

PRIVATE HEALTH INSURANCE: THE BASICS

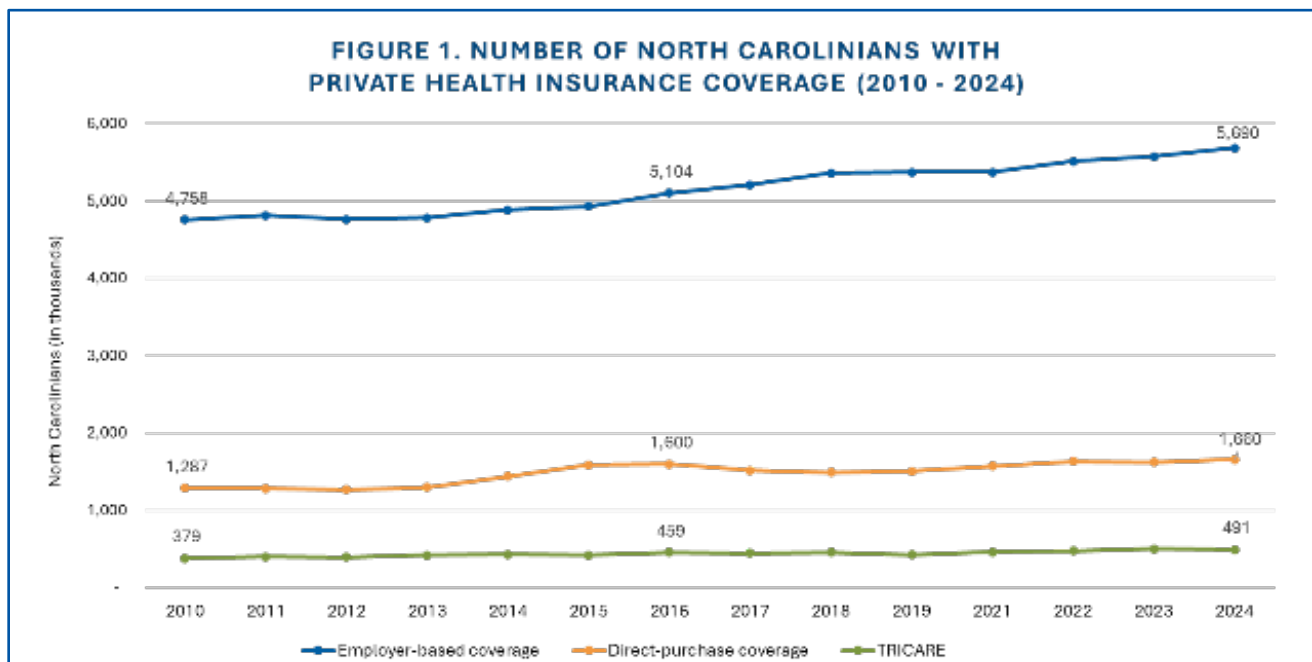
Health insurance is a contract between an individual or group and a health insurance company. To obtain private health insurance coverage, an individual or group purchases a plan (also called a policy) from the insurer, paying a set amount of money each month in exchange for the insurer covering some, or all, of the individual's or group's health care costs.¹

The 3 broad categories of private health insurance are small group, large group, and non-group.² Insurers provide small- and large-group coverage to groups, such as employers, unions, or other organizations. Individuals and families who do not receive coverage through a group or the government (e.g. through Medicaid or Medicare) can directly purchase non-group health insurance coverage from an insurance agent or through an insurance marketplace (also known as an exchange).

For reporting purposes, the US Census Bureau classifies insurance as private insurance or public insurance. Private insurance comprises employer-based coverage, direct-purchase coverage, and TRICARE.³ TRICARE is the healthcare program for uniformed service members, retirees, and their family members around the world. In 2024, 66.1% of people in the United States had private health insurance.³

NORTH CAROLINA: A SNAPSHOT

In 2024, 67.8% of the civilian, noninstitutionalized population in North Carolina had private health insurance: 52.5% had employer-sponsored insurance, 15.3% had direct-purchase insurance, and 4.5% had TRICARE.⁴ Estimates are not mutually exclusive as people can be covered by more than one type of health insurance during the year. In 2024, 8.6% of North Carolinians did not have any health insurance.



