PRINCIPLES TO PROTECT THE PUBLIC’S
STAKE IN HORIZON BLUE CROSS BLUE SHIELD

New Jersey’s Horizon Blue Cross Blue Shield of New Jersey (“Horizon”) is a non-profit, charitable health insurance company created with a unique mission: To provide affordable health insurance and serve our state’s health care needs. State and federal law grants this corporation special consideration in exchange for satisfaction of its special mission.

Horizon (formerly, Blue Cross and Blue Shield of New Jersey) has no stockholders, no owners. In essence, this multi-billion dollar company belongs and must be accountable to the people of New Jersey. If our elected officials decide to permit Horizon to sell itself to investors, then the full value of the corporation must remain in the nonprofit sector to be used for the benefit of every New Jerseyan. As a regular for-profit insurance company, Horizon will be free of its special obligations and allowed to act like every other insurance company. However, all the assets built up during its many years of special treatment must still be devoted to fulfilling its original mission.

In this time of state fiscal challenges, our leaders are erroneously looking to the Horizon’s assets as a potential solution to the State’s huge deficit. Any proposal to convert the Horizon assets into cash requires a thorough and independent analysis of the health impact it would have and a public discussion of how the money will be used to expand New Jerseyans’ access to health care—the purpose to which the company’s assets are dedicated in perpetuity.

To help New Jersey’s citizens analyze any proposed sale of Horizon’s assets, we put forth the following ten principles:

I. MISSION

Horizon’s mission of serving the healthcare needs of all New Jerseyans must survive, even if the company in its current form does not, and impressed on the full value of the company’s assets.

II. CHANGE FOR THE BETTER

Any change in Horizon’s corporate status must improve health outcomes for New Jerseyans.

III. IMPACT ON HEALTH

All outcomes of a conversion to a for-profit stock company must be considered:
   a. Impact on the number of uninsured in New Jersey
   b. Changes in the state’s health insurance marketplace including availability and affordability.
c. Effective use of the conversion proceeds that serves Horizon’s original mission.

IV. INDEPENDENT ANALYSIS

Analysis of Horizon’s value and the impact of the conversion must be conducted by independent analysts who do not have a stake in the future company nor would benefit financially or politically from the conversion of those assets into cash.

V. TRANSPARENCY

All financial data must be disclosed to the analysts and the public to fullest extent possible or at least as would be made available to anyone considering buying the Horizon stock at the initial public offering.

VI. PUBLIC STAKE

Horizon belongs to the people, not the politicians. Consumer groups representing the public interest must be granted a seat at the table where the conversion is discussed, fact-finding takes place and regulatory decisions are made, not just an opportunity to speak at a legislative-type of hearing.

VII. EXPAND NOT REPLACE

All proceeds from a conversion, if permitted to go forward, should go towards expansion of health programs in the State, not replacing current state obligations.

VIII. FULL VALUE

The full value of Horizon must be made available for public use in perpetuity, not reduced or amortized to serve short-term fiscal needs of the State government.

IX. INVESTMENT

The full and fair value of Horizon should be used as an investment in the long-term improvement of New Jersey’s public health and assuring access to quality health care.

X. ENDOWMENT

All proceeds must be kept in a separate foundation, independent from the general State treasury fund, and used solely for sustained public health investments while maintaining the principal in perpetuity. This foundation must be managed by people who are independent of the company and state government empowered to make decisions solely on the basis of what is good for New Jersey.
Statement of Concern regarding the for-profit conversion of Horizon Blue Cross Blue Shield of New Jersey

We are concerned about the plans of the nonprofit Horizon Blue Cross and Blue Shield of New Jersey, the state’s largest health insurer to convert to a for-profit stock corporation. Current law requires the Commissioner of Banking and Insurance and the Office of the Attorney General to ensure that the proposed conversion is in the public’s interest and, if authorized, to require the full value of Horizon Blue Cross and Blue Shields’ assets to be transferred to a nonprofit foundation dedicated to “expanding access to affordable quality health care for underserved individuals and promoting fundamental improvements in the health status of all New Jerseyans.”

Blue Cross controls, in today’s healthcare market, billions of dollars in charitable health care assets. It controls approximately 42% of the Medicaid, Kid and Family Care market, 60% of the Medicare market, 61% of the individual or non group market, 30% of the small employer market and between 33%-40% of the large employer group market. These assets have been built up over decades of favorable tax and regulatory treatment provided by the government because Blue Cross pursued, for a large part of its history, a public mission of offering affordable health insurance. By contrast, the mission of a for-profit organization is solely to maximize returns for its shareholders.

The people of New Jersey are, in effect, Horizon’s current “shareholders.” As shown in California, Kentucky, Missouri, Maine, and other states around the country, when Horizon abandons its nonprofit public mission, its assets should be retained for the people of the state. These resources should continue to be dedicated to activities that improve the health of New Jersey citizens—particularly the medically underserved. New Jersey officials must review Horizon’s application to convert in accordance with the law and ensure that Horizon’s assets are protected, and the public’s interest is adequately represented, promoted, and served.

We call for the following actions to be taken:

* The Commissioner of Insurance should retain experts to evaluate the impact of the proposed conversion on the health status of State residents, and insurance premiums in the State, particularly certain sub-markets such as medicaid, small employer, and individual plans.

* The Commissioner and Attorney General should require Horizon to transfer the full fair market value of Horizon’s charitable assets to a nonprofit foundation, as currently provided by law, if the Commissioner determines that the proposed transaction promotes the public interest.

* The process of determining Horizon’s true value and the structure of the proposed conversion should occur with appropriate regulatory oversight and public scrutiny—not behind closed doors. The public must have access to all information needed to evaluate the proposed transaction.
The charitable organization receiving the funds should be independent, governed by a board of directors that is competent, free from conflicts of interest with Horizon, other for-profit healthcare organizations, and the State, and is reflective of the State’s diversity.

The goals and criteria for grantmaking of this new charitable foundation should be developed in a public process.