Dear Dr. Tunde Sotunde and the Board of Trustee Members of Blue Cross Blue Shield of North Carolina,

The undersigned organizations are deeply committed to the health and wellbeing of all North Carolinians, which is why we must share our concerns about Blue Cross Blue Shield of North Carolina’s (BCBSNC) proposal to restructure in House Bill 346 and Senate Bill 296. The proposal will allow BCBSNC to bypass critical protections under our state’s Conversion Act, which was enacted to protect the public interest of underserved North Carolinians, and we question the true motives of BCBSNC to restructure in order to be “competitive.”

We do not believe this proposal is in the best interest of the 4.3 million BCBSNC policyholders in North Carolina or for our state’s insurance market. As such, we are asking BCBSNC to withdraw this plan from consideration immediately.

Since its incorporation in N.C. General Statutes in 1941, BCBSNC has always been a not-for-profit based on the principle that it was created by our people, for our people, with all assets therefore belonging to our state. The Conversion Act requires any not-for-profit company such as BCBSNC converting to a for-profit to first transfer all assets to a publicly controlled foundation dedicated exclusively to the health of North Carolinians.

The proposed legislation, HB 356 and SB 296, would allow BCBSNC to evade these state laws by proposing a “restructuring” as opposed to a complete “conversion” to a for-profit company. If passed, BCBSNC would be...
able to drain assets intended to help the people of North Carolina into a newly created “nonprofit holding company.”

It is our understanding that a nonprofit holding company is “nonprofit” in name only. Unlike a true 501(c)(3) or 501(c)(4), a nonprofit holding company is simply a business corporation that does not own stock and is not subject to regulatory protections or guidelines.

Therefore, the nonprofit holding company could take actions such as investing assets out of state or increasing exorbitant executive salaries, leaving consumers in the dark on how these actions could impact premiums or out-of-pocket costs. Research shows that Blue Cross plans that have converted in other states are more vulnerable to out-of-state ownership, which reduces quality of care and services while increasing costs for policyholders. The proposed restructuring is a creative backdoor to avoid a full conversion to a for-profit company, and the public and N.C. General Assembly should be seriously concerned about the possibility of out-of-state acquisitions.

BCBSNC’s claim that restructuring is necessary to remain competitive in the North Carolina insurance marketplace needs further scrutiny.

BCBSNC controls 80% of the individual and group market for insurance products in the state. By allowing a hyper-dominant corporation even more advantages to “compete” and thus expand their market share, one of our many concerns about the BCBSNC restructuring proposal is that North Carolina consumers will be left with even fewer choices in the insurance market.

BCBSNC’s recent finances and activities do not paint a picture of a company struggling to compete. In 2021, BCBSNC CEO Sotunde received a salary of $4 million plus a $2.1 million bonus. In the same time period, the top eight executives at BCBSNC made an extra $9 million between them, and the company has reported a total revenue exceeding $10 billion and admitted assets of $7.7 billion. BCBSNC already has tremendous business flexibility that allows them to acquire additional companies such as Brighton Health Solutions and invest nearly $1 billion in for-profit subsidiaries. Given the sheer domination of BCBSNC in our state’s insurance market, any proposal to restructure must be made with transparency, information, careful deliberation, and public input.

Yet, BCBSNC’s proposal to “restructure” fails to do any of the above. In fact, HB 346 and SB 296 are scant in detail, and BCBSNC has failed to provide any information on how the restructuring scheme will impact coverage, affordability, accessibility, and network adequacy for policyholders.

Given our concerns over the lack of transparency and information that this change would have on healthcare, affordability, and coverage, as well as the act of siphoning financial assets that should be dedicated to the health of North Carolinians, the undersigned organizations are asking BCBSNC to withdraw this plan from consideration immediately.

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1 The Impact of Blue Cross Conversions on Accessibility, Affordability, and the Public Interest
2 BCBSNC market share for N.C. individual policies; BCBSNC market share for group policies
3 Blue Cross execs got million-dollar bonuses as premiums continue to rise
4 Annual Statement for the Year 2022 of the Blue Cross and Blue Shield of North Carolina
5 Brighton Health Plan Solutions to Administer Benefits for Select Blue Cross NC Employer Groups Effective January 1, 2023
6 BCBSNC 2022 Five-Year Historical Data
Sincerely,

4 Positive Choices 501c3
Action NC
Carolina Jews for Justice
Charlotte Center for Legal Advocacy
Democracy North Carolina
Down Home NC
Health Care for All NC
HealthCare for All WNC
Health Care Justice NC
Indivisible Asheville/WNC
Indivisible Guilford County
League of Women Voters of the Lower Cape Fear
Local Progress
MomsRising
Muslims for Social Justice
NC AIDS Action Network
NC Medicare For All Coalition
NC Poor People's Campaign
North Carolina Asian Americans Together
North Carolina Council of Churches
North Carolina Justice Center
North Carolina NAACP
North Carolina NOW
People's Power Lab
Piedmont Progressive Action 501(c)4
Piedmont Unitarian Universalist Church
Pisgah Legal
Pitt Co. Coalition Against Racism
Planned Parenthood Votes South Atlantic
Pro-Choice North Carolina
Raleigh NOW (Raleigh Chapter of the National Organization for Women)
Triad Women’s Center
Unitarian Coastal Fellowship
Unitarian Universalist Community of Charlotte
Unitarian Universalist Justice Ministry of North Carolina