

**For-Profit Conversion of  
Blue Cross and Blue Shield of North Carolina:  
Assessment of the Potential Impact on  
Accessibility and Affordability of Health Care**

**A Report to the  
North Carolina Department of Insurance**

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October, 2002

## II. Demographic, Economic and Health Status Profile of North Carolina

This section provides a demographic profile (including population and demographic characteristics), economic profile (including income, poverty and employment) and population health profile (including mortality, health status and lifestyle) of North Carolina compared to the U.S. and other states in the South Atlantic region, including Delaware, Maryland, the District of Columbia, Virginia, West Virginia, South Carolina, Florida and Georgia. It provides a perspective on the unique challenges as well as potential opportunities facing a major health insurance company operating in this state.

### Demographic Profile

#### Population Characteristics

North Carolina ranks 29<sup>th</sup> in land area, but its population of 8.2 million ranks it number eleven in 2001. Over the past decade, the North Carolina population has grown faster than all other states in the region except Georgia and Florida, exhibiting a growth rate well above the national average (21.4% vs. 13.1%). During this period, the state has become far less rural than in the past: even a decade ago, roughly half of North Carolina's residents lived in rural areas. Today, less than a third of the population resides in rural counties, but even so, the chances of living in a rural area are 50 percent higher in North Carolina than in the U.S. as a whole or average state within the region. Within the

**Table 2.1**  
**Population Characteristics of North Carolina, South Atlantic Region and U.S.**

	Total Population (millions)	Percent Growth in Last Decade	Population per Square Mile	Percent Living in Rural Areas
<b>United States</b>	<b>284.8</b>	<b>13.1%</b>	<b>81</b>	<b>19%</b>
<b>North Carolina</b>	<b>8.2</b>	<b>12.6</b>	<b>168</b>	<b>29</b>
			<b>Index (US = 100)</b>	
<b>South Atlantic Region</b>	<b>5.9</b>	<b>95</b>	<b>1,556</b>	<b>108</b>
Delaware	0.8	126	506	95
Maryland	5.4	80	683	42
District of Columbia	0.6	(37)	11,564	-
Virginia	7.2	107	225	105
West Virginia	1.8	1	93	247
North Carolina	8.2	96	209	153
South Carolina	4.1	105	168	153
Georgia	8.4	199	180	147
Florida	16.4	173	377	26
<b>Year of Data</b>	2001	1991-2001	2001	1999-2000

Note: Figure for South Atlantic Region is unweighted average of figures shown, including NC.

region, only West Virginia has a more rural flavor than North Carolina. At the same time, however, our state’s population density is more than double the U.S. average (165 people per square mile compared to the national average of only 80 people per square mile).

All other things being equal, the state’s rapid population growth offers BCBSNC a solid opportunity to continue to grow in the future (thereby enhancing its attractiveness as a potential acquisition target). But these same factors also are likely to entice other national players to expand their presence, thereby making the market even more competitive. In contrast to what might be needed to succeed in the far more urban states of Delaware, Maryland and Washington DC, any plan wishing to remain as dominant as BCBSNC is now currently probably would need to continue to be able to operate in and serve well both rural areas as well as the major metropolitan areas.

### Demographic Characteristics

The median age of North Carolina residents is 35.3 years, slightly higher than the national average of 32.3 years, but quite similar to the rest of the region. In part, this is because the percent of North Carolinians under 18, is slightly below the national average (24.4% vs. 25.7%), which also is typical of the region. Notwithstanding the state’s growing reputation as a retirement haven, the percent who are 65 and over currently is somewhat less than the national average (12.0% vs. 12.4%), placing it within the middle of the pack regionally. However, that is expected to change over the next decade: indeed, by 2025, 21.4% of the population is expected to be elderly, a share expected to be the 11<sup>th</sup> highest in the nation.

**Table 2.2  
Demographic Characteristics of North Carolina, South Atlantic Region and U.S.**

	Median Age (Years)	Age Distribution		Race/Ethnicity	
		Under 18	65 & Over	Black	Hispanic
United States	32.3	25.7%	12.4%	13%	12%
North Carolina	35.3	24.4	12.0	23	4
		<b>Index (US = 100)</b>			
<b>South Atlantic Region</b>	<b>111</b>	<b>94</b>	<b>102</b>	<b>200</b>	<b>44</b>
Delaware	111	96	105	177	33
Maryland	111	100	91	215	42
District of Columbia	107	78	98	485	50
Virginia	111	96	90	162	33
West Virginia	120	87	123	23	-
North Carolina	109	95	97	177	33
South Carolina	110	98	98	192	17
Georgia	103	103	77	262	33
Florida	120	89	142	108	158
<b>Year of Data</b>	2000	2000	2000	1999-2000	1999-2000

Note: Figure for South Atlantic Region is unweighted average of figures shown, including NC.

