Proposal to Raid Reserves of Horizon Blue Cross Blue Shield Policyholders

“Instead of defending our residents from Donald Trump’s cuts to Medicaid and his repeal of the ACA – which would cripple our state budget and hurt hundreds of thousands of New Jerseyans – Governor Christie is instead trying to turn our largest health insurer into a piggy bank for himself and other Trenton politicians. This appears to be just another instance of the governor putting his political interests before what’s best for the people of New Jersey. We should be working to lower premiums, not weakening Horizon, one of the pillars of our state’s healthcare system.” – Phil Murphy, Democratic candidate for New Jersey Governor

“New Jersey today responded to Governor Chris Christie’s budget address, expressing disappointment at three big problems. While AFP supports the Governor’s decision to make a large pension payment, the organization is disappointed that he ignored the need for comprehensive pension reform. The organization is deeply concerned with the Governor’s decision to take $300 million from Horizon Blue Cross Blue Shield’s reserve fund to pay for his opiate reform plan and shore up a budget shortfall. Finally, the organization is disappointed that Governor Christie continues to preside over the largest influx of corporate welfare in New Jersey history.” – Americans for Prosperity

“Likewise, NJEA has deep concerns regarding the governor’s proposal to raid the reserve trust of Horizon Blue Cross Blue Shield for one-shot funding. The reserve he proposes to raid exists for a purpose and is maintained according to industry standards. If funding is simply taken out of the reserve and must be replaced, that would likely raise the healthcare premiums on people who get their health insurance through that system. Our members and other New Jersey residents should not be asked to pay even more for health insurance to fund Gov. Christie’s other budget priorities.” – Wendell Steinhauer, President, New Jersey Education Association
“While Governor Christie’s effort to combat drug addiction has good intentions, his plan to raid the reserves used to protect the health of millions of New Jersey citizens for this purpose is not the right approach. When government steps in to the marketplace in this fashion, as we have seen in New York, higher taxes and increased consumer costs are sure to follow. Opiate abuse is a serious problem in our country and one sensible approach to addressing it is to engage New Jersey’s pharmaceutical companies. There are also many charitable organizations working to combat drug abuse that can engage. However, imposing a permanent tax increase on the back of New Jersey residents and patients is not only fiscally reckless, but sets an awful budget precedent.” – Steve Forbes

“For the 7th and final year, Governor Christie has used gimmicks and fantasy numbers to paint a rosier picture than structurally possible due to his fiscal mismanagement. Today’s proposals, including an Un-Fairness formula that hurts needier students and cuts to programs that sustain the very poor are unfortunately part of Christie’s arsenal of undermining New Jersey residents. His newly added shakedown of Horizon - which will undoubtedly leave consumers holding the bag and ultimately paying higher premiums in an already precarious health care environment caused by Christie’s own mentor, President Donald Trump. We call on legislators to reject these gimmicks and ploys and instead look at the true causes of our financial woes-- corporate welfare, tax giveaways to the very rich, and missed opportunities that promise to hurt New Jersey well beyond Christie’s pending expiration date.” – Analilila Mejia, Executive Director, New Jersey Working Families Alliance
“This is absolutely the worst time for the state to raid funds from Horizon. The likely repeal of the Affordable Care Act would create a health care crisis, and the possible loss of all health coverage for about 800,000 New Jerseyans. Horizon, as the state’s largest insurer and the only nonprofit, would have an especially important role in helping the newly uninsured...In these uncertain times, New Jersey must continue to support Horizon, not undermine its solvency. If there are excess surplus funds, Horizon should use them to reduce premiums for their members and make insurance more affordable, which is the single biggest health problem facing the state.” – Ray Castro, Senior Policy Analyst, New Jersey Policy Perspective

“But he’s not finished running the state government in a way that builds his own political career. Now he’s looking to forcibly extract money from a private non-profit health care insurer to further his image as the New Jersey savior of people sick with drug and alcohol addiction.” – New Jersey Citizen Action

