

Background

[House Bill 346](#) allows Blue Cross Blue Shield of North Carolina to “restructure” and set up a parent “nonprofit holding corporation (NPHC)” that is not a regulated insurance company. The bill offers a pathway for Blue Cross NC to operate with fewer guardrails meant to protect patients. As a nonprofit organization in North Carolina, Blue Cross NC has been able to build wealth and assets without paying taxes until the 1980s.ⁱ Unlike for-profit insurance companies that are responsible to stockholders, Blue Cross NC is a charitable nonprofit benefiting all the people of North Carolina. Blue Cross NC dominates the health insurance industry in North Carolina with nearly 80 percent market share in both individualⁱⁱ and group plans.ⁱⁱⁱ

Under [N.C. General Statute 58-65-131\(a\)](#), the North Carolina General Assembly determined that if Blue Cross NC converts its structure from a nonprofit to a for-profit company, then the full value of the nonprofit must be placed into a charitable foundation that promotes the health of all North Carolinians. Under HB 346, Blue Cross NC will continue to retain nonprofit status under the NPHC it establishes.

How does House Bill 346 change Blue Cross NC?

1. Blue Cross NC will establish an NPHC that will own the insurance company and serve as a parent company to Blue Cross NC.

The new holding corporation will need to report strategic investments to the Insurance Commissioner yearly. However, the new holding corporation and subsidiaries are specifically exempted from oversight *after* reorganization.

2. The NPHC will be the sole owner and parent company of Blue Cross NC’s insurance company.

3. The “reorganization” of Blue Cross NC and the establishment of the NPHC will not trigger our state’s conversion law.^{iv}

This “reorganization” does not require Blue Cross NC to hold public hearings or submit a forecast of how this change would impact policyholders.

4. Blue Cross NC can spend policyholder money with limited or no oversight from the Department of Insurance.

- Blue Cross NC can transfer cash, investments, or equity in affiliates or subsidiaries from the insurance company to the NPHC and its subsidiaries.
- The total value of assorted assets it initially transfers cannot exceed 25 percent of the insurance company’s admitted assets per the latest annual report filed with the Department of Insurance.^v
- This transfer cap only applies during reorganization. After reorganization is complete, Blue Cross NC can transfer money or other assets to the holding company beyond the 25 percent of admitted assets.^{vi}

5. Blue Cross NC can invest in or purchase other hospitals or companies that do not directly benefit North Carolinians through the NPHC.



What does this mean for North Carolinians?

1. Policyholders are likely to see higher premiums down the road.

- Blue Cross NC will now be allowed to transfer assets away from the insurance company into the NPHC. Ultimately, it will see lower investment earnings—and those earnings are a critical factor in covering operating expenses.
- Blue Cross NC has \$5 billion of investment securities, which acts effectively as an “internal endowment.” If up to 25 percent of this “internal endowment” is transferred to the holding company and its subsidiaries, in bad operating years, Blue Cross NC will need to make up for lost investment earnings by increasing health insurance premiums.

2. Blue Cross NC policyholders are unlikely to see premium rebates.

- Under [North Carolina law](#),^{vii} insurance companies must hold a minimum of three months and a maximum of six months of operating reserves. Holding more than six months of reserves triggers a rebate to policyholders. These specific rebates are based solely on its reserves.
- Due to its new structure, Blue Cross NC can transfer money away from the insurance company to the NPHC to ensure it does not exceed six months of reserves.

ⁱ <https://www.govinfo.gov/content/pkg/STATUTE-100/pdf/STATUTE-100-Pg2085.pdf>

ⁱⁱ https://www.ncjustice.org/wp-content/uploads/2023/03/2021_P4S1_Individual-comprehensive.pdf

ⁱⁱⁱ https://www.ncjustice.org/wp-content/uploads/2023/03/2021_P4S2_Group-comprehensive.pdf

^{iv} Article 65 of Chapter 58

^v "§ 58-65-177. Reorganization. C

^{vi} *ibid*

^{vii} 58-65-95