

**TESTIMONY OF
HORIZON BLUE CROSS BLUE SHIELD OF NEW JERSEY
ON
S-2532 (WEINBERG)
BEFORE THE SENATE COMMERCE COMMITTEE**

March 9, 2009

Good afternoon Chair Gill and members of the Senate Commerce Committee.

Thank you for the opportunity to testify this afternoon.

My name is John Leyman. I am the Director of Government Affairs at Horizon Blue Cross Blue Shield of New Jersey, the state's oldest and largest health insurer serving over 3.6 million members. I am here today to convey Horizon's opposition to Senate Bill 2532 (Weinberg) which makes various changes to the current law that sets forth a process for a health service corporation to convert to a for profit corporation. (I would like to specifically thank Sen. Weinberg for meeting with us to discuss our concerns.)

Horizon BCBSNJ formally entered into the conversion process when it filed its application with the State on August 15, 2008. Currently, the company is involved in the conversion process and is addressing requests for information from the Department of Banking and Insurance (DOBI) and the Attorney General. Due to the fact that the company is currently engaged in the process as established by P.L.2001, c.131, enactment of this legislation would be unnecessary to a process that has already been deemed appropriate by the Legislature and the State.

The existing law contains a process that is open, fair, detailed, and adequate. Moreover, the Attorney General and Commissioner of the Department of Banking and Insurance are doing an thorough job of assessing the appropriateness of conversion and

making their determination on behalf of the State. The process underway provides opportunities for all concerned to access information and voice their questions and concerns. We are committed to full and open discussions with regulators, legislators, and the public on the currently pending application.

I would like to briefly address key provisions of Senate Bill 2532.

Foremost, the bill allows for “intervenor” in the conversion process. Under this bill, virtually any health interest group could qualify as an “intervenor.” This includes groups with whom Horizon must negotiate on behalf of its members, including physician groups and hospital groups that would have access to information that compromises Horizon’s ability to protect its members and negotiate the lowest premiums for its members. Moreover, Horizon’s direct competitors could argue, as it states in the bill, “that they promote the health and wellness initiatives of individuals in the state” (e.g., Medicaid managed care organizations, e.g., serve disadvantaged populations; commercial carriers have wellness initiatives and disease management programs). If granted intervenor status, our competitors could then request access to confidential information. Even if they promise to keep it confidential to outside parties, they could still use such information for competitive advantage.

Another provision of the bill relates to the creation of a “fairness analysis.” The existing law includes an exhaustive process and state analysis. State law already includes numerous standards that must be met. Three examples are -- Horizon’s members are protected; the plan “is fair and equitable;” and the plan “promotes the public interest.” Under current law, the Commissioner and Attorney General are able and have in fact engaged the services of outside expert advisors and consultants at Horizon’s expense.

These experts, as the law stipulates, “include, but are not limited to, lawyers, actuaries, accountants, investment bankers, compensation and employee benefit plan consultants or any combination thereof, to advise (them) on any matters related to conversion.” For these reasons, bill language requiring further analysis does not seem necessary.

In closing, I want to underscore the point that Horizon BCBSNJ is absolutely committed to an open conversion process. From the time the company’s Board of Directors made the decision to explore this process, we have been posting information for the public on Horizon’s designated website and the State has been posting information on its site. Both websites provide, among other documents, the conversion application, the charitable foundation plan, and requests by the AG and DOBI for additional information as well as the responses to their requests. The purpose is to assist the public in reviewing information pertaining to the conversion process. We hope you will conclude, as we do, that the existing law is working and ensures a fair and open process.

Chair Gill and members of the committee, thank you for your time and consideration of our views.