

## Department of Banking and Insurance

### Hearing on Horizon Blue Cross Blue Shield Application to Reorganize into a Not-for-profit Mutual Holding Company System

#### Written Testimony of Jennifer Velez, Executive V.P. for Health and Network Solutions October 6, 2022

I am Jennifer Velez. I am proud to serve as Executive Vice President for Health and Network Solutions for Horizon Blue Cross Blue Shield of New Jersey. Thank you for the opportunity to testify in support of Horizon's application to reorganize into a not-for-profit mutual holding company system.

First, I would like to provide an overview of who we are, what we are striving to achieve and why, followed by the six specific areas raised in the Department Notice of Completeness.

#### Horizon Now and in the Future

Horizon is a not-for-profit health service corporation providing a wide array of medical, behavioral, dental, vision and prescription insurance products and services to approximately 3.8 million members. Since 1932, Horizon has led the transformation of health care in New Jersey by working with doctors and hospitals to deliver high-quality, accessible, and affordable care. An independent licensee of the Blue Cross and Blue Shield Association, Horizon is New Jersey's largest, oldest, and only not-for-profit health insurer.

Horizon's mission is to empower our members to achieve their best health. Our not-for-profit status has informed every choice we've made and every choice we will continue to make. While our former corporate structure as a health service corporation (HSC) enabled us to accomplish our goal for many years, it was built for a different time. Many of the laws governing HSCs date from the 1980s, meaning Horizon operates under many outdated restrictions and limitations that other New Jersey health insurers do not.

Examples of these restrictions include:

- **Strict limits on the size of investments we can make – no matter how beneficial to our members.** Horizon HSC is limited to investing just 2% of our reserves on individual partner investments. This is insufficient to enable crucial investments in innovations that will improve the health of our members and the efficiency of our health system.
- **Revenue restrictions misaligned with our mission.** Constraints on pursuing revenue outside of traditional commercial insurance services prevent Horizon from diversifying to better serve New Jersey's residents. Lifting these restrictions would relieve our reliance on member premiums to deliver solutions instrumental to the health and well-being of our State.
- **Tax rates that drive higher costs.** Horizon members must bear the cost of a much higher tax rate on premiums compared to other insurers doing business in New Jersey.

Horizon must be positioned to compete with out-of-state insurers, innovate in partnership with non-traditional health care players and invest in new approaches to care delivery to drive the future of health care in New Jersey.

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

Importantly, the mutualization legislation that the State enacted two years ago:

- Strengthens the guarantee that Horizon remains forever a not-for-profit entity that exists for the exclusive benefit of its members
- Ensures that Horizon cannot be sold or transformed into a for-profit structure that is owned by shareholders or investors
- Promotes transparency through reporting that is specific to Horizon that will detail information about the company's financial security, performance, operations, and actions focused on furthering our mission
- Expands the number of public members appointed by the Governor and Legislature to Horizon's Board of Directors
- Gives members the right to vote for the Board of Directors (excluding those Directors appointed by State officials), giving our members an important voice in Horizon's governance and operations
- 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 ensure that our company reflects the racial, ethnic, and gender diversity of the communities that we serve – from the Board of Directors and executive leadership to our employees

### **As New Jersey's hometown insurer, seeing New Jersey thrive is personal to us.**

We employ more than 5,000 people, 75% of whom are women and 50% of whom are Black, Hispanic, or Asian. We maintain principal offices across New Jersey, in Newark, Hopewell, and Wall Township. Fully invested in our communities, we have provided more than \$60 million in grants to local organizations that improve the health and well-being of all of New Jersey.

As a not-for-profit mutual organization, Horizon could provide even more. According to an economic impact study of the 10-year impact of the reorganization (conducted prior to the enactment of the Reorganization Authorization Statute), the proposed reorganization is projected to:

- Generate approximately \$4.16 billion in additional economic output.
- Support nearly 2,000 jobs per year, over \$1.9 billion in employee compensation, and an increase of approximately \$62 million in State income, sales, and business taxes.

The mutual corporate form is not new to the insurance industry. In fact, Blue Cross Blue Shield plans in 18 other states are organized as a mutual company.

