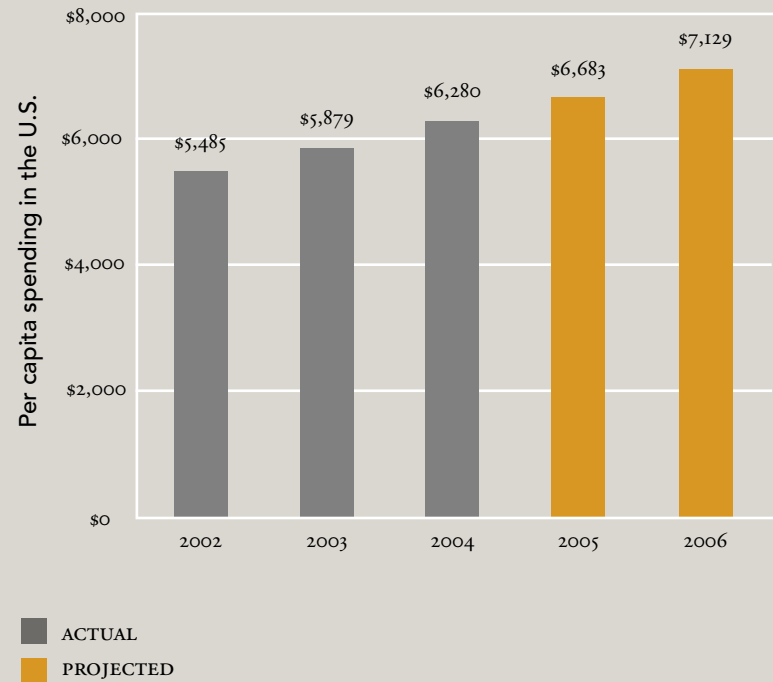
\*\* BCBSNC claims data. Utilization of outpatient, non-emergency diagnostic imaging exams by BCBSNC members increased by 21 percent from 2003-2005 and cost more than \$445 million in the same timeline.

- Four largely preventable diseases in our BCBSNC membership generate a billion dollars a year in health care costs – heart disease, cancer, diabetes and chronic obstructive pulmonary disease. These conditions often stem from improper diet, unhealthy weight, sedentary lifestyle or tobacco use.\*
- Adults in North Carolina are spending \$24.1 billion each year in health care costs related to physical inactivity, excess weight, type II diabetes and low fruit/vegetable consumption.\*\*

\* BCBSNC claims data. 2004.

\*\* "The Economic Cost of Unhealthy Lifestyles in North Carolina." Be Active North Carolina Inc. December 2005.

## Health care costs keep rising\*



\* Centers for Medicare and Medicaid Services. 2006.

## Facts

### The impact of being uninsured\*

- The uninsured have a 25 percent greater chance of premature death.
- Nationally, there are 18,000 avoidable deaths annually among the non-elderly due to lack of health insurance coverage.
- Uninsured women suffering from breast cancer have a 30-50 percent greater risk of death than those who are insured.
- Low-income uninsured.\*\*
  - 4.5 times more likely to have diabetes
  - 30 percent more likely to have high blood pressure
  - 50 percent more likely to have high cholesterol
  - Almost twice as likely to have fair or poor health

\* Institute of Medicine and the National Academy of Sciences, "Covering the Uninsured: Being Uninsured Has Adverse Health Consequences." Fact Sheet. N.C. Task Force on Covering the Uninsured. April 2006.

\*\* Behavioral Risk Factor Surveillance System Survey Data. Centers for Disease Control and Prevention. 2003.

## A CHRONIC CHALLENGE

Whether you call them “high-risk” or “medically uninsurable,” those with chronic health conditions often face a challenge far greater than finding the best medical care – being able to access any treatment at all. Those who aren’t covered by employer-sponsored medical insurance can be rejected for individual coverage or offered coverage at a price they cannot afford.

