Sustaining the Charitable Mission of Horizon Blue Cross Blue Shield of New Jersey

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Outline

- Background and History
- Current Role in New Jersey of Horizon BCBSNJ
- The Conversion Process
- Critical Issues in Preserving the Charitable Mission
Horizon Blue Cross Blue Shield of New Jersey

- 1932 – Associated Hospital of Essex County (Blue Cross), and 1942 – Medical Surgical Plan of NJ (Blue Shield)
- 1986 – Merged to become BCBSNJ
- 1992 – Reforms enacted, end of subsidies via hospital rate setting and “carrier of last resort” status
- 1996 – Proposed mutualization and merger with Anthem
- 2001 – NJ enacts conversion statute (17-48E-49 et seq)
- 2001 – Horizon explores but declines to file for conversion
Horizon Does Business with About Half of NJ’s Insured Population

Source: Horizon Blue Cross Blue Shield

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Institute for Health, Health Care Policy and Aging Research
Horizon Covers a Growing Share of Hospital Stays

Sources: CSHP analysis of NJ Hospital Discharge Data, NJ Department of Health and Senior Services
Excludes newborns
Horizon Funds a Growing Share of NJ Health Costs

Horizon’s Role in the NJ Economy (2006)
- $7.6 billion – provider payments
- 9,199 – total employees (mostly NJ)
- $526 million – direct contribution to NJ economy
- $935 million – total contribution to NJ GDP (0.2%)

Sources: Horizon Blue Cross Blue Shield & Centers for Medicare and Medicaid Services, National Health Expenditure Accounts
Horizon Operates in All Market Segments

Thousands of Members

- Medicare, 157.8
- DHS*, 281.2
- Non-Group, 44.0
- Small Group, 233.2
- Large Group, 1,537.7
- State Benefits, 628.5

Source: Horizon Blue Cross Blue Shield
*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

Center for State Health Policy
Institute for Health, Health Care Policy and Aging Research
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