



Horizon Blue Cross Blue Shield of New Jersey

Questions and answers: Protecting our Members' Reserves

March 1, 2017

In his State Budget address on February 28, 2017, the Governor asked Horizon Blue Cross Blue Shield of New Jersey to consider contributing money from its reserves to help fund state programs. If we do not agree to that invitation, we expect the State will become more aggressive in trying to take the reserves. This proposal is troubling as the health insurance industry is in the midst of one of the most volatile times for health care in American history. Given the current national political environment, in particular the proposed repeal and replace of the Affordable Care Act, it is dangerous to propose a measure that will weaken the safety net that protects our more than 3.8 million members.

Characterizing our members' reserves as "excess surplus monies" is inaccurate; they are reserves protecting our members against risk, and ensuring we can pay claims when the unforeseen happens. Horizon BCBSNJ is required by state law and Blue Cross and Blue Shield Association rules to maintain reserves. Additionally, Horizon BCBSNJ has maintained an "A" credit rating from Standard & Poor's, due in large part to its current level of reserves.

Horizon BCBSNJ will fight any such actions that weaken the security and peace of mind we provide to our members and customers.

Below are answers to questions you may have about the Company's reserves.

Q1. Why does Horizon BCBSNJ have reserves?

A1. Horizon BCBSNJ is required by state law and Blue Cross and Blue Shield Association rules to maintain reserves. Reserves protect our more than 3.8 million members against risk and ensure we can pay claims when the unexpected happens.

Q2. How much does Horizon BCBSNJ pay in claims?

A2. Horizon BCBSNJ pays about \$10 billion in claims each year.

Q3. How does Horizon BCBSNJ determine how much money to hold in reserves?

A3. Horizon BCBSNJ, like other health insurers, uses a technical measurement known as Risk-Based Capital (RBC) to determine the appropriate level of reserves. The measurement takes into account the minimum amount of capital appropriate to support an insurance company's business operations in consideration of its size, customers and risk profile.

New Jersey, like most states, requires a minimum level of capital reserves for a health insurer to operate in the state.

Q4. What is an example of how Horizon BCBSNJ would use its reserves?

A4. Horizon BCBSNJ holds money in reserves to pay claims when the unforeseen happens. For example, reserves would be used to pay claims in the event we experienced a natural disaster like Hurricane Katrina, or a public health crisis like a massive flu outbreak.

Q5. How much does Horizon BCBSNJ have in reserves?

A5. At the end of 2016, Horizon BCBSNJ had \$2.9 billion in capital reserves. That's roughly \$763 per member or enough to pay approximately 75 days' worth of expected health care claims.

Q6. Does Horizon BCBSNJ pay taxes?

A6. Yes. Horizon BCBSNJ is not a 501(c)(3) nonprofit. Horizon BCBSNJ paid \$1 billion in taxes over the last two years.

Q7. I saw that the State Administration is potentially exploring ways to access money from Horizon BCBSNJ's reserves. What does this mean to me?

A7. Horizon BCBSNJ holds money in reserves to pay for claims when the unexpected happens. Horizon BCBSNJ will not allow the State Administration to access any money from the Company's reserves. We hold the reserves to protect our members, group customers and providers.

Q8. What would happen if the State Administration was able to access the money from Horizon BCBSNJ's reserves?

A8. This would put Horizon BCBSNJ's 3.8 million members at risk. **Reserves are not a surplus.** A portion of the premiums our members pay help fund the reserves that are the foundation of our promise of financial security for their health care coverage in the event the unforeseen happens like a natural disaster, epidemic or a severe drop in the stock market.

Q9. What is Horizon BCBSNJ doing for New Jersey residents?

A9. Horizon BCBSNJ has been serving the residents of New Jersey for 85 years, we:

- Remain as only one of two insurers in New Jersey on the federal marketplace, insuring approximately 275,000 individual consumers. While other insurance companies have left, Horizon BCBSNJ has chosen to continue operating in the marketplace, demonstrating our commitment to all the citizens of New Jersey;
- Service more than 900,000 Medicaid members across all 21 counties, making us very aware of the needs of our most vulnerable New Jersey residents;

- Have a Foundation that has awarded 1,319 grants, totaling nearly \$50 million since its inception in 2004. The Foundation also funds three signature programs that target childhood obesity, asthma and oral health; and
- Have more than 700 employees who have logged over 35,000 combined volunteer hours over the past 11 years.