### **An Industry in Flux: Challenges and Opportunities**

We would like to take a moment to elaborate on why evolving to a not-for-profit mutual is critical to continuing to serve our members in this landscape and avoid becoming what Assemblyman John McKeon described as a 'dinosaur,' unable to adapt and destined to become extinct.

Health care has changed dramatically and continues to do so. Just to give context, since the legislation allowing for this application was introduced, there have been more than 100 mergers or acquisitions in the health care services space. Many of these changes aim to affect New Jersey. Though some may look positive at first glance, it is far from clear as to whether they will meet New Jersey's specific health needs or move our State's economy forward. Just a few examples:

- Amazon and CVS Health are vying for Signify Health, a major home-health services provider. Walgreens is also expected to enter this space. Of special importance: Many of the major hospital systems in New Jersey see companies like Signify as competitors for their patients and revenue. Horizon would benefit from being able to invest/co-invest in creating seamless home health solutions tied to our own population health and telehealth/digital tools.

- Anthem/Elevance continues to build out its digital solutions for member to create a more seamless digital concierge and health engagement experience through the Anthem Sydney mobile app.

### *Rising Costs*

According to a poll by the Impact Research and Expedition Strategies, New Jerseyans say they want to see direct measures to control health care costs and that lowering out-of-pocket health care costs is more important than ever.<sup>1</sup> Meanwhile, rising inflation continues to impact spending for the foreseeable future. The Centers for Medicare and Medicaid Services (SMC) predicts annual health spending will increase more than 5% annually through 2030.<sup>2</sup>

Despite rising costs of care, New Jersey still grapples with demanding health challenges, such as facing the highest maternal mortality rate in the nation, among states that report this data. The changes made possible by the proposed reorganization will give Horizon the operational and financial flexibility to explore and invest in new partnerships, health care programs, and innovations that can bend the cost curve by improving health.

### *Vertical integration and consolidation*

Over the past decade, nationwide health insurers have increasingly consolidated the market and enter into the health care provider space. National payers continue to be aggressive in acquiring provider assets across the care continuum. UnitedHealth Group's OptumCare continued to double down on their provider footprint and presence in the Northeast. Private equity is investing heavily in health care, especially in hospitals and nursing homes.<sup>3</sup>

### *Soaring Drug Prices*

The rising costs of prescription drugs is of no surprise to the Department. While the overwhelming percentage of prescriptions filled are for generic drugs, the introduction of new, expensive therapies and treatments – especially specialty pharma – is dramatically increasing prescription drug spend.

### *Shifts in reimbursement from fee-for-service to value and outcomes-based care*

Aligning affordability and quality via a value-based provider payment system has been slow to be adopted across the country, representing just 6.74 percent of total medical revenue at primary care practices.<sup>4</sup> Yet, Horizon has made strides in aligning affordability with quality. About 6,000 primary care physicians operate under a Horizon value-based reimbursement system. In addition, Horizon has an industry-leading episodes of care program that focuses on improving outcomes for specialty care.

While this represents substantial progress in New Jersey, “disruptive” primary care and specialty-condition startups, fueled by private equity, are providing consumer-driven value-based care. The recent Humana-Cano transaction is the most recent example of how large insurers are partnering with niche start-ups to drive forward a new model of quality and affordability. As a New Jersey-based and focused company, we would focus opportunities to benefit our state.

## **Leading by Example & Demonstrating Effectiveness: Recent Highlights**

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<sup>1</sup> [Insuring the Insured: Consumer Expectations and Experiences with Health Care Costs and Coverage in New Jersey – Impact Research and Expedition Strategies](#)

<sup>2</sup> [2021-2030 Projections of National Health Expenditures - Centers for Medicare & Medicaid Services \(CMS\)](#)

<sup>3</sup> [AHIP Private Equity Issue Brief](#)

<sup>4</sup> [2022 MGMA Data Report - Patient Access and Value-Based Outcomes Amid the Great Attrition](#)

Horizon has spent several years investing in, piloting and developing programs that address significant unmet health care gaps for our communities, including one million Medicaid members. Of particular significance is our focus on social determinants of health (or SDOH) and behavioral health programs, two initiatives that are critical to improving the health of New Jerseyans.