Based on civilian, noninstitutionalized population. Data from the United States Census Bureau.⁴

WHAT DOES PRIVATE HEALTH INSURANCE COVER?

The Affordable Care Act requires private health insurance plans to cover Essential Health Benefits, with a few exceptions. Essential Health Benefits are 10 categories of services that include outpatient care, emergency services, hospitalization, maternity and newborn care, mental health and substance use disorder services, prescription drugs, rehabilitative and habilitative services and devices, laboratory services, preventive and wellness services and chronic disease management, and pediatric services.⁵ Plans differ in their coverage of non-essential benefits.

A provider network is a list of doctors, other health care providers, and hospitals that a health insurance plan contracts with to provide medical care to its members. They're known as "network providers" or "in-network providers." A provider that isn't contracted with the plan is called an "out-of-network provider." Consumers typically pay less to see in-network providers than out-of-network providers.⁶

PAYING FOR HEALTH CARE (WITH HEALTH INSURANCE)

Consumers must pay a premium, a monthly payment to the insurer, in exchange for health care coverage. In return, if the consumer receives health care over the course of the year, the health insurer may pay some (or all) of the costs of covered benefits (health services and items).² Consumers must also pay out-of-pocket expenses (also referred to as cost-sharing), which are the portion of the cost of health care services consumers must pay.²

The cost of health insurance differs based on the type of insurance plan, level of coverage, location, demographic characteristics of the person purchasing the plan, and the insurer offering the plan.

KEY COST-SHARING TERMS

Deductible: The amount an insured individual must pay for covered health care services before the insurer starts to pay.

Copayment: a set amount an insured individual pays for a covered health care service after the individual has paid the deductible.

Coinsurance: the percentage of the cost of a covered health care service an insured individual pays after the individual has paid the deductible.

Out-of-pocket limit/maximum: the maximum amount an insured individual has to pay for covered health care services each year. The out-of-pocket limit does not include the monthly premium.

HOW TO COMPARE PLANS

Comparing health insurance plans can be difficult. A comparison of plans' premiums, or deductibles, will not provide an accurate comparison of the costs the insured individual will have to pay. However, comparison between plans can be made using plans' actuarial values.²

For example, an actuarial value of 80% means that the insurer pays 80% of the costs of covered benefits for a standard population, leaving the insured individual to pay the remaining 20%. The actuarial value helps consumers understand the generosity of different health plans and their potential out-of-pocket costs.

A health insurance plan's actuarial value is an estimate of the percentage of health care expenses the plan will cover on average.²

HEALTH INSURANCE REGULATION IN NORTH CAROLINA

The North Carolina Department of Insurance (NCDOI) regulates insurance plans, reviewing and approving rates (the base prices for health insurance), and ensuring that the plans offered meet the requirements of the federal and state governments. The NCDOI also reviews complaints filed by consumers.⁷

EMPLOYER-SPONSORED HEALTH INSURANCE: AN OVERVIEW

The majority of North Carolinians with private health insurance plans have employer-sponsored insurance (ESI) (also known as group coverage).

