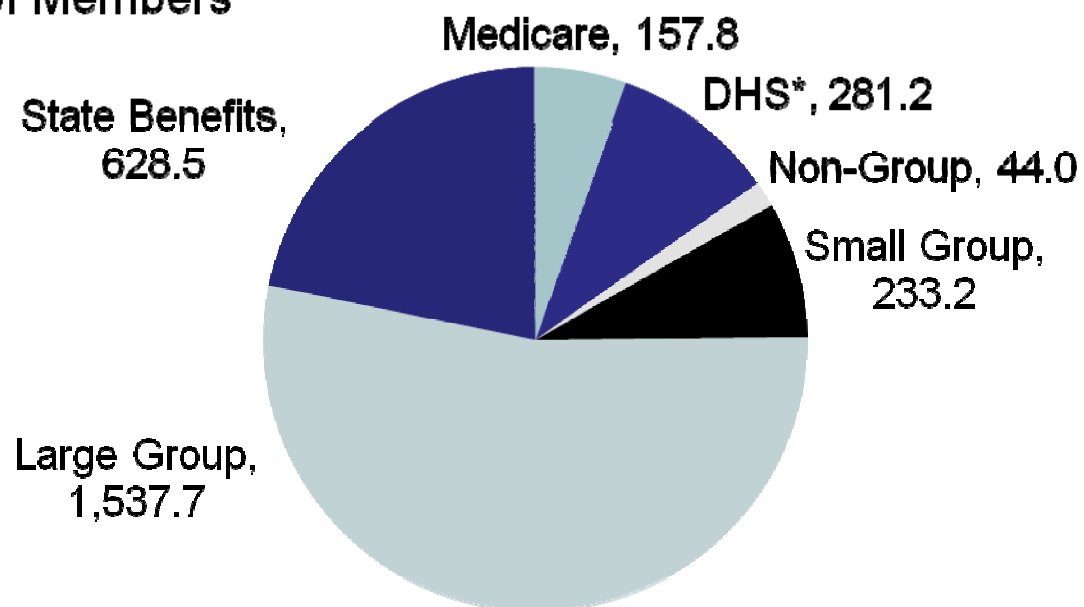


Horizon Operates in All Market Segments

Thousands of Members

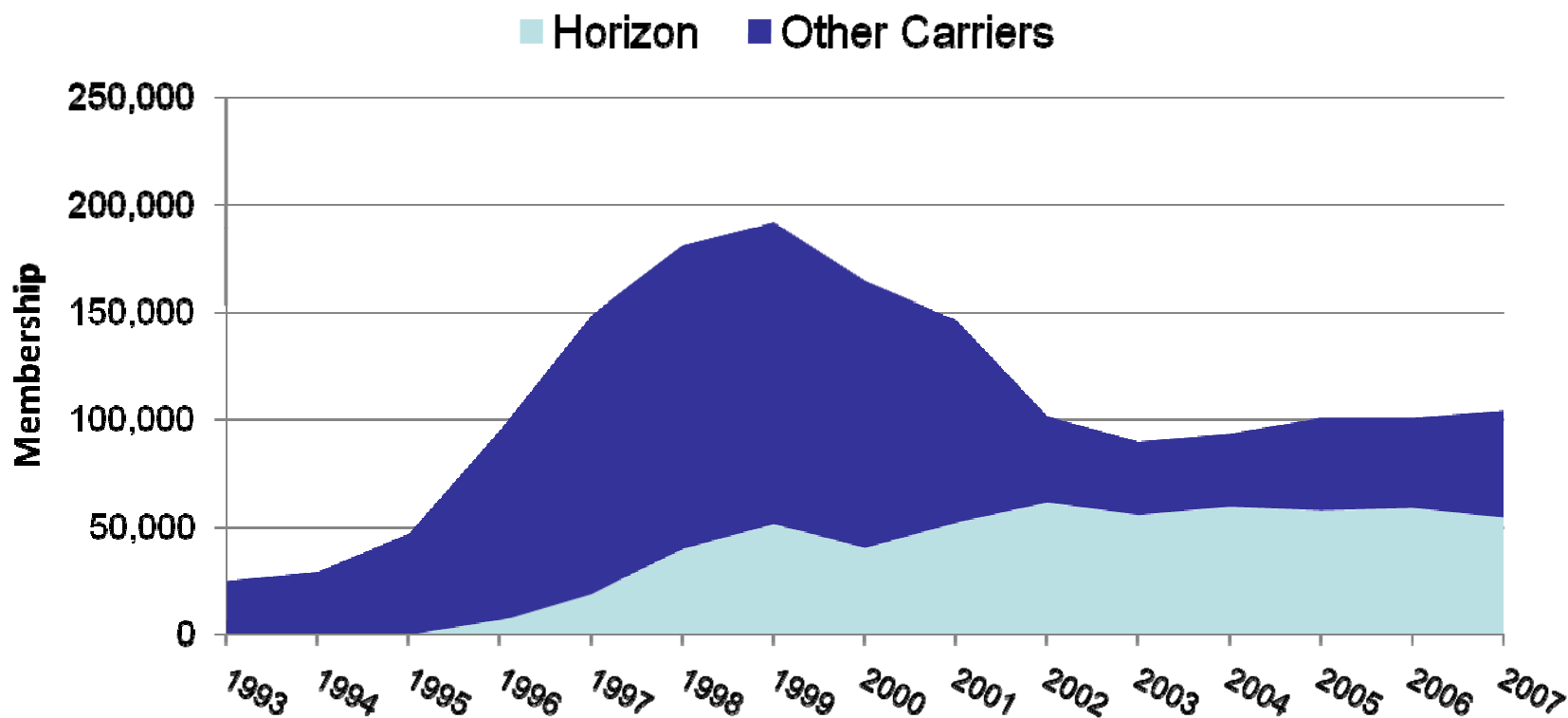


Source: Horizon Blue Cross Blue Shield

Data for 2005. Excludes Administrative Services Only contracts.

