

HORIZON BCBSNJ NOT-FOR-PROFIT MUTUAL HOLDING COMPANY FAQ

How is Horizon Blue Cross Blue Shield of New Jersey (BCBSNJ) changing?

Horizon BCBSNJ is reorganizing our corporate structure to a not-for-profit mutual holding company. This is a technical change to how we are legally organized that will better enable us to deliver on our member-focused mission and drive health care forward in all New Jersey communities. This change will require an update to the laws that apply to our structure.

The change has already been adopted by many others. Blue Cross Blue Shield plans in 18 other states are organized as a mutual company. Evolving to a not-for-profit mutual enables us to work harder for New Jersey, while driving health care affordability, simplicity and quality.

What is changing?

For more than two years, Horizon has worked closely with State lawmakers, the Governor and our partners to pass a law that restructures Horizon in a way that retains its mission and protects its historic commitment to customers, members and New Jersey communities. Now, our application to adopt that new form is before the Commissioner of the New Jersey State Department of Banking and Insurance (DOBI) for approval.

A more modern structure as a not-for-profit mutual will:

- Provide affordable and accessible health insurance to our members
- Promote the integration of New Jersey's health care system so it better meets the needs of our members
- Promote innovation and deliver new solutions and services to our customers and members
- Report annually detailed information about the company's financial security, performance, operations and what it is doing to deliver on its mission.

Importantly, this new status also:

- Strengthens the guarantee that Horizon remains forever a not-for-profit that exists for the exclusive benefit of its members
- Ensures that Horizon cannot be sold or change to become a for-profit company that is owned by shareholders or investors
- Expands the number of public members appointed by the Governor and Legislature to Horizon's Board of Directors ensure that the public's interest is protected
- Gives members the right to vote for remaining members of the Board of Directors (those not appointed by State officials) giving our members more direct say in the way Horizon operates
- Reduces taxes paid by Horizon's members as part of their premiums putting Horizon on a level playing field with the out-of-state, for-profit health insurance companies
- Makes Horizon the first New Jersey company to agree to work to ensure that it reflects the racial, ethnic, and gender diversity of the communities that it serves – from the board of directors and executive leadership to our employees

Will this raise premiums?

No. In fact, this gives us the flexibility to make strategic investments that can begin to cover some of our members' health care costs, which are currently covered solely by member premiums.

Why is Horizon BCBSNJ changing its structure?

We must be ready for anything at any time. Almost overnight, the COVID-19 pandemic reminded us how quickly things can change and that by adapting quickly we can be there when members need us most. Having the operational flexibility to be agile beyond crisis situations will allow us to continue working hard for them and give us more opportunities to drive health care affordability, simplicity and quality.

However, our former corporate structure was built for a different time. Restrictive rules that were unique to Horizon BCBSNJ controlled how much the company could invest in our members' health – including in ways that would allow us to keep health care costs under control and bring better health outcomes to New Jersey residents. Those restrictions included:

- Strict limits on the size of investments we could make – no matter how beneficial to our members. To be clear, the Horizon insurance companies will still follow all of the rules and regulations on investments and other requirements applicable to insurance companies. But the non-insurers within the group will have greater flexibility.
- A maximum on business outside of traditional commercial insurance services – even from critically important state services, such as Medicaid, and senior care, such as Medicare
- A much higher tax rate on our members' premiums compared to other insurers doing business in New Jersey

Reorganizing enables Horizon BCBSNJ to shed these restrictions and invest more on behalf of our members to drive the future of health care forward in New Jersey.

How does changing to a not-for-profit mutual allow Horizon to better serve its members?

Reorganizing Horizon BCBSNJ better positions us to make sure we're always here for our members and their health. We will be able to accelerate investments in technologies and innovations that improve health care quality, cost and convenience.

We are exploring investments in multiple areas:

- **Member-facing technologies** to include health care wearables, mobile pharmacies, and other innovations that will make our members' experiences easier, faster and more affordable
- **Additional/enhanced services** for our members such as dental plans and student insurance
- **Programs for the underserved** including further joint ventures to deliver care to underserved communities and behavioral health initiatives
- **Data and analytics** for health care professionals we do business with, to further affordability and quality of care
- **Medicare Advantage** and other senior care solutions to expand on our reach and offerings to New Jersey's senior population

How will reorganizing better serve the state of New Jersey?

As an anchor institution in New Jersey, we care about improving the health of New Jersey residents and the economy as well. We are proud to employ more than 5,000 people. Through this reorganization, we will be able to further expand our contributions to the State, while also serving members and contributing to building a healthier economy, generating more opportunities and revenue for the entire State.

In fact, similar changes in other states like Florida and Michigan resulted in expanded member services and economic growth, while the rates of uninsured residents in these states decreased faster than the national average.

Why reorganize Horizon BCBSNJ's corporate structure now?

As we've learned during the COVID-19 crisis, things can change in an instant, and our members rely on us to be there when they need us. During the crisis, we delivered on that expectation by eliminating out-of-pocket costs for COVID-related testing and care, expanding telemedicine benefits and providing free counseling for people feeling stressed, anxious, or depressed. We also helped employers preserve health coverage for their employees.

We need to continue delivering on our members' expectations beyond the current crisis. With new strategic and operational flexibility, Horizon BCBSNJ can:

- Make member care more affordable with new services and technologies that keep people healthy and out of the doctor's office.
- Enable doctors to provide a holistic picture of our members' health and ensure our members have access to both physical and behavioral health services.
- Grow programs that address the root causes of health— such as transportation to doctor appointments and access to healthy food options – to improve the health of underserved communities.
- Work together with doctors to use data insights to improve the quality of care, help reduce chronic diseases in New Jersey and rein in costs.
- Help contribute to building a healthier NJ economy, generating more opportunities and revenue for our entire State.

As New Jersey's not-for-profit health insurer, we have already made critical investments to meet our members' needs but reorganizing enables us to do more to keep pace and deliver on our members' expectations. It will give us the flexibility to provide more opportunities to drive health care affordability, simplicity and quality.