In 2024, nearly 5.7 million North Carolinians had employer-based coverage.⁴

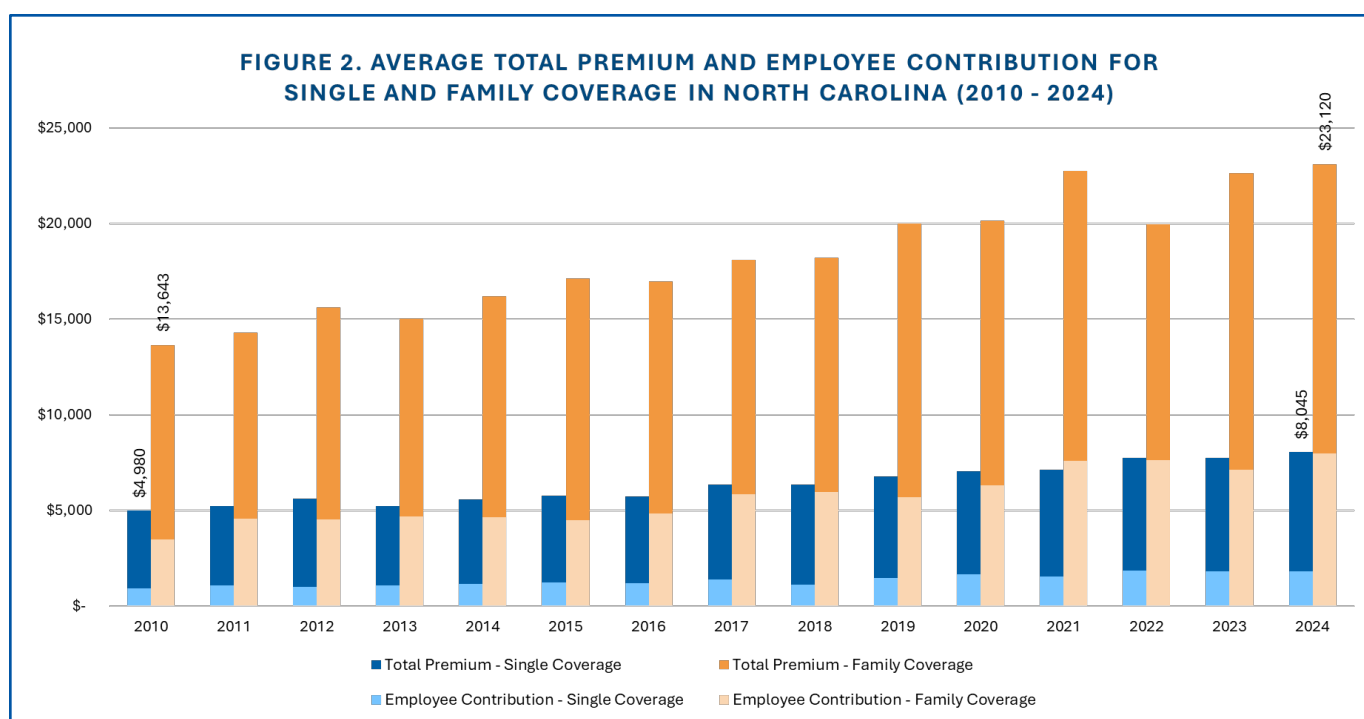
Employers offer health insurance to employees, their spouses, and their dependents as part of benefits packages used to attract and keep employees.

ADVANTAGES & DISADVANTAGES OF ESI

A tax exclusion, employer contributions, and the benefits of group insurance reduce the cost of ESI for individuals, making it the most common form of health insurance for the non-elderly. Employer contributions (and most employee contributions) to ESI are not taxed as income.¹ Employers offering health insurance, and their employees covered under ESI, may pay reduced income and employment taxes.¹