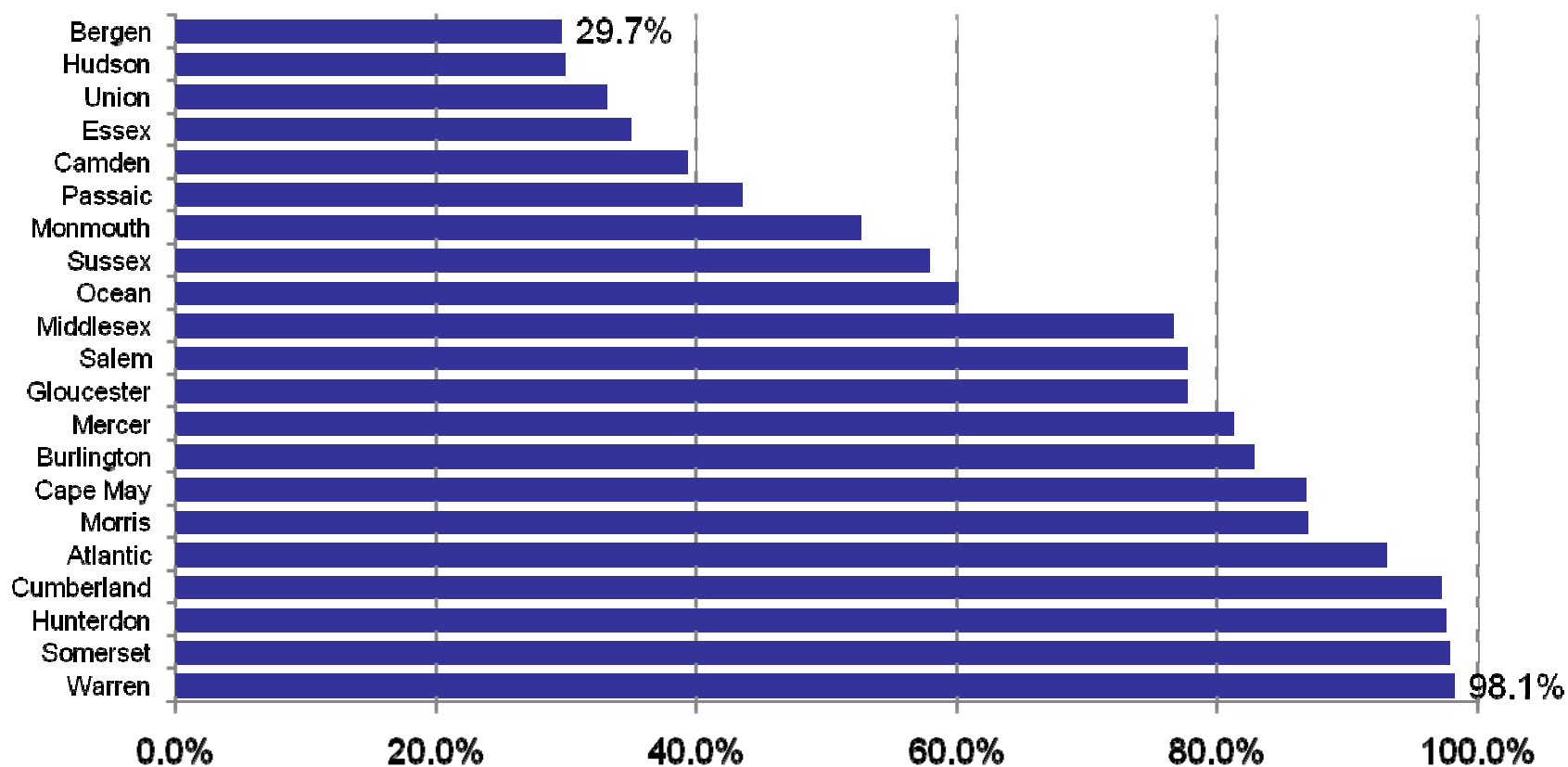
*Dept. of Human Services programs including Medicaid and SCHIP