Chronically ill individuals who are destroyed financially can often find access to public coverage. But it just isn’t right that people can lose everything they have spent a lifetime working for before the public programs catch them. We need to find more effective ways to spread the cost of this care and reduce the burden on any one group or individual. BCBSNC favors legislation to provide more affordable coverage for people with serious health conditions.

## Facts

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### Help for the “uninsurable”

- BCBSNC estimated in 2006 that a high-risk pool in North Carolina could cover 9,000 “medically uninsurable” citizens, requiring a subsidy of approximately \$40 million a year.\*
- North Carolina legislators are considering creating a state high-risk pool with premiums for eligible individuals capped at 175 percent of individual standard rates.\*\*

\* BCBSNC data. 2006.

\*\* House Bill 265, 2007 Session of the N.C. General Assembly.

## THE INVINCIBLES

They're young. They're just starting out. They're often paid lower wages. And, in some cases, they can't imagine themselves as sick or helpless. They're used to being covered on their parents' plans, but they've reached the age when they're no longer eligible for dependent coverage.

Whatever the reason, those from 18 to 34 comprise the group that's most likely *not* to have health insurance coverage.\* As a result, preventive care is neglected, routine checkups are delayed, and needless financial and physical suffering is experienced during what for many is the most carefree period in our lives. Obviously, the cost of health insurance is an issue for many people just starting out in the workforce. Yet, others who should be able to afford coverage are choosing not to buy it.

A number of states have tried to address this issue by raising the age at which insurers must consider adult children as dependents for insurance purposes. Fifteen states require coverage for adult children, with the maximum age varying from 19 to 30. Several states require coverage indefinitely for disabled adult children.\*\*

Our Blue Advantage® product for individuals allows dependents to remain on their parents' policy until they turn 26, regardless of whether they are a student, in the workforce or unemployed.

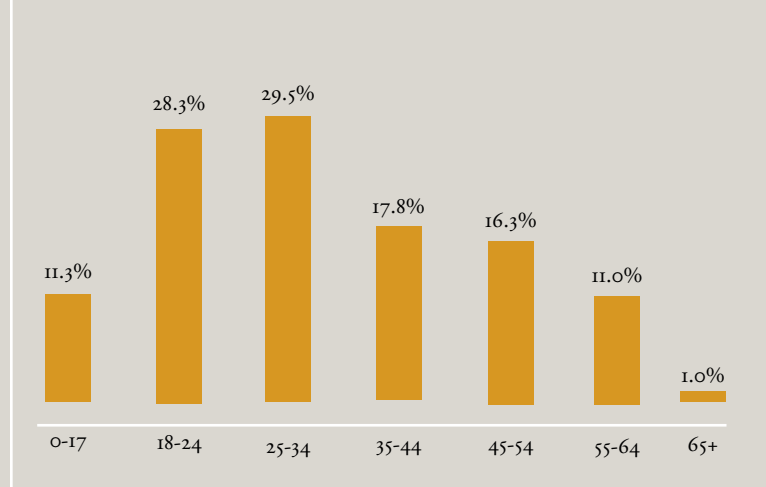
\* Holmes M., Analysis of U.S. Census. Current Population Survey (CPS) 2004–2005 (Calendar years 2003–2004). Cecil G. Sheps Center for Health Services Research, The University of North Carolina at Chapel Hill. 2005. The analyses are based on two-year average of 2004–2005 CPS data weighted more heavily to the most recent year.

\*\* States requiring coverage of adult children are CO, DE, IL, ME, MD, MA, NC, NH, NJ, NM, OR, RI, SD, TX. National Council of State Legislatures. January 2007.

## Facts

Those in the 18-34 age group represent 57.8 percent of all uninsured\*

Percent of individuals who are uninsured by age  
North Carolina, 2003-2004



\* Holmes M., Analysis of U.S. Census. Current Population Survey (CPS) 2004–2005 (Calendar years 2003–2004). Cecil G. Sheps Center for Health Services Research, The University of North Carolina at Chapel Hill. 2005. The analyses are based on two-year average of 2004–2005 CPS data weighted more heavily to the most recent year.