## **Social Determinants of Health Programs**

*Neighbors in Health:* One in ten New Jerseyans are food insecure and 39% cannot meet their basic needs. To reverse the trajectory, Horizon set out to launch the state's, and perhaps the country's, most innovative program in 2020 to address SDOH, the complex, integrated and overlapping social structures and economic systems responsible for most health inequities. The Neighbors in Health program deploys specially trained community workers to work one-on-one with clients to overcome barriers that get in the way of their health. Our results have notably improved the lives of people in New Jersey. Over 10,000 people were enrolled in the program through the summer of 2022, with 5,946 having graduated, meaning their program-specific needs have been met.

*Managed Long-Term Services and Supports (MLTSS):* The most common obstacle New Jerseyans face in obtaining housing is equitable access. Horizon employs three dedicated centralized housing experts responsible for helping MLTSS identify, secure, and maintain community-based housing for some of NJ's most vulnerable members in collaboration with State entities. Horizon currently has 870 active housing referrals for members from across all Government Programs lines of business.

*Maternal Health:* Recognizing the high mortality rate of mothers of color and their babies, Horizon began leading a unique public/private workgroup to match at-risk expectant mothers with Medicaid coverage with community-based, culturally competent doulas. In 2023, the program will be rolled out to more Horizon members.

## **Behavioral Health Program**

Research proves that effective integration significantly improves health and reduces costs. In light of this, and the recent surge in mental health issues, Horizon overhauled its behavioral health offering, developing a holistic program that includes our Integrated System of Care (ISC) program. This first-of-its-kind, nationally recognized solution for members with serious mental health and substance use needs integrates point solutions that are otherwise disparate and brings together the right data, solutions, and health care providers to holistically address both the physical, social, and mental health needs of our members.

A one-year pilot of the ISC model in Monmouth County realized an 80% reduction in hospital admissions and a 90% reduction in days of illegal drug use. Overall, our behavioral health solutions have yielded industry-leading results, including a 40% increase in access to care, 20+ % reduction in total cost and 90+ % member satisfaction.

**Horizon has also created innovative partnerships to address the single biggest driver of health costs facing our members: rising drug costs.**

Roughly 20 percent of every Horizon premium dollar goes toward prescription costs. To help make drug costs more transparent and less costly for Horizon members, we created a number of partnerships and programs.

- Horizon has partnered with non-profit drug maker Civica Rx to help lower the cost of generic drugs, which accounted for 85% of prescriptions filled by Horizon (2019).

- Via MyPrime, members have online tools to compare prices, and the Gemini tool enables doctors to receive alerts on lower-cost prescription drugs as they prescribe medications to their Horizon patients.
- Horizon's Site of Service program, specifically created to increase access and affordability for those taking high-cost specialty drugs, enables members, doctors, patients, and Horizon to identify opportunities for savings and drug administration improvements. To date, the program covers 60 specialty drugs, saves participants an average of 423 travel miles and an average of \$520 in-out-of-pocket costs every year.

### **Innovations and collaborations: Our high-performing Medicare Advantage plan and more provider collaborations**

Braven Health debuted in 2021 as New Jersey's first and only Medicare Advantage plan owned jointly by a health care provider and a payer – Horizon and two of the state's most comprehensive health systems, Hackensack Meridian Health (HMH) and RWJ Barnabas Health.

One unique feature to Braven is the direct involvement of a Provider Council made up of physicians across the Horizon, HMH and RWJBH network. Physicians provide insight on plan design, formulary administrative challenges, patient input, and more. Their input is acted upon to continuously improve services. Braven's PPO offering, where more than 90% of Braven members are enrolled, reached 4 stars in its first year of operations – exceptional for a start-up – and was New Jersey's fastest growing Medicare Advantage Plan upon launch. Currently in eight counties, Braven will be available statewide in 2023. This geographic expansion—as well as new options within the program—will be made possible by our transition to a not-for-profit mutual holding company. Under the new structure, we will be able to invest and grow in emerging markets adjacent to our traditional lines of business—and in areas that will particularly benefit Braven enrollees.