Compared to the U.S., North Carolina has a much higher share of the population that is Black, but a correspondingly lower population that is Hispanic, but this is quite similar to other states in the region.

As with population growth in general, the growing elderly population provides BCBSNC a theoretical opportunity to expand in the area of Medicare supplemental coverage. The high minority share of the population brings with it unique challenges and opportunities. Blacks are twice as likely as whites to be uninsured and more likely to report having no usual source of care. They also are far more likely to rate their health as fair or poor, are more prone to certain diseases such as cancer and diabetes, and experience considerably higher infant mortality rates than whites. Blacks offer abundant opportunities for lifestyle improvements insofar as they experience higher rates of hypertension, smoking, obesity and elevated cholesterol. These conditions will favor any insurer that finds ways to make available more affordable products that also provide cutting edge tools for better managing chronic diseases.

## Economic Profile

In contrast to Delaware, Maryland and Virginia, North Carolina lags behind the U.S. on a variety of different measures of economic strength. Both median family and median household income for North Carolina are below the national and regional averages. Among households with earnings, mean earnings are 11 percent lower in North Carolina compared to the nation. Not surprisingly, North Carolina mirrors the region as a whole in having a somewhat higher poverty rate and slightly fewer families above 200 percent of poverty compared to the nation. In 2000, the state enjoyed an unemployment rate that was somewhat lower than the average in the region, but last year its unemployment rate (5.5%) was second highest within the region.

**Table 2.3**  
**Economic Profile of North Carolina, South Atlantic Region and U.S.**

	Median Income		Mean Earnings	Families with Income:		Unemployment Rate	
	Families	Households		Below Poverty	Over 200% Poverty	2000 Average	2001 Average
<b>United States</b>	<b>\$27,830</b>	<b>\$37,775</b>	<b>\$55,684</b>	<b>12.5%</b>	<b>66%</b>	<b>4.0%</b>	<b>4.8%</b>
<b>North Carolina</b>	<b>26,320</b>	<b>40,971</b>	<b>49,761</b>	<b>13.2</b>	<b>65</b>	<b>4.9</b>	<b>5.5</b>
	<b>Index (US = 100)</b>						
<b>South Atlantic Region</b>	<b>101</b>	<b>99</b>	<b>97</b>	<b>107</b>	<b>99</b>	<b>135</b>	<b>98</b>
Delaware	110	115	108	77	103	110	73
Maryland	125	127	117	74	112	125	85
District of Columbia	93	99	113	142	94	198	135
Virginia	117	113	106	77	109	110	73
West Virginia	79	69	71	154	85	170	102
North Carolina	95	91	89	106	98	123	115
South Carolina	94	88	85	118	97	125	113
Georgia	105	98	98	105	97	123	83
Florida	91	90	90	107	95	133	100
<b>Year of Data</b>	1998-2000	2000	2000	2000	1997	2000	2000

Note: Figure for South Atlantic Region is unweighted average of figures shown, including NC.

This economic picture counterbalances to some extent the more promising picture provided by North Carolina's population trends. Financial barriers affecting ability to pay for coverage are generally a more serious problem in North Carolina than in other states that have been involved in or are considering Blue Cross/Blue Shield conversions or sales, including Delaware, Georgia, Maryland and Virginia. For this reason, the potential effects of conversion on access and affordability may legitimately be accorded greater importance in North Carolina compared to those other states.

## Population Health Profile

### Mortality Profile

On a variety of different measures of mortality, North Carolina routinely lags somewhat behind the national averages, typically mirroring the experience of the average state within the region. The most glaring deviation from the national experience concerns white infant mortality rates, which are nearly one fifth higher than both the national and regional average.

At least some of these disparities relate to lower socioeconomic status of the state compared to the nation. Note also that the mortality experience of Blacks is far worse than that of whites on all of the measures shown. Since North Carolina has a higher Black share of the population, the mortality experience for the average North Carolinian will be even more exaggerated than shown here. (For example, the state's age-adjusted death rate overall is 7 percent higher than the national average even though the rates for whites and Blacks are only 3 and 4 percent higher respectively.) In short, a combination of economic and demographic factors contributes to North Carolina's worse health status and mortality experience.