Horizon Provides Over Half of Medicare HMO Coverage and Was Stable Over Time



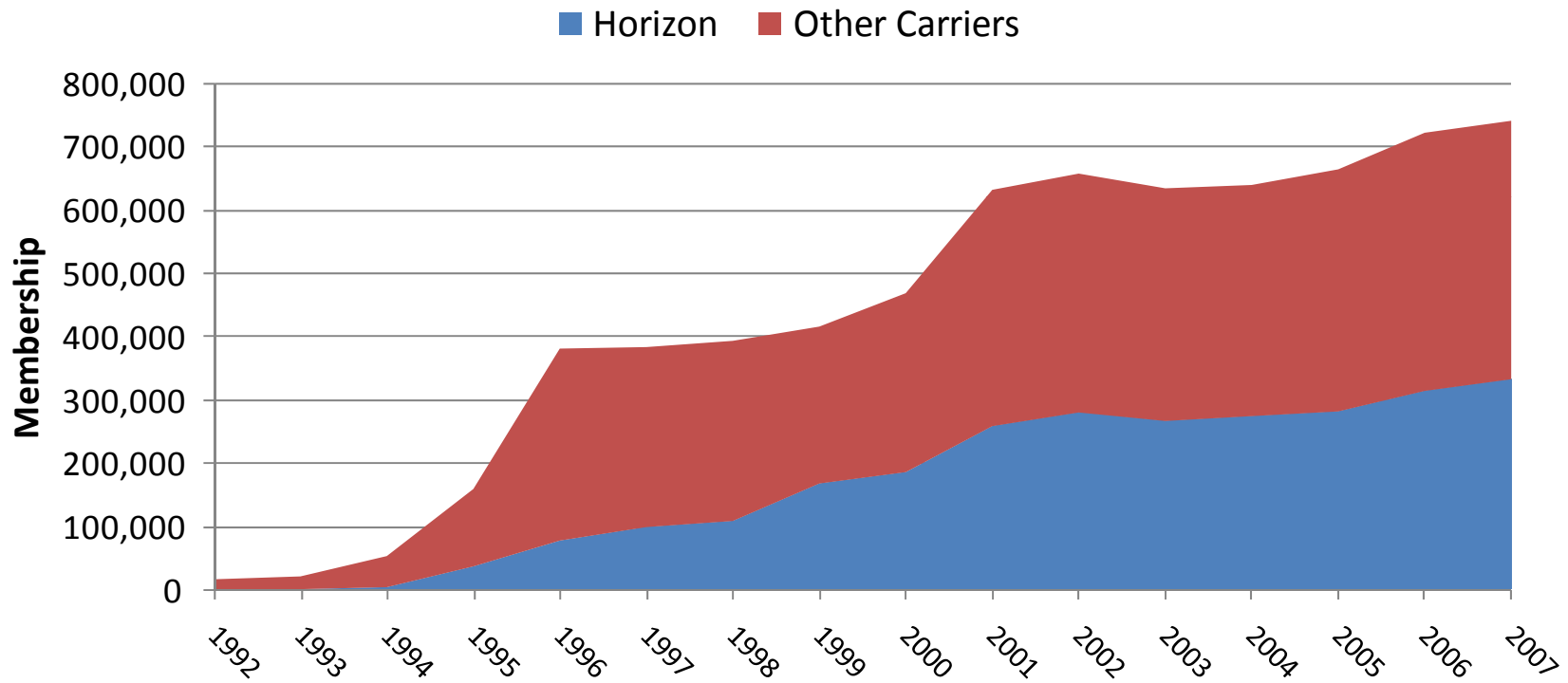
Sources: NJ Department of Banking and Insurance