To help our provider partners better coordinate care and gain valuable patient insights, Horizon developed HealthSphere, an online health care data management and analytics tool that provides a 360-degree view of patient health records in near-real time. The tool aims to improve patient outcomes, lower costs, and improve patient experience by identifying gaps in care, enhancing chronic disease management and more.

While these programs have created a real difference in the lives of many, they are relatively small in scale our communities' needs. Providing Horizon greater investment flexibility will enable the Company to bring these programs to a large scale across the state as well as invest in additional resources to develop other cutting-edge access to care platforms.

### **What's on the Horizon**

We believe there are meaningful opportunities to expand the size and scale of our efforts to lower costs, address behavioral health and social determinants of health.

These include:

- Building upon our collaborative efforts with Braven Health to expand to all 21 counties and deliver more of what members look for, like our Papa partnership which helps members with everything from care coordination to grocery runs and land companionship. Future efforts could include 24/7 remote concierge care for seniors to arrange appointments, schedule transportation, and more.
- Investing in innovative partnerships—such as those with DocGo, which merge virtual and home care visits—to provide better, more efficient hospital-to-home care.
- Forging partnerships with new players focused on driving improved outcomes and convenient care at a lower cost so we can drive value-based care models even further in NJ.
- Driving integrated population health management, across physical, behavioral, and social needs

- Giving members more control of their medical records so they can be more engaged in their health
- Investing in new technologies like automated checklists, outreach lists, and feedback reports to help care managers and physicians increase efficiency
- Working to expand efforts to keep prescription drug costs affordable for our members.
- Continuing to collaborate to combat SDOH issues. For example, expand partnerships to fund food insecurity initiatives that lead to a fundamental shift in food distribution and nutritional options and choices.
- Continue to collaborate with providers and community-based organizations to address social gaps and social needs of our members and New Jersey residents through the employment of community-health workers.

## Department's Questions

The Department identified seven specific areas that you asked the Company to address:

- The purpose of the capital distribution to the holding company and whether part of the funds will support the investment highlighted in the application, namely, SDOH and Behavioral Health
- Horizon's commitment to all 21 counties in the state
- Actions to address affordability of coverage
- Achieving greater health equity
- Network adequacy and culturally competent care
- Impact of the national antitrust litigation
- Serving health care needs of all New Jerseyans and promoting the public interest

## Reinvesting Distributions Associated with the Restructuring

One of the benefits of Horizon's transition to a not-for-profit mutual holding company is that our organization will no longer need to sequester capital reserves that are not relied on for solvency purposes. Instead, such funds, including the expected distributions of approximately \$300 million to the new mutual holding company upon the reorganization can be deployed to pursue a range of opportunities in fulfilling our member-focused mission. In addition, this funding will enable us to enhance and expand services, as detailed below and elsewhere in this testimony, that will extend our ability to meet the health needs of the people of New Jersey.

We expect our data-driven investments in improving health care quality, accessibility, and affordability will be wide ranging. Notably, as discussed in our restructuring Application submitted to the Department, we have prioritized key investments in programs and activities to address Behavioral Health and the Social Determinants of Health.

While our primary focus will be on improving services and outcomes for our members and serving more New Jerseyans, investment decisions will also be made to help ensure that Horizon, as a domestic insurer, can continue to compete with out-of-state for-profit insurers.

Broadly speaking, we anticipate pursuing partnerships and investments in:

- **Medicare Advantage**—We anticipate making investments that enable us to expand access to Braven Health, Horizon's Medicare Advantage plans to all counties in New Jersey. Investments in this area will also result in expanded benefits for enrollees.
- **Technology**—Rapidly developing consumer-oriented and clinical technologies will be increasingly critical to delivering affordable, effective health care. Encouraged by the success of our Integrated System of Care for behavioral health, we will look to invest in systems that give

physicians a more holistic picture of a patient's health – enabling providers to diagnose and treat patients faster.