**Table 2.4**  
**Mortality Profile of North Carolina, South Atlantic Region and U.S.**

	Age-Adjusted Death Rate		Infant Mortality Rate		Premature Death*	
	White	Black	White	Black	White	Black
<b>United States</b>	<b>858</b>	<b>1,142</b>	<b>5.8</b>	<b>14.6</b>	<b>6,708</b>	<b>13,338</b>
<b>North Carolina</b>	<b>883</b>	<b>1,192</b>	<b>6.9</b>	<b>15.5</b>	<b>7,029</b>	<b>13,818</b>
	<b>Index (US = 100)</b>					
<b>South Atlantic Region</b>	<b>101</b>	<b>104</b>	<b>100</b>	<b>107</b>	<b>103</b>	<b>108</b>
Delaware	104	99	67	123	103	94
Maryland	99	103	88	100	90	104
District of Columbia	80	117	**	130	88	173
Virginia	101	102	97	89	92	90
West Virginia	118	102	126	**	121	101
North Carolina	103	104	119	106	105	104
South Carolina	106	105	116	116	111	107
Georgia	109	103	93	95	107	100
Florida	93	102	97	93	107	99
<b>Year of Data</b>	1997-1999	1997-1999	1999	1999	1996-1998	1996-1998

Note: Figure for South Atlantic Region is unweighted average of figures shown, including NC.

\* Years of productive life lost (due to death before age 75) per 100,000 population.

\*\* Figure does not meet standards of reliability or precision.

## Health Status and Lifestyle Profile

Given its mortality experience, it should not be surprising that North Carolina ranks 34<sup>th</sup> overall among states in the latest UnitedHealth State Health Ranking—well behind neighboring Virginia (#15) but well ahead of neighboring South Carolina (#48). Compared to Americans overall, North Carolinians experience more days per month in which activities are limited (4.1 vs. 3.5), are more likely to smoke (26.1% vs. 23.3%) and have a higher risk of heart disease due principally to higher levels of obesity and sedentary lifestyle.

**Table 2.5**

### **Health Status and Lifestyle Profile of North Carolina, South Atlantic Region and U.S**

	<b>Overall Health Ranking</b>	<b>Limited Activity Days*</b>	<b>Adult Smoking Prevalence</b>	<b>Heart Disease Risk**</b>
<b>United States</b>	<b>NA</b>	<b>3.5</b>	<b>23.3%</b>	<b>100</b>
<b>North Carolina</b>	<b>34</b>	<b>4.1</b>	<b>26.1</b>	<b>106</b>
		<b>Index (US = 100)</b>		
<b>South Atlantic Region</b>	<b>37</b>	<b>120</b>	<b>100</b>	<b>105</b>
Delaware	38	123	99	103
Maryland	28	100	88	97
District of Columbia	NR	NR	90	NR
Virginia	15	80	92	96
West Virginia	47	174	112	119
North Carolina	34	117	112	106
South Carolina	48	123	106	104
Georgia	36	111	101	107
Florida	46	134	100	106
<b>Year of Data</b>	2001	2000	2000	1999-2000
<b>Source</b>	[A]	[B]	[C]	[D]

Note: Figure for South Atlantic Region is unweighted average of figures shown, including NC.

\* Limited activity days is the average number of days in the past 30 days that a person could not perform work or household tasks due to physical or mental illness.

\*\* Risk of heart disease is a measure of three equal criteria: overweight, hypertension and sedentary lifestyle. 100=US average.

Although North Carolina's performance may seem disappointing, one can also view in these same figures a great deal of opportunity for disease and lifestyle management. That is, if North Carolina already were highly ranked in terms of various measures of health status and mortality, this might imply there were relatively few opportunities to improve performance by finding ways to encourage healthier lifestyles as a way of preventing poor health or to better manage diseases as they arise. While in many ways, North Carolina merely is mirroring the experience of other states within the region, the noticeably better performance of neighboring Virginia belies the simplistic notion that geography is destiny. An insurer that can build a better mousetrap in the areas of lifestyle change and disease management arguably can compete well anywhere in the country; but

such an insurer can do even better in North Carolina simply because the opportunities for improvement are that much greater.