Horizon Medicare HMO Market Share Varies Widely by County



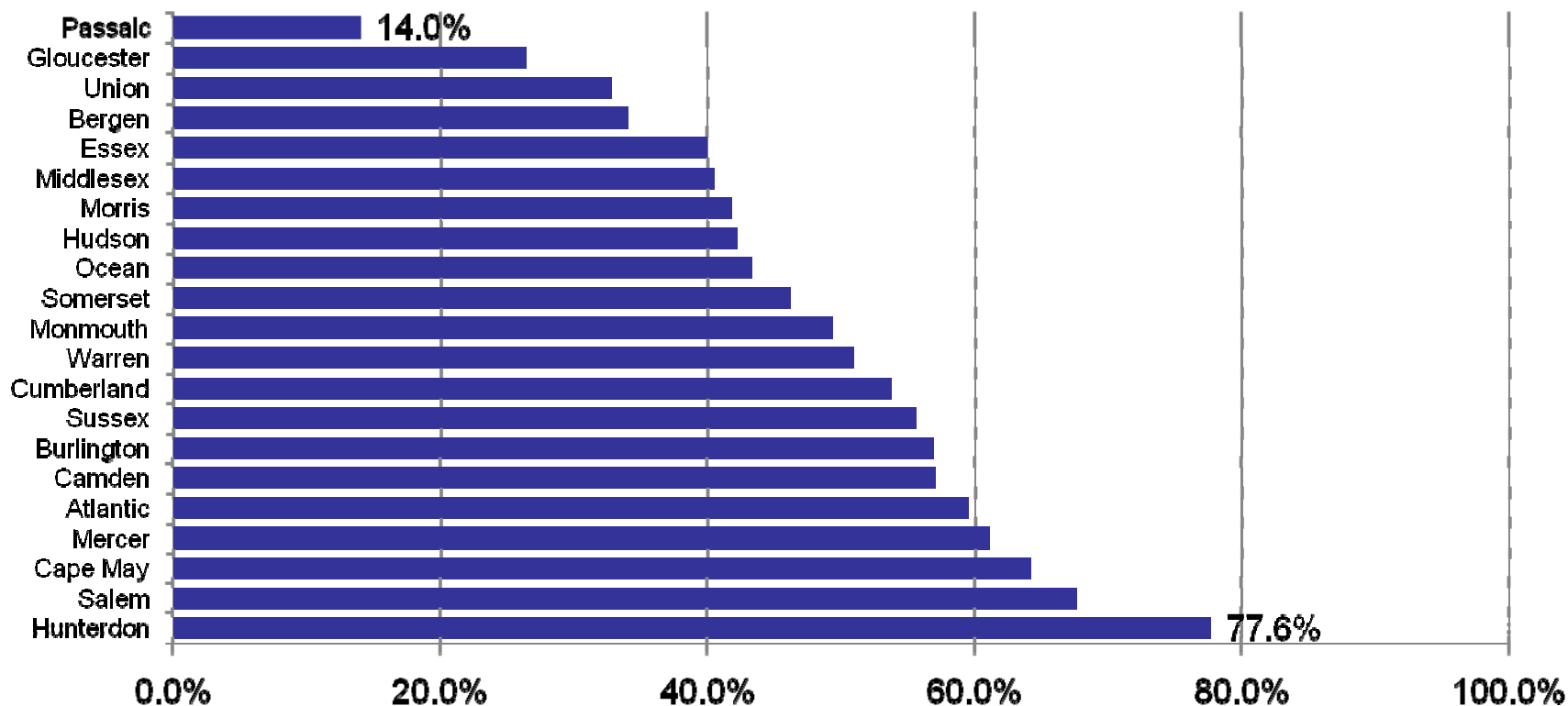
Source: NJ Department of Banking and Insurance, 2005