Some of these technologies for doctors and patients could include:

- Clinical-grade wearables enabling doctors to monitor patients in real time, diagnose illnesses and track progress
- Electronic health information exchanges to enable the seamless and secure exchange of electronic health care records across health care partners and patients to provide a more complete picture of patient health
- Natural language processing software to scan/interpret huge volumes of data to reduce administrative duties.
- Future-forward predictive analytics to improve care by using historical data to predict health outcomes and provide better diagnostics and more targeted care/treatment at lower costs

For employers, this could mean:

- Increased transparency regarding provider quality and costs to ensure employees are getting the best care for their money
- Access to more services for employees at a more affordable cost for their company
- Virtual chronic condition clinics so employees can get the care they need, when they need it, without disrupting their schedules
- Expanded mental health offerings, especially via virtual care
- More integrated care delivery/coordination to help employees connect to personalized care and services

Offering best-in-class medical care also means closing gaps in care. We are excited about the possibility of partnering with organizations that close the gap – be it through telehealth or at-home care.

Finally, as we learned during the COVID-19 pandemic, things can change in an instant. The importance of managing population health is critical to the overall health of the State.

- **Prescription Drug Costs** - Further, due to rapidly rising drug costs, we expect to further our investments in technology tools that drive savings and affordability around prescription drug costs. We have already heavily emphasized this area of rising healthcare costs by partnering with Amazon and Civica. Gemini is another tool we've made available to help providers prescribe lower cost alternatives to their patients. Looking ahead, we hope to further these investments and build in new areas such as specialty pharmacy.
- **Operational Improvements and Expansion**—The restructuring will free up opportunities for partnerships and capital that will enable Horizon to make fundamental investments in our operations to support growth. We will be able to achieve back-office improvements that enable us to better serve our members, add new members, and realize cost savings. Horizon has consistently ranked high in J.D. Power's Member Satisfaction survey because of our commitment to our members. By approving this restructure, Horizon will have the operational flexibility to invest in technologies that make it easier for members to find and get the care they need. Growth will translate into better health for more New Jerseyans and improved economies of scale.
- **Adjacent Growth**—Under our new structure, Horizon will have the flexibility and financial strength to pursue meaningful and socially impactful growth in adjacent markets, outside our core medical services. These initiatives may include: partnering or investing in a dental insurer and/or a dental support organization (DSO); and growing our stop loss business through investment, partnership, or acquisition.

## Expanding Services and Access Across New Jersey's 21 Counties

As discussed above, Horizon has a decades-long history serving New Jersey, and our products and services currently benefit members in all 21 of the state's counties. We have participated in the Affordable Care Act's health insurance exchange since 2014, and Horizon will continue to service the New Jersey marketplace in all 21 counties. The restructuring of Horizon to a not-for-profit mutual holding company will not alter the policies, benefits, network, and managed care operations of Horizon.

But under the reorganization, Horizon will be able to go further - expanding our services and improving access in fulfillment of our mission to empower our members to achieve their best health while also and improving health care quality and affordability. The restructuring will provide new flexibility to pursue a range of innovations, investments and strategies that better enable us to serve the people and communities of New Jersey. Examples of these investments and initiatives that will benefit current and future members include:

- **Empowering Providers and Enhancing Facilities**—Under the restructuring, Horizon will be able to continue and accelerate our efforts to offer providers and hospitals with new capabilities in such areas as electronic patient records, population health, advanced analytics, and prescription management. Together, these and other tools will continue to drive improvements in treatments and outcomes and enable providers to develop more holistic insights into their patients' health, resulting in better health and lowering the total cost of care.
- **Addressing the Social Determinants of Health (SDOH)**—As discussed earlier, Horizon is focused on addressing the Social Determinants of Health (SDOH) across the state through our Horizon Neighbors in Health program. The restructuring will enable increased investments in this program, enabling us to forge additional community-level partnerships that help New Jerseyans access nutritional food, safe affordable housing, employment, and more. This expansion will enable us to address the social needs of more members, including those enrolled in Medicaid.
- **Expanding Behavioral Health Services**—Horizon is proud that we have already established a strong track record of improving behavioral health, expanding access to behavioral health services, and reducing the total cost of care. These achievements—accomplished during a period of worsening behavioral health challenges exacerbated by the COVID-19 pandemic—have been made possible through a number of strategies, including by better integration of behavioral health into total care. Under the proposed restructuring, Horizon will be able to further optimize our approaches to behavioral health, better integrate technology into behavioral health services, and continue to improve access to behavioral health services statewide.
- **Expanding Braven (Medicare Advantage)**—Horizon is expanding our Medicare Advantage program, Braven, statewide beginning in 2023. This geographic expansion—as well as new options within the program—will be made possible by our transition to a not-for-profit mutual holding company. Under the new structure, we will be able to invest and grow in emerging markets adjacent to our traditional lines of business—and in areas that will particularly benefit Braven enrollees.