## SMALL BUSINESSES, BIG RISKS

There's a direct correlation between an employer's size and the likelihood that the firm will provide health benefits to its employees. The smaller the company, the less likely it is to provide coverage – a reality that impacts all demographics.

That's a particular problem for North Carolina, because small businesses are increasingly the engine behind the state's economy: 98 percent of businesses in North Carolina are small businesses,\* and more than half of them don't offer health insurance.\*\* It's hard for small businesses to qualify for rates as low as those available for large firms, particularly if some of their workforce is in poor health.

About half of the uninsured in North Carolina (55.3 percent) work for a small firm or belong to a family where someone works for a small firm (fewer than 25 employees).\*\*\*

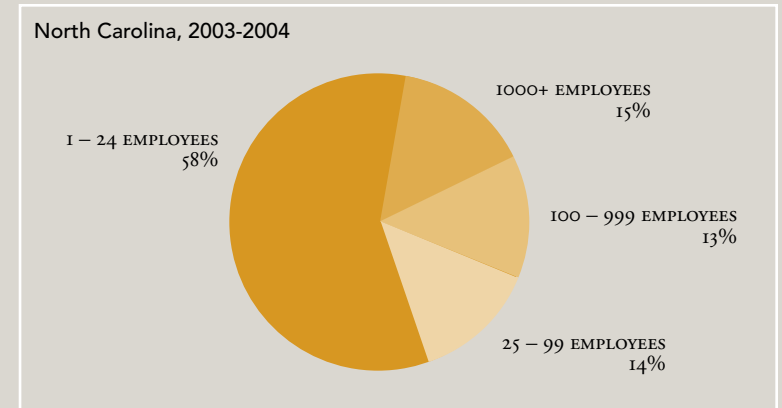
\* United States Small Business Administration. <http://www.sba.gov/advo/research/profiles/06nc.pdf>

\*\* Fifty-nine percent of North Carolina businesses don't offer health benefits. Kaiser Family Foundation State Health Facts. 2002.

\*\*\* "North Carolina's Uninsured." North Carolina Medical Journal. May/June 2006.

## Facts

### Uninsured full-time workers by firm size\*



\* Holmes M., Analysis of U.S. Census. Current Population Survey (CPS) 2004–2005 (Calendar years 2003–2004). Cecil G. Sheps Center for Health Services Research, The University of North Carolina at Chapel Hill. 2005. The analyses are based on two-year average of 2004–2005 CPS data weighted more heavily to the most recent year.

## MINORITIES – FEWER IN NUMBER, BUT AT GREATER RISK

Although most of North Carolina's uninsured population is white, racial and ethnic minorities are at a disproportional risk of being uninsured. Since the majority of these individuals are members of working families, what's the problem?

For some, like Latinos who come to North Carolina from non-English-speaking countries, language barriers and lack of awareness about health insurance programs can be factors. Additionally, many of these individuals are accustomed to receiving coverage from government-sponsored plans in their country of origin.

But an important reason may be that many minorities work for small companies that either don't provide coverage or offer it with a prohibitively high degree of employee cost-sharing.

## Facts

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### Uninsured minorities\*

- Ninety-three percent of uninsured Hispanics are in working families.
- Eighty-six percent of uninsured African-Americans are in working families.
- African-Americans both above and below the poverty level are less likely to be insured than whites.

\* "The Uninsured in America." Blue Cross and Blue Shield Association. January 2005.

## SHATTERING THE LOW-INCOME STEREOTYPE

Nationally, there are 9.3 million uninsured individuals and families with an annual household income of \$50,000 or more. More than half of them – 4.8 million people – earn more than \$75,000 per year.\* Even at these relatively high levels of income, insurance costs can be a challenge, particularly for people with serious health conditions. Yet, many in this group may be able to afford insurance. So, why don't they have it? The reasons are as unique as the individuals themselves. However, some of the more common ones include the following:

- They don't believe they need insurance because they're young and healthy.
- They think insurance is too expensive – yet haven't really explored their options and don't understand the big risks they're taking.
- They are self-employed – but don't understand how to set up a tax-deductible coverage plan for themselves and their employees, or find small group options too expensive.
- They don't have access to group coverage that is generally affordable to individuals in this income range.

