Questions and Answers:
Protecting our Members’ Reserves

Since his State Budget address on February 28, 2017, the Governor has been publicly pressuring Horizon Blue Cross Blue Shield of New Jersey to contribute money from its reserves to help fund state programs. If we do not agree to making that contribution, we expect the State will become more aggressive in trying to take the reserves.

This proposal is especially troubling as it comes at a time when the health insurance industry is operating in the midst of one of the most volatile times for health care in American history. Given the current national political environment and the decision of other health insurers to stop selling policies in New Jersey, 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; this money protects our members against risk, and ensures 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, our level of reserves has helped us maintain an “A” credit rating from Standard & Poor's.

Our reserves are not a surplus. Horizon BCBSNJ will continue to 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 this issue.

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

A2. Horizon BCBSNJ, like other health insurers, uses a technical measurement known as Risk-Based Capital (RBC) to determine the appropriate level of reserves. RBC is a method of measuring the minimum amount of capital needed to support an insurance company’s business operations based on its size, customers and risk profile. It requires a company with a higher amount of risk to hold a higher amount of capital reserves.

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

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Horizon BCBSNJ’s reserves are in line with the state of New Jersey’s and the Blue Cross and Blue Shield Association’s requirements. In addition, we actively manage reserves to an appropriate level based on internal and independent risk analysis.

Q3. What is an example of how Horizon BCBSNJ would use its reserves?

A3. 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.

For example, after Hurricane Katrina, Blue Cross Blue Shield of Louisiana was able to meet state mandates and continually pay claims for 90 days, without collecting premiums from customers, because of its reserves.

Our ability to pay claims on a timely basis is critically important to ensure cash flow to hospitals, doctors and other health care professionals and facilities during a time of crisis.

Q4. How much does Horizon BCBSNJ have in reserves?

A4. At the end of 2016, Horizon BCBSNJ had $2.4 billion in capital reserves. That’s roughly $624 per member or enough to pay approximately 75 days’ worth of expected health care claims.

Q5. How much does Horizon BCBSNJ pay in claims?


Q6. Does Horizon BCBSNJ pay taxes?

A6. Yes. While Horizon BCBSNJ is a not-for-profit corporation, it still pays taxes annually – $543 million in 2016 alone. In the past five years, Horizon BCBSNJ paid more than $1.9 billion in taxes and assessments. Horizon BCBSNJ pays the following taxes:

• Federal and state payroll taxes
• Federal and state income taxes
• New Jersey State premium taxes
• New Jersey Insurance and HMO assessments
• Property taxes
• Federal Affordable Care Act (ACA) taxes and fees

Q7. I saw that the State Administration is 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. Our reserves are not a surplus. Horizon BCBSNJ will continue to fight any such actions that weaken the security and peace of mind we provide to our members and customers.

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

A8. Taking money from Horizon BCBSNJ’s reserves would put Horizon BCBSNJ’s 3.8 million members at risk. **Our 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 one of only two insurers in New Jersey on the federal Marketplace, insuring approximately 290,000 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 the most vulnerable New Jersey residents.

- Are implementing the Governor’s recent legislation, signed February 15, 2017, aimed at curbing New Jersey’s opioid epidemic. We are updating our current programs and prior authorization requirements.

- Have several initiatives that integrate pharmacy and medical claims to ensure that our members and prescribers are informed, and to help improve the quality of care patients receive.

- 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.

- Have awarded a $250,000 grant through The Foundation to the Partnership for a Drug-Free New Jersey to fund the Knock Out Opioid Abuse Town Hall Series that is taking place throughout New Jersey from April 2017 through November 2018. [Learn more](#) about the town hall series.

- Have given more than $180,000 since 2004 through The Foundation to support the Fifth Grade Parent Alert, a brochure provided to all fifth-grade classes in New Jersey that encourages parents and guardians to discuss the dangers of substance abuse with their children.

- Have more than 700 employees who have logged more than 35,000 combined volunteer hours over the past 11 years.