“Governor Christie’s raid on policy holder premiums meant to pay for healthcare is a reckless proposal that will increase taxes, undermine the insurance market and put the healthcare of the citizens of New Jersey at great risk. All of New Jersey and anyone interested in good government and fiscal responsibility should oppose this irresponsible act of government overreach.” – Ken Blackwell, Conservative Columnist and CNN Contributor
“At a time when Washington politics are creating more uncertainty about health care in already unstable markets, New Jersey shouldn't undermine the security that reserve funds provide to residents. Reserve funds are a critical protection for New Jerseyans that make sure they are covered for risks like a sudden drug price hike or a bad flu season. We've seen the importance of maintaining proper reserves in recent years with the collapse of co-ops nationwide. New Jersey residents are the ones who will pay for this proposal through higher premiums in the end.” – Ward Sanders, President, New Jersey Association of Health Plans

POLITICO

Gov. Chris Christie contradicted his longstanding support for free enterprise during his budget speech on Tuesday, singling out Horizon Blue Cross Blue Shield of New Jersey and attempting to pressure the state’s largest insurer into establishing a “permanent fund” with money from its surplus to support health care for the state’s poorest residents. – Katie Jennings, POLITICO

The Star-Ledger

The governor floated two new ideas that surprised Democrats, and everyone else.

One was to mug Horizon Blue Cross Blue Shield and take its cash . . . .

Christie’s plan is to raid its reserves, on the premise that it owes the public something for the favored treatment it has received over the years as a non-profit. Democrats were befuddled, but intrigued by the notion of grabbing free cash, with sources saying the governor was aiming for $300 million.

Horizon, not surprisingly, reacted with horror. And it seems obvious the firm would increase rates to recoup the loss, so this could be nothing more than a tax increase in disguise. – Tom Moran, The Star-Ledger
For starters, the governor suggested that Horizon Blue Cross Blue Shield of New Jersey voluntarily take some of its more than $2.9 billion in profits — according to Christie — and establish a "permanent fund" to support the state’s “most vulnerable population who access Charity Care and Medicaid.”

There was some amusement in the Trenton chamber when he suggested that Horizon would be amenable to such an arrangement. And a key concern here is that Republicans in Congress have vowed to put an end to the Affordable Care Act and there is no clear understanding of what Congress and President Trump will offer as a replacement. If the federal expansion of Medicaid were to disappear in states like New Jersey, Horizon would fast return to being an insurer of last resort. So while the idea of such a fund sounds fine in a speech, it is hard to imagine that such a thing could come to pass. – The Bergen Record

Horizon officials shot back within the hour, insisting Christie had overstated the company’s earnings and cash reserves and highlighting ways in which it supports healthcare programs for the state’s most vulnerable residents. In addition, industry regulations require insurance providers to maintain significant reserves in order to cover unexpected claims, the company said, adding that the $2.4 billion Horizon had in reserve at the end of 2016 is entirely appropriate, given the company’s size and costs. Horizon covers some 3.8 million Garden State residents, including 900,000 Medicaid patients; it is one of two companies that issues Medicaid plans in the state. – Lilo H. Stainton, New Jersey Spotlight

Horizon is always willing to partner with New Jersey to drive down health costs and expand health care access to all our residents. As New Jersey’s largest health insurer serving over 900,000 Medicaid members, Horizon knows well that more is needed to help New Jersey’s most vulnerable and financially challenged residents and agrees with the Governor that more should be done. However, raiding the reserves that protect the families we insure, including our Medicaid members, will only make insurance more expensive and less secure.

The claim that Horizon and our policy holders have an ‘abundant surplus’ is just plain wrong -- those reserves have only enough to cover 75 days of claims or just a single day of hospital care
for every person Horizon insures. Moreover, the company’s net income was less than 1% of revenues in 2016. Despite being structured as a not-for-profit, Horizon paid more than half a billion dollars in federal, state and local taxes last year.

While other insurance companies have left, Horizon has stayed in the Affordable Care Act marketplace demonstrating our commitment to New Jersey. Instead of taking our members’ reserves, we should partner to create a permanent and stable source of revenue to help New Jersey’s less fortunate by tackling, once and for all, the $1 billion dollar out-of-network billing abuse and surprise medical billing problem.