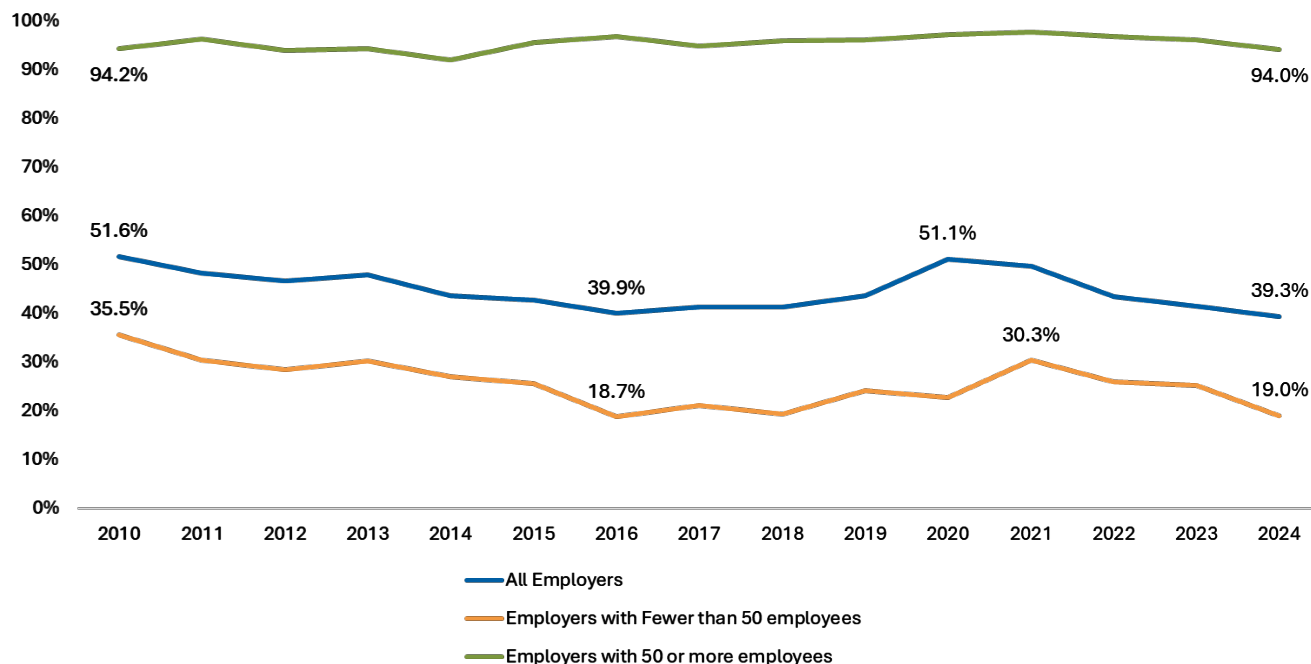
Employers pay a significant portion of their employees' premiums. In 2024, employers in North Carolina paid, on average, 77.5% of the premium for individual coverage and 65.5% of the premium for family coverage (Figure 2).⁸

Adverse selection occurs when sicker people, and those who expect to use greater amounts of health care, choose to obtain health insurance at a greater rate than healthy people. This discrepancy can lead to insurance risk pools comprised of people more likely to use more healthcare services. ESI groups (or pools) individuals, reducing adverse selection and administrative costs.⁹



Note: Data from the Medical Expenditure Panel Survey Insurance Component State and Metro Area Tables: Table II.C.1, Table II.C.2, Table II.D.1, and Table II.D.2 (2010-2024). Agency for Healthcare Research and Quality.⁸

FIGURE 3. PERCENTAGE OF PRIVATE EMPLOYERS THAT OFFER HEALTH INSURANCE IN NORTH CAROLINA (2010 - 2024)



Note: Data from the Medical Expenditure Panel Survey Insurance Component State and Metro Area Tables: Table II.A.2 (2010-2024). Agency for Healthcare Research and Quality.⁸

A disadvantage of ESI is that individuals are unable to keep their health insurance when they change jobs and potentially have fewer insurance plan options than through the individual market.

SHOP MARKETPLACE

Employers may be able to purchase health insurance for their employees through the Small Business Health Options Program (SHOP). SHOP, an online portal, allows employers with 50 or fewer employees to search for and purchase health insurance for their employees.¹⁰

SMALL BUSINESS HEALTH CARE TAX CREDIT

An employer with fewer than 25 full-time equivalent (FTE) staff may qualify to receive a Small Business Health Care Tax Credit, which can be used to lower the cost of their premiums.¹⁰ To qualify, the average yearly income of employees must be approximately \$62,000 or less and the

employer must pay 50% or more of employee-only health insurance premiums.¹¹ Smaller businesses receive bigger credits.