\* Actuarial Research Corporation (ARC) analysis of March 2004 CPS data (CY2003). Blue Cross and Blue Shield Association.

## Facts

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### Who makes up the \$50,000+ group?\*

- 40 percent are under the age of 35
- 13 percent are self-employed
- 48 percent are workers or dependents in small firms

\* "The Uninsured in America." Blue Cross and Blue Shield Association. January 2005.

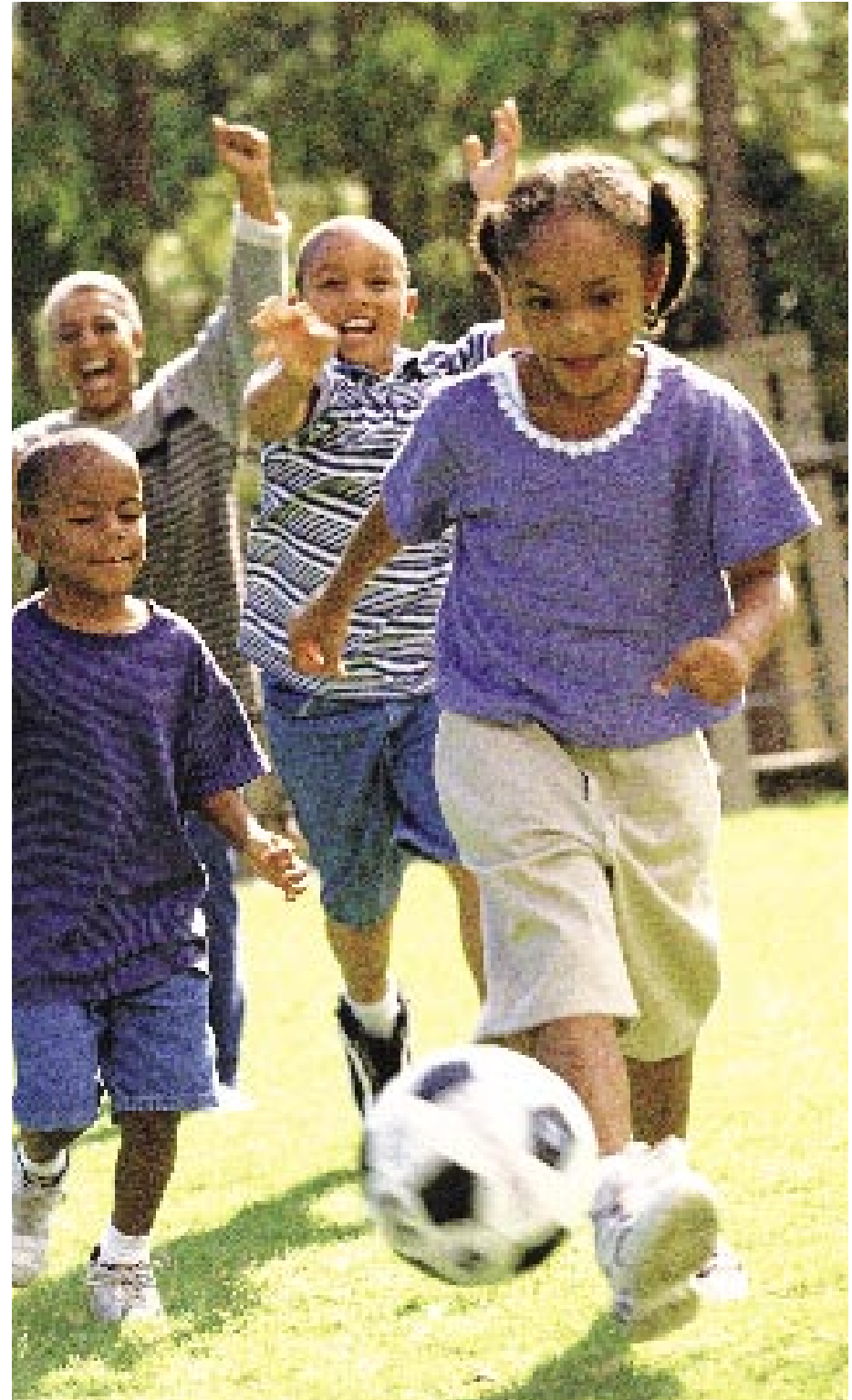
## IS ANYTHING BEING DONE? YES!