Our continued service in all 21 counties in New Jersey is taking place in the context of ongoing concern about the cost of care. Out-of-state, for-profit competitors have responded by narrowing networks and maintaining limited-service areas that exclude many New Jersey counties. In effect, many of our competitors are cherry picking how they want to service New Jerseyans while choosing to leave some residents behind. In contrast, Horizon is a not-for-profit organization focused on improving health across the state. We partner with diverse health systems and offer a range of products for every market segment in every county in the state. Our reorganization will put us on better financial and operational footing to continue to deliver statewide coverage.

## A Focus on Affordability



By changing to a not-for-profit mutual holding company, Horizon will gain new flexibility that allows us to take new initiatives that will help cover members' health care costs, which under the current corporate structure are covered solely by member premiums. Currently, our investments and programs aim to divert high-cost, low-utilization and inefficient activities toward lower-cost and more effective interventions that all ultimately affect the cost of care – whether it be monthly premiums or out-of-pocket costs. Our new strategic investments will help us bend the cost curve for members. Horizon's focus on affordability will include:

- **Critical No-cost Care**—In response to the pandemic, Horizon provided a range of no-cost services, including diagnostic testing, telemedicine visits and treatments related to COVID-19. We will continue to offer and look for ways to expand care that does not incur additional costs for our members, building on a track record of providing immunizations for children, customized health coaching, preventative health screenings and annual physicals at no additional cost.
- **Helping Members Access the Right Care**—Engaging with members—through technology, on the phone and in person—helps them access the best, most affordable care for them, depending on the situation. Critically, we support affordability by educating members about what type of care is appropriate—from a telemedicine visit to a scheduled in-person exam, urgent care, or ER visit. Our out-of-network cost calculator provides transparency and helps members understand costs and seek affordable options. Through this restructuring we can build on that work. We will examine opportunities to provide more in-home care options and culturally competent care that helps our members get and stay healthy.
- **Lowering the Cost of Prescription Drugs**—Horizon will continue to seek ways to help our members afford prescription drugs, including by investing in cost-saving technology and forming a unique partnership that will provide our members with access to lower-cost generic medications. We have already supported member savings by providing providers with software to help them understand their patients' out-of-pocket costs and identify lower-cost generic alternatives. We've also partnered with well-known consumer brands to make home delivery of prescriptions more convenient. We've even gone as far as helping support the manufacturing of generic drugs to address the challenges of limited supply and soaring prices. Building on these partnerships will be a focus area for us as a not-for-profit mutual.
- **Prioritizing Mental Health and Substance Use Treatment**—Unaddressed mental health and substance use disorders can lead to poor overall health and potentially dangerous and costly outcomes. Our integrated system of care (ISC) created a new way to address behavioral health, but more can be done. Following a one-year pilot of the ISC model in Monmouth County, we saw an 80% reduction in hospital admissions and a 90% reduction in days of illegal drug use. Under our new structure, Horizon will continue to expand our ability to meet the needs of members facing mental health and substance use challenges. New, innovative approaches to these challenges—such as medication-assisted treatment for addiction—is showing success. These successes will impact overall health care affordability by preventing costly health consequences.
- **Supporting Healthy Communities**—As discussed elsewhere in this testimony, Horizon is taking steps to address the Social Determinants of Health, including access to housing, food, and transportation. Horizon Neighbors in Health is our signature pilot program that provides direct face-to-face interaction between high-risk Horizon members and community members who can address their needs. Over 10,000 people were enrolled in the program through the summer of 2022, with 5,946 having graduated, meaning their program specific needs have been met. Our model works. It connects our members to services and resources to help address these issues—improving health and driving down costs. This model especially helps vulnerable populations to access care for preventable or chronic health conditions. As a not-for-profit mutual we can expand on this promising work to provide early intervention and preventative health to help limit costly health complications.