TRENDS IN ESI

The Employer Shared Responsibility Provision in the ACA requires certain employers with at least 50 full-time employees to offer ESI to their employees or pay a shared responsibility payment. The ESI coverage these larger employers offer must meet affordability and minimum value requirements.

Since 2000, the number of employers offering insurance in North Carolina has declined from 60% to 39.3% (Figure 3).⁸ Fewer employers are offering ESI, in part, due to the rising cost of insurance (Figure 2).

INDIVIDUAL INSURANCE COVERAGE: THE BASICS

Health insurance purchased by an individual is called individual coverage. Individual (non-group) insurance coverage is private health insurance that is purchased by individuals (and families) who do not have employer-based or public health insurance coverage.

Individuals can purchase individual health insurance coverage from insurance agents or through an insurance marketplace. Approximately 15.3% of North Carolinians purchase insurance through an insurance marketplace or through an insurance agent.⁴

AFFORDABLE CARE ACT (ACA) CHANGES TO INDIVIDUAL HEALTH INSURANCE

Prior to the implementation of the ACA, consumers faced challenges when purchasing individual insurance coverage. Insurers could charge different prices (based on an individual's health status, age, gender, geographic location, job, or length of time with insurance) for the same insurance coverage.¹⁵ Individuals could also be denied coverage based on a pre-existing condition.

The ACA's consumer protections, such as guaranteed issue and community rating, prevent insurers from denying coverage and charging different prices based on the aforementioned criteria.¹⁵ Additionally, the subsidies in the ACA help many consumers who previously may not have been able to pay full costs of their insurance premiums.¹⁶

OVERVIEW OF NORTH CAROLINA'S HEALTH INSURANCE MARKETPLACE

In North Carolina, most individual health insurance plans are sold through the state's health insurance marketplace.

Each state must have a health insurance marketplace with private health insurance options. Each state marketplace is either facilitated by the federal government, state-operated, or operated through a federal-state partnership. North Carolina's marketplace, operating since 2014, is run by the federal government. Currently 28 state marketplaces are federally facilitated, 20 are state operated, and the remaining 3 are operated through some form of partnership.¹⁷

Individuals, families, and businesses can enroll in marketplace plans online (through healthcare.gov), over the phone, in-person, or with a paper application. Enrollment occurs during annual Open Enrollment periods. In North Carolina, Open Enrollment runs between November 1 to January 15. If individuals experience a change in personal circumstances, they may qualify to enroll during a Special Enrollment Period, outside of the Open Enrollment Period.

SNAPSHOT OF NORTH CAROLINA'S MARKETPLACE (PLAN YEAR 2025)

