north carolina JUSTICE CENTER

Farm Bureau Health Plans Undermine Protections for Pre-Existing Conditions

REJECT §6 OF SENATE HEALTH CARE PCS FOR HOUSE BILL 933

NC JUSTICE CENTER FACT SHEET

On June 7, 2018, the Senate Health Care Committee unveiled a new proposal to rewrite health insurance laws in our state through a proposed committee substitute (PCS) to House Bill 933. The PCS would:

- Establish new health insurance plans exempt from all state and federal insurance rules, jeopardizing consumer protections, and
- Allow unlicensed, unregulated health insurance companies to make an easy buck at consumers' expense.

Specifically, this PCS would cause the following problems and unintended consequences:

- Make coverage unaffordable for the sick and the old by cherry picking young and healthy enrollees.
- Segment the individual market, leaving the ACA-compliant risk pool sicker, older, and more expensive.
- Subject enrollees to bare-bones coverage without adequate benefits or financial protection.

If lawmakers want to help our rural communities afford insurance, they ought to close the coverage gap instead**.**

1. NC Farm Bureau plans would openly discriminate through underwriting and cherry-pick young and healthy enrollees.

- Because they are not considered "health insurance" subject to state and federal law, such plans could discriminate against North Carolinians based on health status, pre-existing conditions, gender, age, and other factors. That means charging more, denying coverage, or refusing to cover certain conditions.
- Middle-income people with pre-existing conditions would have fewer choices, especially if they make too much for subsidies on ACA Marketplace. They would be denied Farm Bureau plans because they cannot pass underwriting, while premiums in ACA-compliant plans increase further due to adverse selection.
- NC Farm Bureau President Larry Wooten: "If we can't underwrite, then it won't work for us."[i]
- 1,658,000 North Carolinians—27% of non-elderly adults—have declinable pre-existing conditions.[ii]
- Plans could continually poach young and healthy folks from the individual market risk pool. They can actively recruit new members, as any NC resident regardless of occupation can join after paying $25 annual fee.

2. These plans would reap windfall profits at enrollees' expense because they cover minimal benefits and pay out few claims.

- Other non-insurance plans that operate as health insurance plans are cash cows for these companies, spending on average only 67 cents of every premium dollar they collect on enrollees' health care claims.[iii] Individual market plans are required to spend at least 80 percent of premiums on claims.
- These plans would not be required to cover prescription drugs, hospitalizations, cancer treatment, preventive care, maternity and pregnancy care, or other essential health services.
- Lawmakers would be giving the Farm Bureau carte blanche to define their benefits packages.
- No rules prohibit these plans from creating annual caps and lifetime limits on benefits for enrollees.

3. Based on Tennessee's experience, Farm Bureau plans would destabilize the real health insurance market, causing premiums to rise for older adults and people with pre-existing conditions.

- The proposal mimics the Tennessee law exempting Farm Bureau health plans from state regulation.

For More Information, Contact: Bill Rowe at bill@ncjustice.org or Brendan Riley at Brendan@ncjustice.org

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- As a result of healthier enrollees getting recruited into these plans, the Society of Actuaries found that Tennessee's ACA-compliant individual market had the worst risk score—the sickest and most expensive enrollees—in the entire country.[iv]
- Tennessee's individual market has seen higher premium increases than North Carolina,[v,vi] and their market has been destabilized by recent high-profile insurer exits.[vii]
- Iowa only passed similar legislation in April 2018, insufficient time to understand the impact of the law.

4. North Carolina would suffer a setback in the fight to increase access to treatment for substance use disorder and addiction.

- Plans would not be required to cover substance use disorder treatment, behavioral health services, or other health care services critical for fighting the opioid epidemic in our state.
- Among similar plans that have been exempt from federal insurance rules, 62 percent do not offer coverage for substance use disorder or addiction treatment.[viii]

5. These health plans could actually hurt the farmers and agricultural workers they purport to help.

- Farm Bureau health plans would charge higher premiums based on age without limits set by federal or state law. The average age of farm operators is 58.3 years old,[ix] much higher than the median age (38.7 years old) of NC residents, suggesting that many farmers would face high premiums based on their age.
- The vast majority of uninsured agricultural workers in North Carolina earn net incomes near poverty, meaning that many are in the coverage gap because the General Assembly has not expanded access to Medicaid. 75% of these uninsured workers in NC have incomes below 200 percent of the poverty line.[x]

6. We have other proven solutions for covering the uninsured and making health insurance more affordable.

- An estimated 365,000 uninsured North Carolinians—including farmers, fishermen, realtors, and other low-wage workers—would gain coverage if our state closed the coverage gap by expanding Medicaid.[xi]
- Medicaid expansion states have lower premiums (7 percent) and healthier risk scores in their individual markets.[xii]
- Other states like Alaska, Minnesota, and Wisconsin (pending) have leveraged federal dollars for reinsurance programs to reduce premiums in the individual market by covering certain high-cost claims.[xiii]

7. Farm Bureau health plans would exist in a regulatory no man's land, with no oversight or accountability mechanisms.

- The proposal treats these plans, which function like health insurance plans, as *not health insurance* under state and federal law, meaning they are exempt from all state insurance laws, rules, and requirements.
- If an enrollee has a complaint about their plan or had a claim unfairly denied, the NC Department of Insurance cannot help them because it does not regulate these plans.
- Made exempt from state oversight and solvency requirements, these plans put North Carolinians at greater risk of fraud, insolvency, and unpaid claims.

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