The problem of uninsured Americans – North Carolinians specifically – has been decades in the making. But some initiatives are making significant differences now. Blue Cross and Blue Shield of North Carolina has taken steps to make health care more accessible and affordable for everyone by:

- Working with the Blue Cross and Blue Shield Association to cut fraud, waste and abuse – saving subscribers more than \$240 million nationally in 2004 alone.\* BCBSNC efforts reduced fraud, waste and abuse by nearly \$10 million within the state in 2006.\*\*
- Making the cost of prescription drugs more affordable by providing incentives to customers to use generic drugs, and piloting programs such as electronic prescribing.
- Showing real results in helping members make good choices about activity and nutrition, and manage their chronic conditions through our Member Health Partnerships<sup>SM</sup>. This program helps them save money and avoid illness down the road.
- Helping businesses and individuals enter the health insurance market by realizing the premium savings and tax advantages of Health Savings Accounts.

\* Blue Cross and Blue Shield Association anti-fraud data. August 2006.

\*\* BCBSNC data. 2006.



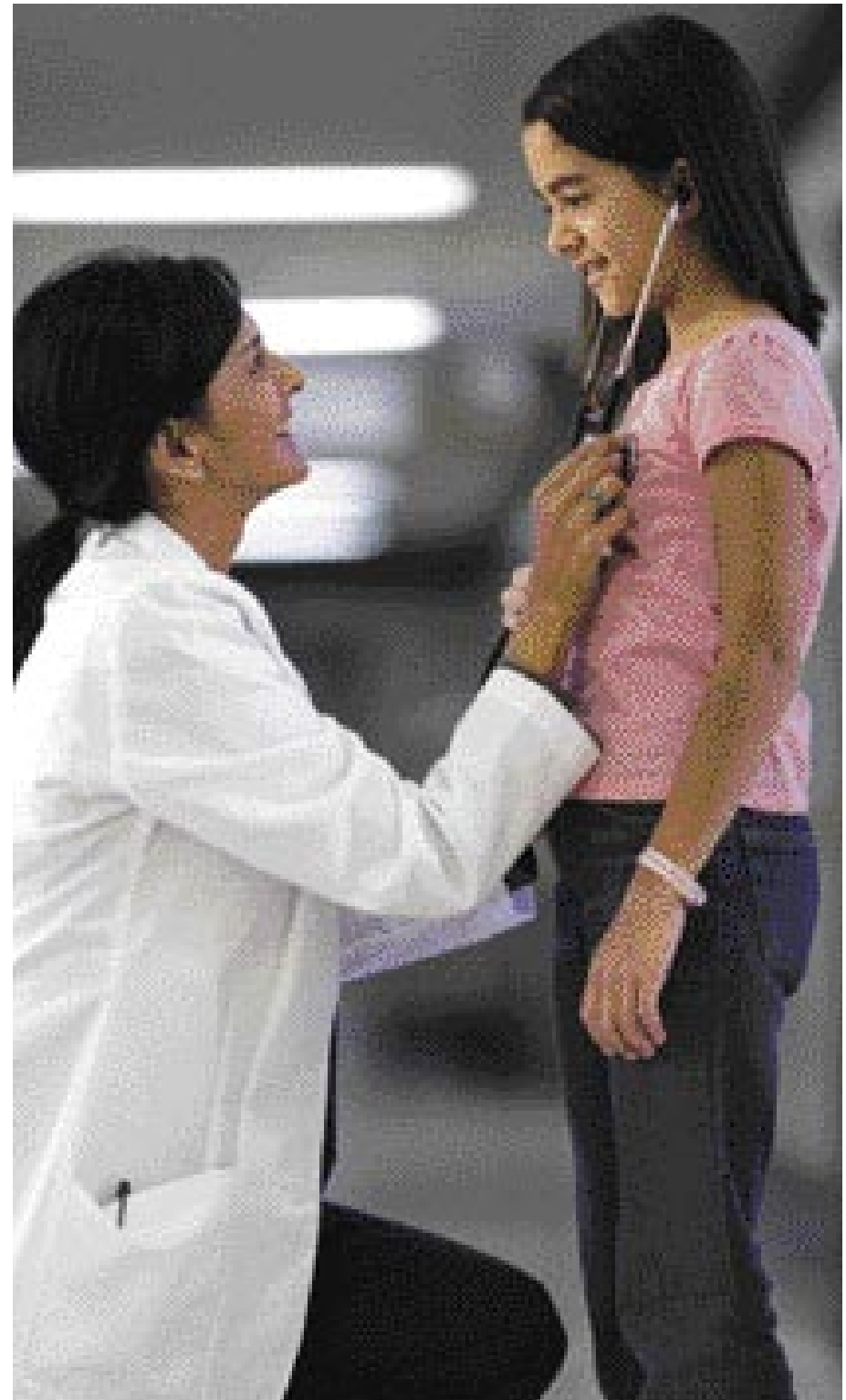
BCBSNC has been working to enhance the quality of health care treatment, which in turn helps hold down the cost of care, by:

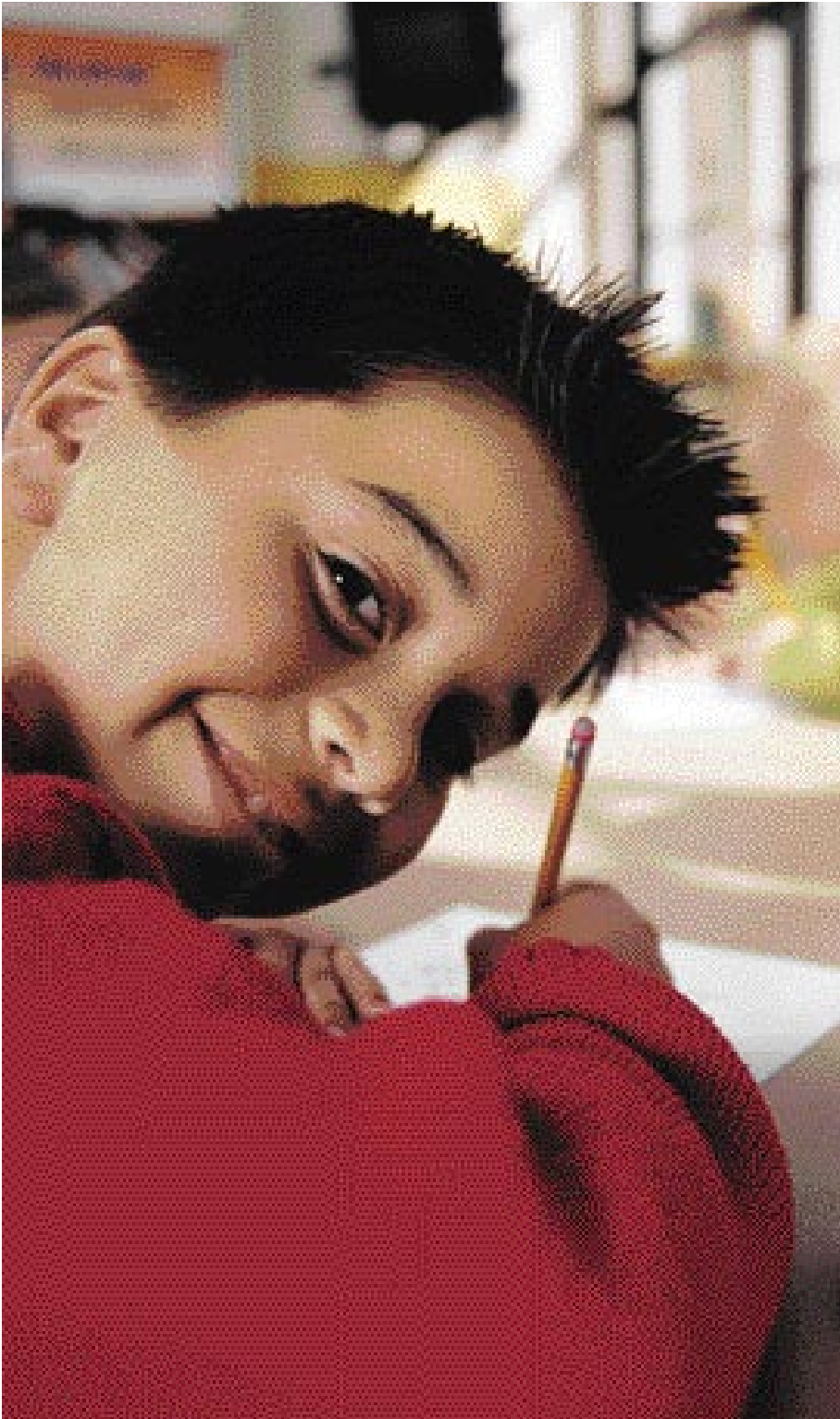
- Creating “Centers of Excellence” that help our members identify the organizations and practitioners who are getting the best treatment results in cardiac care, bariatric surgery and organ transplants.
- Initiating the Bridges to Excellence program to reward primary care doctors who meet national, evidence-based guidelines for quality of care.
- Supporting the N.C. Center for Hospital Quality and Patient Safety, an effort that seeks to make North Carolina’s hospitals the safest in the nation.