- **Providing Lower-premium Plans**—Horizon offers plan options that help members lower their out-of-pocket costs. For example, our OMNIA health plans are 15 percent less expensive, on average, than comparable plans. These plans help create efficiencies, while still providing members with access to Horizon’s large provider network.
- **Supporting Coordinated Care**—Treatment and care coordination helps make health care more affordable. Horizon supports the coordination of mental and physical health for our members. This includes by providing providers with tools to have a holistic snapshot of patients and enabling them to coordinate care across specialties.

Finally, it is worth repeating that Horizon’s current corporate structure places a much higher tax burden on our members’ premiums compared to other insurers doing business in New Jersey. When Horizon becomes a not-for-profit mutual holding company, the tax burden on our members’ premiums will be reduced. This translates into savings for New Jersey consumers and strengthens Horizon’s ability to compete with out-of-state, for-profit health insurance companies.

## Supporting Health Equity

Horizon has a long-standing commitment to support health equity—and we are immensely proud to make this priority part of our corporate and operational culture. We are committed to achieving greater diversity, equity, and inclusion within our own organization and through the care that we provide. Our goal is that there be no disparity in health access or treatment for anyone. Meeting this goal requires an ongoing effort, and Horizon is proud to highlight the following actions and collaborations:

- **National Health Equity Strategy**—We are a leading member of this nationwide initiative to address health disparity issues. This effort will zero in on four key areas: maternal health, behavioral health, diabetes, and cardiovascular conditions. Initially, the initiative is focusing on maternal health, with the goal of reducing racial disparities by 50% in five years.
- **Doula Initiative Supporting Equity in Maternal Health Care**—Horizon’s doula program is aimed at improving health outcomes for mothers and babies, with a focus on populations that face health care disparities. Horizon doulas also help connect families with community resources to help them address social challenges that contribute to health.
- **Institute for Social Justice**—Horizon partners with ISJ to support efforts to reduce racial health disparities and expand access to mental health support for minorities in the juvenile justice system.
- **African American Chamber of Commerce of New Jersey**—Horizon collaborates with AACCNJ to improve our supplier diversity and to help drive additional Black applicants for positions with our organization.
- **Venture Funding for Minority-owned Health Care Businesses**—In addition to seeking to engage with established minority-owned businesses, Horizon is also investing in a minority-owned venture capital fund founded by women, Black people, Indigenous people, and other People of Color to help increase the number of minority-owned health services and health care providers in New Jersey. Three of 11 companies in Horizon’s early-stage investments are minority-operated, and four are women-owned, including a company operating five substance use disorder (SUD) clinics in New Jersey.
- **Housing Equity**: Horizon recognizes and supports State initiatives to strengthen housing opportunities and supportive services for NJ residents. We currently have 870 active housing referrals for members being handled by three dedicated Housing Specialists who serve as centralized housing experts and are responsible for helping MLTSS members identify, secure, and maintain community-based housing. Referrals to this team have been increasing in both

volume and complexity over the past two years. Horizon has remained steadfast in its commitment to providing housing-related information and assistance to members, but demand is increasing in volume and complexity. Investing in furthering housing equity is another core focus area as a not-for-profit mutual.

These examples are just part of Horizon's ongoing effort to be a leader in addressing health care inequities in New Jersey. We also recently endowed a scholarship program at Rutgers to increase diversity in dentistry. We support and listen to 10 employee affinity groups that celebrate the ethnic, racial, religious and gender diversity of our workforce. Our affinity groups help all of us at all levels of the organization better understand what makes each community unique so that we can apply that knowledge to better serve the people of New Jersey.

The proposed restructuring will provide Horizon with greater opportunity to meaningfully accelerate and expand programs to improve health equity.

### **Network Breadth and Adequacy**

Horizon has the broadest network of any insurer in the State. The restructuring of Horizon into a not-for-profit mutual holding company will not change that and will have no impact on participating provider's network participation, contract terms, or reimbursement rates. In fact, based on all of the investment I've already discussed, the reorganization will strength the Company's ability to meet the health needs of New Jersey's diverse population through investments in our provider partnerships, including in efforts to promote more culturally competent care.

