

Implementing National Health Reform in North Carolina

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National reform will not upend the way North Carolinians obtain insurance or health care. Most people will still receive coverage through work or purchase a policy from a private insurer on the individual market. Seniors will still get their guaranteed Medicare benefits. Nevertheless, reform is a revolutionary shift in how we think about health care. No longer will we focus on whether or not a particular person qualifies for a public program or is eligible for private insurance. Instead, we will work to find where different individuals fit into the system. It will be assumed that every one qualifies for coverage.

This is important because right now our health care system has too many holes and not enough nets. Over the next three years, health reform reverses this trend by building broader and stronger safety nets while narrowing the cracks through which too many families fall.

After reform is fully implemented in 2014, health care will be more accessible than at any other time in our state's history. That is why North Carolina health advocates and analysts are elated by the passage of comprehensive national reform. Reform will inevitably help millions of people across our nation, but the true test of this legislation is how it unfolds on the ground. How will it help the people caught in the whirlwind of everyday experiences?

Over the past year, the North Carolina Justice Center's Health Access Coalition has traveled the state talking to people of every political stripe about their health care experiences. Here are a few stories that demonstrate the problems people face everyday in our current system. None of the problems are simple. Just as our health system is complicated, so too are the struggles families face in accessing care. But if health reform can extend relief to these people, then this historic bill will qualify as a success.

- Michael Byrus is a 23-year-old man living in Apex. He is a college student with a painful chronic ailment called Crohn's disease. His inflammations are serious and difficult to control, although he is careful with his diet and

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self-administers his regular injections. During a recent extended stay in the hospital while he recovered from major surgery, Michael's insurance company threatened to drop his coverage. Because Michael's condition makes him virtually uninsurable, this was a serious threat.

How was the insurance company able to withdraw Michael's coverage just when he needed it most? He is insured by his mother's policy, but to stay on that plan he must maintain his status as a full-time student. But Michael's surgery and subsequent recovery would keep him out of school for most of the semester. The insurance

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company questioned his student status and said he was no longer eligible to remain on his mother's plan.

Despite his illness, Michael worked with his college and with individual instructors to conduct class work, remain a student, and maintain coverage.

- Susan Smith in Hickory has labored over the last several years, helping her 25-year-old daughter Rachael afford the care she requires. Rachael Smith has systemic lupus. Lupus makes it difficult for her to work, which means that a group policy is unobtainable and Rachael's condition makes purchasing insurance on the individual market impossible.

After one particularly frightful bout in the hospital, Rachael was left with a \$30,000 bill. Neither Susan nor her daughter had the money to pay. Collection agents hounded them. Susan was only able to cover the debt with her husband's small life insurance policy after he passed away.

They finally had a brief respite before Rachael was hospitalized again. Susan says a 48-hour stay stuck them with another \$30,000 bill. They were devastated.

This time Susan thought to ask about a charity care policy at the nonprofit hospital. She was never told about financial assistance by anyone at the hospital. Susan is now applying for charity care, hopeful for help but nervous that another episode will result in bankruptcy.

- Matthew Potter is a 22-year-old who has cerebral palsy. The Potter family moved to North Carolina while Matthew earned an undergraduate degree at Wake Forest University.

When the Potters relocated to Winston-Salem they discovered that the state does not impose the same modified community rating restrictions that New Jersey requires. Insurance companies here are allowed to raise premiums prohibitively on those with pre-existing medical conditions. Matthew's premiums increased more than 700% over what his family paid in New Jersey for the same coverage.

The Potters had limited choices for insurance. While Blue Cross and Blue Shield of North Carolina offered a plan with steep premiums, it was the only company willing to offer the Potters a plan without lifetime caps. Because of Matthew's condition, the family could not consider any plan that capped benefits.

Now Matthew is considering graduate school and he is forced to consider the insurance regulations of different states as he decides where he should continue his studies.

Health reform includes immediate changes that protect the Potter and Smith families and Michael Byrus. Starting in 2010, Byrus can remain on his mother's insurance regardless

of his student status. If his illness forces him out of school he can still get the care he needs. Rachael Smith will now qualify for a temporary high risk pool and, as reform is implemented, Medicaid or subsidized insurance will place caps on out-of-pocket spending. Also, Susan and Rachael will appreciate new charity care policy "disclosure to patients" requirements for hospitals. Reform imposes an adjusted community rating system on all states so that the Potters will not have to consider local insurance regulations before relocating, and insurance policies will not include lifetime caps on benefits.

These are the protections written into the national law that passed this year. But health reform inevitably will be judged on how these regulations are translated into action. Shortly after President Obama signed reform into law, some insurance companies announced that they did not think the law required them to enroll children with pre-existing conditions. Administration officials countered this effort to wriggle out of reform, but more conflicts will arise. This is not due to shortcomings in the law; it's just the way regulation battles are fought.

We are pleased with national health reform. We are happy for the relief it will provide for the people we work with every day. But we still have concerns about the strength of consumer protections. There is more work to do here in North Carolina to make sure national reform is implemented quickly, fairly, and comprehensively. As our health system moves toward 2019, when insurance coverage is projected to expand to 95% of the population, we will focus on improving a few key provisions:

- Before new insurance industry regulations are introduced, North Carolinians are still responsible for paying unsubsidized premiums. Anecdotal evidence and news reports suggest that premiums are increasing by 40% or 50%, especially for small businesses. Also, after 2014, subsidies are only granted to those with household incomes less than 400% of federal poverty guidelines, or \$88,000 for a family of four. Households with higher incomes will still pay the full premium costs for insurance. That means the North Carolina Department of Insurance needs immediate strong rate review authority to keep insurance companies from unfairly raising rates.
- As part of reform, North Carolina needs a strong consumer protection agency to help people navigate health plan options, subsidies for coverage, small business tax credits, and similar reform issues. We envision that this organization would operate like the Managed Care Patient Assistance (MCPA) Program at the Attorney General's Office. An independent board with people drawn from all walks of life, consumer advocates, and other stakeholders should advise this office. It should also be larger and more robust than the MCPA program.

- North Carolina's health insurance exchange should be structured fairly to maximize consumer choice. The state should create one exchange that combines small businesses and individual consumers to spread risk more broadly and make insurance more accessible. A single health insurance company should not be allowed to dominate the exchange.

When President Obama signed health reform into law it was not the end of a journey, but the beginning of a journey

long delayed. There is still much to do. But we are now moving our health care system out of its stasis. The North Carolina Justice Center's Health Access Coalition is going to help channel reform in ways that benefit people long shut out of the system. Other organizations will undoubtedly try to shape reform to favor the interests they represent. That is how our political system works. But we should all remember that if reform does not benefit Michael Byrus, Rachael Smith, and Matthew Potter, then we are doing them, and ourselves, a great disservice. **NCMJ**

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