The Blue Cross and Blue Shield of North Carolina Foundation – a separate, independent, private, charitable foundation – is involved in a number of groundbreaking collaborations to improve the health of the uninsured and other vulnerable populations. Its efforts include:

- Working to expand free clinics statewide through a five-year partnership with the North Carolina Association of Free Clinics. Since the partnership began in 2004, the number of clinics has increased by 27 percent, resulting in North Carolina having the nation’s largest network of free clinics.\*
- Collaborating with the N.C. Medical Society Foundation to support the Community Practitioner Program, which recruits primary health care providers to rural and other high need areas of the state. The partnership is expected to generate at least \$50 million in care for the uninsured over five years.

\* North Carolina has the largest number of free clinics in a state association. “Interim Report on Status of State and Regional Free Clinic Associations.” Cruise, M., May 2006.





## WE NEED TO DO MORE

When confronting any social or economic challenge, there is always an opportunity for more creative thinking to find better ways of doing things and more imaginative options for us to consider. The issue of the uninsured is certainly no different. BCBSNC is studying various strategies for broadening access to coverage.

For the medically uninsurable, policymakers in other states have established high-risk pools that put the cost of health insurance premiums within reach of many who couldn't otherwise afford them. To date, 33 states have passed legislation implementing these high-risk pools for their citizens. The North Carolina General Assembly is currently considering doing the same. We'd like to see North Carolina enact good legislation to establish a high-risk pool.

At BCBSNC, we're asking a lot of tough questions: Is it time to make health insurance coverage mandatory? What is the most equitable way to spread risk in our insurance system? How can the legal system be changed to protect patients from malpractice without creating incentives to provide unnecessary, defensive care? How can we work with doctors and hospitals to reduce medical errors and improve patient safety?

As we consider these issues, we'd like to hear what you think about the problem – and where you see opportunities to move forward. If you'd like to be heard on this important issue, please go to [www.bcbsnc.com](http://www.bcbsnc.com) and click on the "My Turn" link.

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