Average Premium for Second-Lowest Cost Silver Plan for a 40-Year-Old ^a

\$507

Average Premium for Second-Lowest Cost Silver Plan for a Family of Four ¹²

\$1644

Average Premium after APTC among Consumers Receiving APTC ^{b, 13}

\$69

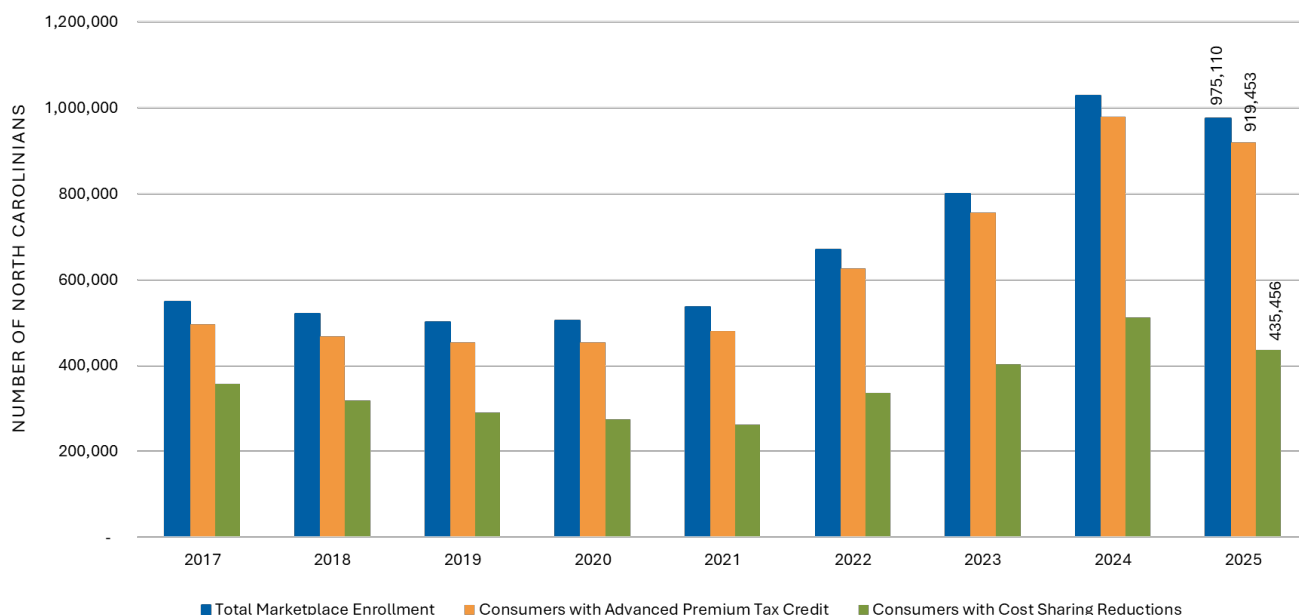
Number of Insurers Participating in NC Marketplace ¹⁴

9

^a The Second-Lowest Cost Silver Plan is the benchmark plan.

^b Advance Premium Tax Credit (APTC) is a tax credit taken in advance and based on estimated income.

FIGURE 4. NC MARKETPLACE ENROLLMENT, APTC, AND CSR (2017-2024)



Note: Data from the Marketplace Open Enrollment Period Public Use Files, Years 2017-2024. Centers for Medicare & Medicaid Services.¹³

MARKETPLACE PLANS

Marketplace plans fall into 1 of 4 tiers: bronze, silver, gold, and platinum. Plans in these tiers differ by actuarial value. Bronze tier plans have the lowest actuarial value, while platinum tier plans have the highest.

Health insurance plans sold through North Carolina's marketplace are qualified health plans (QHPs). Qualified health plans must provide essential health benefits, follow established limits on cost sharing, and be offered by a licensed health insurance issuer.^{18, 19} Federally-mandated essential health benefits (EHB) fall into 10 categories, including hospitalization, emergency services, prescription drugs, and preventive and wellness services. Each year, North Carolina sets a benchmark plan that covers all essential health benefits.

MARKETPLACE SUBSIDIES

When purchasing health insurance coverage through the state's marketplace, individuals may be eligible for premium tax credits and cost-sharing reductions (CSRs).

In 2025, 94% of North Carolinians who purchased a health insurance plan through the marketplace received an Advance Premium Tax Credit (APTC). The APTC helps individuals with household income between 100% and 400% of the federal poverty limit (FPL) pay for their insurance premiums.¹⁴ Individuals who qualify can receive the credit each month to pay their monthly premiums. For consumers who received the APTC, their average monthly premium was \$69.¹³

Enrollees with household income up to 250% of FPL who purchase a Silver plan, are eligible for cost-sharing reductions. CSRs can help reduce out-of-pocket expenses by reducing annual cost-sharing limits. 45% of enrollees in North Carolina were receiving CSRs as of early 2025.¹⁴

