

**NJ Department of Banking and Insurance**  
**Testimony**  
**for**  
**Senate Commerce Committee**  
**March 9, 2009**

Good morning Madam Chair. (Senator Nia Gill)

Thank you for having me here today to discuss the application of Horizon Healthcare Services Inc. to convert from non-profit to for-profit status and Senate Bill S-2532.

I will first give you a status report on the conversion application, and then I will discuss S-2532.

As you know, Horizon filed a conversion application with the Department of Banking and Insurance and the Office of the Attorney General on August 15, 2008.

State law (N.J.S.A. 17:48E-48 et seq.) requires that the application must be reviewed by the DOBI Commissioner and the Attorney General for completeness. The law also provides for a public hearing on the application. Public comments may be made either verbally or in writing.

By letter of October 14 to Horizon, we found the plan to be incomplete and requested a great deal of additional information.

Horizon responded to that letter last week. Its response is posted on our website. We are reviewing that information, and will seek further information if necessary until we are satisfied that the application is complete.

Once DOBI determines that the application is complete, we have 45 days to schedule a public hearing or hearings. We expect to have joint hearings with the Attorney General. We have not begun to plan such hearings, but expect there would be multiple hearings at various locations throughout the state in order to accommodate any interested citizens of New Jersey.

Once hearings are completed and the record is closed, DOBI has 45 days to make a decision.

In order to assist the State in carrying out its duties under the conversion statute, the Department and the Attorney General jointly engaged four firms to assist us in our review of the Conversion Plan. These four firms include: attorneys, actuaries, accountants, and investment bankers. These firms collectively represent a broad range of experience and expertise in the operation of health plans and also include many individuals with experience related to non-profit conversion applications in other jurisdictions. We are

very pleased with the support these groups afford the State in our consideration of the application.

In order to make the process as open as possible, we set up a public webpage where all public documents filed as part of the conversion process are posted in pdf format.

Now I would like to address Senate Bill 2532.

The bill would require the Commissioner to engage the services of a consultant to prepare a “fairness analysis” of the Conversion Plan examining the direct and indirect health impact of the proposed conversion. Existing law, (N.J.S.A. 17:48E-52a) already requires that the Commissioner make the analysis that the fairness expert would be required to make under the bill. The law provides, in addition to many other requirements, that a Conversion Plan can only be approved if the Commissioner finds that the Plan of Conversion adequately protects the existing contractual rights of subscribers; is fair and equitable; and promotes the public interest.

If a consultant were hired specifically to prepare a fairness analysis, it would essentially delegate the Commissioner’s statutory responsibility to make a final decision of the Conversion Plan to an outside consultant. Existing department staff and the outside consultants already hired have the necessary expertise and background to analyze the facts of the Conversion and to provide an objective overview of matters that could impact the fairness of the Conversion.

Moreover, should the Department determine that additional expertise is necessary, nothing precludes the hiring of additional consultants under the current law. As the process progresses, we may hire additional experts. Indeed we are quite open to the idea of hiring an economist or other such expert to provide us with a health impact study. The Horizon Watch Coalition made this suggestion to us. We are carefully considering it.

The bill would also allow for the creation of a new party, registered interveners, in the process. It would also require that the Commissioner and Attorney General allow the registered interveners to gain access to confidential documents should the documents be necessary to fully represent their parties’ interest in reviewing the Conversion Plan. The Department has concerns with the idea of including an “intervener” in the process because it would change the nature of the hearing from a legislative to an adversarial hearing. Existing law already provides for court review of the final agency decision and the conversion statute already requires court approval of the foundation plan. The Court must determine that the foundation plan is in the public’s best interests. In addition, we see problems with allowing interveners that represent provider groups gaining access to an insurer’s internal business plan and other confidential documents despite the execution of a confidentiality agreement.

The Department, in conjunction with the Office of the Attorney General, is strongly committed to an open, fair, and transparent process. At the current time, the conversion application has not yet been deemed complete. We are at what I would describe as the early steps of the process. We expect and welcome a great deal of public participation in this important process.

At this point, I will be glad to take your questions.