Horizon Provides 45% of HMO Coverage under NJ Dept. of Human Services Programs*



Sources: NJ Department of Banking and Insurance; *Medicaid, SCHIP and related programs

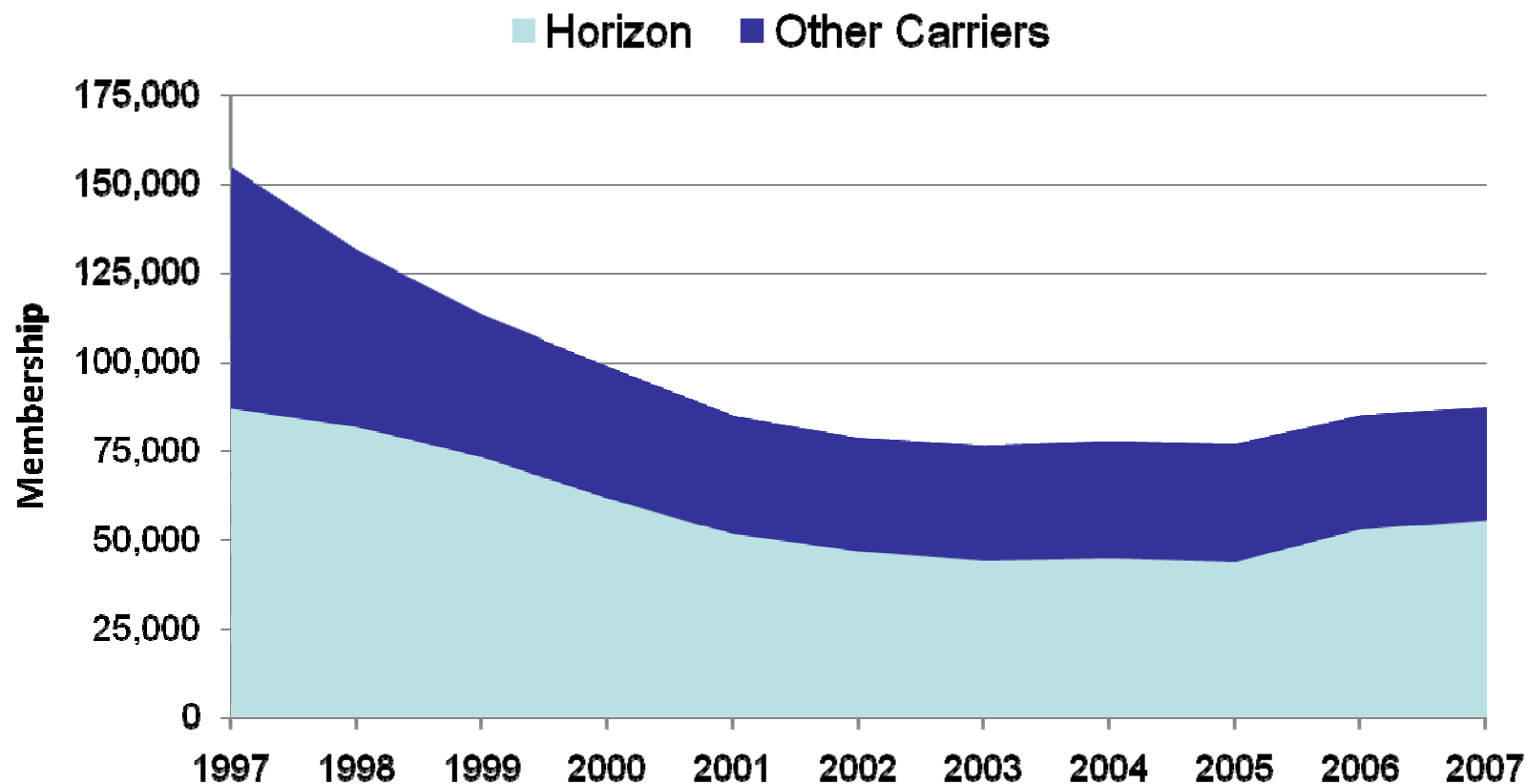
Horizon Dept. of Human Services Program* Market Share Varies Widely by County