REFERENCES

1. Fernandez B, Forsberg VC, Rosso RJ. Private Health Insurance: A Primer; 2023. Accessed September 25, 2025. <https://www.congress.gov/crs-product/R47507>
2. Rapaport C. An Introduction to Health Insurance: What Should a Consumer Know?; 2015. Accessed September 25, 2025. <https://sgp.fas.org/crs/misc/R44014.pdf>
3. Bunch LN, Halelujha K. Health Insurance Coverage in the United States: 2024. United States Census Bureau. September 9, 2025. Accessed September 25, 2025. <https://www.census.gov/library/publications/2025/demo/p60-288.html>
4. United States Census Bureau. Health Insurance Historical Tables - HHI Series. 2025. Accessed September 25, 2025. <https://www.census.gov/data/tables/time-series/demo/health-insurance/historical-series/hic.html>
5. Centers for Medicare & Medicaid Services. What Marketplace health insurance plans cover. 2025. Accessed September 25, 2025. <https://www.healthcare.gov/coverage/what-marketplace-plans-cover/>
6. Centers for Medicare & Medicaid Services. What You Should Know About Provider Networks. February 2024. Accessed September 25, 2025. <https://www.cms.gov/marketplace/outreach-and-education/what-you-should-know-provider-networks.pdf>
7. North Carolina Department of Insurance. A Consumer's Guide to Health Insurance Rate Review in North Carolina. 2019. Accessed September 28, 2025. <https://www.ncdoi.gov/documents/consumer/publications/consumer-guide-health-insurance-rate-review/open>
8. Agency for Healthcare Research and Quality. MEPS-IC State Tables in Spreadsheet Format by State. 2024. Accessed September 29, 2025. https://meps.ahrq.gov/mepsweb/data_stats/state_tables.jsp?regionid=27&year=-1
9. O'Brien E. Employers' Benefits from Workers' Health Insurance. *Milbank Q.* 2003;81(1):5-43. doi:10.1111/1468-0009.00037
10. Centers for Medicare & Medicaid Services. How to enroll in SHOP insurance. 2025. Accessed September 29, 2025. <https://www.healthcare.gov/small-businesses/choose-and-enroll/shop-marketplace-overview/>
11. Internal Revenue Service. Small Business Health Care Tax Credit and the SHOP Marketplace. September 30, 2025. Accessed September 29, 2025. <https://www.irs.gov/affordable-care-act/employers/small-business-health-care-tax-credit-and-the-shop-marketplace>
12. Centers for Medicare & Medicaid Services. Qualified Health Plan Choice and Premiums in HealthCare.gov States.
13. Centers for Medicare & Medicaid Services. 2025 Marketplace Open Enrollment Period Public Use Files. 2025. Accessed September 30, 2025. <https://www.cms.gov/data-research/statistics-trends-reports/marketplace-products/2025-marketplace-open-enrollment-period-public-use-files>

14. Norris L. North Carolina Marketplace health insurance in 2026. HealthInsurance.org. 2025. Accessed September 30, 2025. <https://www.healthinsurance.org/aca-marketplace/north-carolina/>
15. Ahn S. How Accessible and Affordable Were Individual Market Health Plans before the Affordable Care Act? Depends Where You Lived.; 2017. Accessed September 30, 2025. <https://www.pacificresearch.org/wp-content/uploads/2017/04/rwjf434339.pdf>
16. Collins SR, Gunja MZ, Doty MM, Beutel S. How the Affordable Care Act Has Improved Americans' Ability to Buy Health Insurance on Their Own: Findings from the Commonwealth Fund Biennial Health Insurance Survey, 2016.; 2017. doi:10.15868/socialsector.26397
17. Kaiser Family Foundation. State Health Insurance Marketplace Types. 2025. Accessed September 30, 2025. <https://www.kff.org/affordable-care-act/state-indicator/state-health-insurance-marketplace-types>
18. The Public Health and Welfare.; 2010. Accessed September 30, 2025. <https://www.gpo.gov/fdsys/pkg/USCODE-2010-title42/pdf/USCODE-2010-title42-chap157-subchapIII-partA-sec18021.pdf>
19. Centers for Medicare & Medicaid Services. Qualified Health Plan Certification. 2024. Accessed September 30, 2025. <https://www.cms.gov/marketplace/health-plans-issuers/qualified-health-plan-certification>