



Mutual Alert

Shades of the “White Paper”: New Jersey Governor Christie Attempts Raid on Horizon Blue Cross Blue Shield Surplus.

Mutual banks nationwide should cast their attention on an attempt by New Jersey Chris Christie to raid the capital surplus of New Jersey’s mutual health insurance provider Horizon Blue Cross Blue Shield to fund the state’s budget deficit. In a bitterly contested legislative battle initiated by Governor Christie, the New Jersey state Senate, last Thursday, voted to allow the next governor to control the surplus level for Horizon Blue Cross Blue Shield. This action resulted from a deal struck with the Governor who wants to “punish the state's largest health insurance company for refusing to contribute to a public health fund”...for opioid abuse. The Governor’s proposal has sparked significant opposition from the mutual insurance industry and has been opposed by Wall Street Journal editorials, op ed pieces by Steve Forbes and other noted business persons. The criticism, among other reasons, is based on the Governor’s self-serving presumption that Horizon’s current reserve surplus is unnecessary to meet future unexpected losses and would be better put to use funding public health programs. The Senate Bill S-4 would empower the State to prescribe a maximum surplus percentage. Any insurer with a surplus in excess of that percentage would be deemed inefficient. The insurer must then reduce the surplus or provide a plan to expand affordable healthcare to all New Jersey residents.

The bill is stalled in the state Assembly, where Speaker Vincent Prieto (D-Hudson) refuses to post it for a vote. He remains adamant that targeting this one not-for-profit is unfair to its 3.8 million policy holders. The Governor is engaged in brinksmanship and has publicly boasted that he cannot see a Democratic controlled Assembly siding with Horizon against the State’s residents suffering from opioid abuse. This in turn has caused a budget crisis as the legislature disparately searches for revenue.

Needless to say, this dispute has profound implications for mutual banks, most of whom enjoy regulatory capital well above the minimum requirements. Those of you who remember the infamous FDIC “White Paper” can recall the outrage that spread through the mutual thrift industry when what purported to be an exploratory memo circulated by a junior

staffer proposed using the surplus in mutual banks for funding various “public projects”. There is a similar outrage among mutual health insurers but so far the Governor has overcome each political obstacle in his path. We will continue to monitor this troubling precedent. It is sure to attract interest in other states which have had a record of fiscal irresponsibility.