On the member side, Horizon offers some of the broadest choices across all 21 counties. The reorganization will not change Horizon's offerings. In fact, the restructuring is aimed at helping Horizon deliver solutions that are more convenient, more connected, and more affordable for our members and helping improve access to care and the health of the communities we serve.

We will also become a more flexible, nimble organization that can pursue innovation, form new partnerships, adopt new protocols, and better compete in the marketplace. Our goal is to become a stronger organization statewide, with changes benefiting members and communities in every county. These positive changes will be made possible by the removal of outdated restrictions made possible by the restructuring. Horizon will be better positioned to pursue socially impactful investments and operational changes that will help improve the health of our members and expand access to health care in New Jersey.

### **The Competitive Landscape in New Jersey and Out of State**

Horizon's restructuring to a not-for-profit mutual holding company will effectively create a level playing field for competition in the health insurance marketplace in New Jersey. In our current corporate structure, Horizon is constrained by a range of restrictive rules that are unique to our organization. We are essentially operating and competing with one hand tied behind our back. Current rules limit our ability to invest in our members' health—and support better health outcomes. Further, we have been prevented from pursuing initiatives that would help keep health care costs under control. The restructuring will enable us to shed onerous restrictions and rules, including:

- Strict limits on the size of investments—no matter how beneficial to our members.
- Limits on growth outside of traditional insurance services—including our ability to support essential health services, such as Medicaid and Medicare.
- A significantly higher tax rate on our members' premiums compared to other insurers operating in New Jersey.

With these restrictions removed by the restructuring, Horizon will be better able to support quality, affordable, accessible health care. We will also be better positioned to compete with other insurers, including out-of-state, for-profit insurers that are not prioritizing the health of all New Jerseyans.

Our enhanced ability to compete will serve us, and our New Jersey policyholders, well in the face of increased competition from national, for-profit payers and from other Blue Cross Blue Shield plans as they enter new markets as a result of the national antitrust litigation. The reorganization could also afford Horizon the opportunity to better pursue both business and geographic diversification to better compete amidst macros developments in the industry.

### **Overall Benefits to the State of New Jersey**

The remarks above primarily focus on how the proposed restructuring will better enable Horizon to support the health of our members and the communities we serve. We are also confident that the restructuring will serve the public good by bringing economic benefits to the state. Independent economic research underscores that the restructuring would have significant impacts on the New Jersey economy in two categories:

- **Investment Impacts**—The firms that receive direct investment from Horizon would have the ability to grow their businesses, increasing their hiring, research and purchasing activities. This, in turn, would have spillover effects on the state economy from spending by their employees and suppliers.
- **Operating Impacts**—Horizon's operations and employment footprint in New Jersey are enabled by revenues from the services and products that we provide. Enhancements in Horizon's offerings therefore will translate to greater employment and purchasing activity within the state economy.

Each \$100 million in investments in New Jersey firms is projected to generate \$206 million in additional economic output within New Jersey over a ten-year period, supporting 920 FTE job-years and \$76 million in employee compensation.

Investments enabled by the proposed form change would allow Horizon to innovate its management models, products, and services, and enhance its offerings while reducing the rate of cost growth. These improved products and services will attract additional members.

Increased enrollment and revenue amounts, in turn, will allow Horizon to support a greater level of operating activity. Crucially, Horizon is locally based, while its main competitors are headquartered outside the state, meaning that enrollment, associated employment, and purchasing activity by Horizon leads to additional jobs and expenditures within New Jersey.

Horizon's expenditures generate spillover activity throughout the State economy through its suppliers and through labor income that is recirculated as household spending. Including this spillover activity, Horizon's expanded operations under the restructuring compared to the status quo are projected to generate \$4.16 billion in additional economic output within New Jersey over a ten-year period, supporting 19,580 FTE job-years and \$1.9 billion in employee compensation.

Horizon's increased economic activity will also favorably impact the tax base. While Horizon itself will be exempt from certain tax types due to its not-for-profit status, it will still generate significant taxable activity for the state, including income tax paid by its employees.

We hope this testimony demonstrates our unwavering commitment to driving health care forward for New Jersey and our aspirations to improve the health outcomes and experience of our members. On behalf of the more than 5,000 Horizon employees who serve them, thank you for your time and consideration.