Source: NJ Department of Banking and Insurance, 2005

*Medicaid, SCHIP and related programs

Horizon Provides 64% of Non-Group Coverage



Sources: NJ Department of Banking and Insurance.
Fourth quarter enrollment

The Conversion Process

- **Asset valuation and premium rate analysis** overseen by Commissioner of Banking and Insurance (DOBI)
- Additional **fairness or impact analysis** may be required by DOBI Commissioner at expense of carrier
- **Public notice** and hearing required, all non-proprietary documents public (<http://www.state.nj.us/dobi/horizon/>)
- Plan for **use of charitable assets** proposed by converting entity, with approval by New Jersey Attorney General (AG)
 - Successor foundation must be independent of converting insurer
 - “...proceeds of the conversion will be used solely for the purposes of expanding access to affordable, quality health care for underserved individuals and promoting fundamental improvements in the health status of New Jerseyans.” (N.J.S.A. 17:48E-51)

Critical Issues in Sustaining the Mission

- Assessing fairness/impact of conversion
 - Evaluate potential adverse consequences, e.g., coverage of vulnerable populations, provider payment, quality, etc.
- Establishing a skilled foundation board & staff
 - Independence from converting entity assured by statute
 - Political appointment of Board raises concerns, particularly in light of state budget distress
 - No guidelines for assuring expertise
 - California Endowment board selection was transparent, guided by advisory board, specified qualifications, and engaged a search firm

Critical Issues in Sustaining the Mission

- Assuring foundation accountability
 - Annual reports to AG on finances and distribution of funds
 - No requirement for ongoing public input or evaluation of investments
 - Northwest Health Foundation employs systematic outreach and environmental scans

Conclusions

- Horizon service to vulnerable populations and importance as state's largest carrier
 - Assure adequacy of public input process
 - Fairness/impact study beyond premium analysis
 - Possibly impose conditions for conversion
- Foundation mission, professionalism, expertise
 - Provisions in Articles of Incorporation or Bylaws regarding qualifications of, and selection process for, Board members and officers
- Foundation accountability
 - Provisions in Articles of Incorporation or Bylaws providing for a process of public input and reporting