

Commissioner Marlene Caride
Department of Banking and Insurance
Opening Remarks
NJ Health Service Corporation Reorganization Public Hearing
October 6, 2022

Good morning.

Thank you for joining us today to hear testimony on Horizon Blue Cross Blue Shield of New Jersey's application with the Department of Banking and Insurance to form a nonprofit mutual holding company system.

The department is committed to a thorough evaluation of the reorganization plan and public comment is a valuable piece of this assessment—so we appreciate your participation.

As you know, state law (P.L. 2020 c. 145) tasked the department with reviewing the application, determining its completeness, accepting public comment and then approving or denying the plan.

On September 22nd, the department announced that it deemed the application complete. As directed by the law, prompt and reasonable access to public records, not deemed confidential, were uploaded to the department's website for review by the public.

Pursuant to statute and following the completeness determination, the department is holding three public hearings on the plan to form a mutual holding company within the timeframe prescribed by law.

Notice of the hearings was provided to the public and published in The Star-Ledger, The Courier-Post, The Times of Trenton, The Asbury Park Press, The Home News Tribune, The Record, and the Press of Atlantic City.

Today is the first of those three hearings.

There will be two additional opportunities for the public to provide input after today:

- On Tuesday, October 11 at 6:00 PM the department will hold a virtual public hearing via Zoom. Registration for this hearing will open tomorrow.
- And our third public hearing will take place on Monday, October 17, at 1:00 PM via Zoom.

All of the hearings will be livestreamed and access is available on the department's website created for this process at nj.gov/hschearings/. The application and all related public documents have been posted to the site. The website link may be found on the home page of the department website at dobi.nj.gov.

Our mission at the department is focused on the residents of the State of New Jersey and on ensuring the consumer is protected. That mission – which serves as a guiding principle for all of our work – is also central to this process.

We take seriously the charge given to us under the law to conduct a regulatory review and evaluate this proposal.

Public hearings will help to inform the department as it continues to review the plan and application, and as it works toward making a final decision. The hearings are not the end of this process, they are part of the process.

State law provided the department with the option to conduct a health impact study of the effects of the reorganization on the health of the policy holders of the health service corporation, and the general public.

Despite not being required under the law, the department determined a health impact study would be a valuable part of its evaluation process.

The public input we are collecting through these hearings will help to shape this voluntary study and identify areas for further review. When the study is complete, the department will make it available to the public.

As outlined in the law, 30 days following the last hearing, the department is required to either approve or disapprove the reorganization plan.

Specifically, the law states that I as the department's Commissioner shall approve a plan of mutualization and reorganization unless the plan is found:

- To be contrary to law;
- would be detrimental to the safety or soundness of the proposed reorganized insurer and insurance company subsidiaries of the proposed mutual holding company;
- or does not benefit the interests of the policyholders of the health service corporation or treats them inequitably.

The law requires a specific regulatory process that the department is following.

I am sure some of the speakers today will be focusing in part on Horizon's status as a "charitable and benevolent institution," which is certainly an important issue. It is important to note that the law that assigned responsibility to the department to review Horizon's application to reorganize, and the contents of the application that has been filed, are both very clear in specifying that nothing about the proposed reorganization would, or could, alter or diminish in any way Horizon's current statutory mission or its ongoing designation as a charitable and benevolent institution. Those obligations remain intact whether this application is approved or not.

To open today's hearing, we will first hear from Horizon Blue Cross Blue Shield of New Jersey. Following Horizon's testimony, we will open the floor to hear testimony from the public.

The department requested the public register to testify in advance and will call each individual and/or organization to come to the microphone to offer testimony. Please note that you may also submit written testimony by email at commenthsc@dobi.nj.gov. (or here today).

Each person will have five minutes to testify today. When your time is expiring, we will provide a 30 second warning to begin wrapping up.

As you can see we have several microphones at the table and they are very sensitive and pick up sound made throughout the room. In order to ensure that we have a clear record of today's hearing, I ask that you please turn your cell phones to silent now before we begin our hearing.

If you must take a call or make a call, please step outside of this room to make or receive the call. I ask that while comments are being presented, that you remain silent. Again, the microphones are sensitive and can pick up your conversation in the back of the room while someone is presenting their testimony. We want to make sure that the record is clear and not garbled so I ask that courtesy is extended to all participants while they present.

There is also a stenographer present, as the purpose of today's hearing is to take testimony. We will be listening intently, and do not expect to engage in a back and forth. However, please know that all testimony will be considered and will be on the record and transcribed. So, I am asking those who testify to please speak slowly and clearly, as well as please provide your name and the name of your organization, company or association that you may represent. The stenographer cannot take down the nodding of your head for "yes", the shaking of your head for "no",

and other such motions and or gestures, so please fully verbalize all of your testimony. Finally, please avoid speaking at the same time as others, because the stenographer cannot take down more than one person speaking at the same time. Thank you for your anticipated cooperation with these instructions which are for the benefit of the stenographer.

Joining me today are Justin Zimmerman, the department's chief of staff, Dwayne Tolbert, regulatory officer with the department, and Kavin Mistry, Deputy Director of the Division of Law, NJ Department of Law & Public Safety.

Pursuant to the law, the department engaged the services of experts and consultants to advise on matters related to the application as well as to conduct a health impact study of the effects of the reorganization on the health of the policy holders of the health service corporation, and on the general public. With us today are representatives from the consultants assisting the department: Manatt Phelps & Phillips, LLP and Manatt Health, a law firm and health consultancy, Oliver Wyman Actuarial Consulting and Rudmose & Noller Advisors.

At the time the department declared Horizon's application complete, we also outlined a series of items that we would like the company to address publicly. We look forward to learning more from Horizon on those specific topics as they provide an overview of the application.

For the benefit of the public, the questions the Department asked Horizon to be prepared to address are as follows:

1. The Application proposes a \$300 million distribution from one or more regulated insurance entities to Horizon Mutual Holdings, Inc. What purposes will be served by this distribution? What is the current plan for use of these funds? Will any of those funds be reserved for the investments that are highlighted in the Application?

2. Horizon highlights in the Application that it is the only carrier that has continuously provided health insurance coverage to New Jerseyans in all 21 counties across all product lines, and Horizon commits to continuing to provide individual market coverage in all 21 counties of the State. With respect to Horizon's other lines of business, what is the current plan for continuing to offer coverage with benefits similar to Horizon's current products?
3. In the Application, Horizon makes general statements about providing "more affordable" coverage after the reorganization. Given the recent trend in medical inflation and premiums, what actions does Horizon intend to take to make coverage more affordable?
4. Achieving greater health equity is an overarching goal of the State. What are Horizon's plans to improve health equity and how will they be impacted by this reorganization?
5. Network adequacy, including access to culturally competent care, is a current priority for the Department. Horizon has traditionally been a leader in offering broad network plans. How will this reorganization influence Horizon's network breadth?
6. If the Blue Cross Blue Shield Antitrust Litigation settlement is implemented, it will create new opportunities for Horizon to compete for business in other states and also subject Horizon to more competition in New Jersey. What plans does Horizon have to ensure it remains competitive within New Jersey? Does Horizon plan to compete for Blue accounts in other states? Does Horizon have other business plans related to the antitrust settlement, if and when it is implemented?
7. Are there additional ways in which the reorganization would help Horizon better serve the health care needs of all New Jerseyans and promote the public interest?

With that I want to thank you for attending today and now we will ask Horizon to introduce its speakers and begin its presentation.