

Assembly Health and Human Services Committee
Hearing on Hospital Contracting
February 10, 2004

TESTIMONY OF CHRISTY W. BELL
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HORIZON BLUE CROSS BLUE SHIELD OF NEW JERSEY

Good morning Chairwoman Weinberg and members of the Committee. My name is Christy Bell and I am Senior Vice President of Healthcare Management at Horizon Blue Cross Blue Shield of New Jersey. I am responsible for Horizon's hospital and physician contracts and relationships as well as oversight for the delivery of care to our 2.9 million members.

To my left are Donna Celestini and Gina Basiakos, part of Horizon's Healthcare Management team. To my right are Lenore Brady, Karen Clark, and Dr. Phil Bonaparte. Lenore, is an attorney in our Counsel's Office; Karen is the Chief Operating Officer of Horizon Mercy; and Phil is the Chief Medical Officer of Horizon Mercy.

While we understand that this hearing has been convened as a result of publicity surrounding private contract disputes, we want to thank the Committee for allowing us to participate in what we hope will be an impartial and broader discussion on the state of health care in New Jersey and what is driving rising health care costs. Additionally, we hope these discussions will help clarify the causes giving rise to the fact that 1.2 million people in New Jersey are uninsured.

At the end of my testimony, we will be glad to answer any questions the Committee may have.

Horizon is New Jersey's largest health insurance company serving more than 2.9 million residents. As such, we feel a tremendous responsibility to the people of New Jersey to deliver high quality care and service at the most affordable cost.

As you know, our health care system is quite complex. Many people do not understand the role insurance companies play.

At Horizon, our mission is to provide our members with a strong network of providers to enhance access to quality, affordable health care. Part of our responsibility includes acting as intermediary for our 2.9 million members in negotiating fair rates of reimbursement on their behalf. The fact is Horizon – and other health insurance companies – are the last line of defense between a hospital's ever-present demand for price increases and a consumer's desire for quality and affordable health care.

Horizon also develops and provides a variety of products to meet the diverse needs of our members. We process 32 million claims and answer 12 million phone calls a year.

Horizon also develops and supports innovative quality programs to prevent and help manage a variety of diseases, supports doctors in practice, and helps ensure members receive evidence-based medical care. And of every premium dollar taken in by Horizon, nearly 85 cents goes directly to pay for medical care and services for our members.

I would like to take a moment to provide the Committee with a frame of reference for our contracting practices. As you know, our national health care system is facing extraordinary challenges. Employers and employees are experiencing repeated, double-digit rate increases; litigation and malpractice issues remain unresolved; and New Jersey hospitals' Medicare and charity care payments have been reduced by \$500 million and \$200 million, respectively in the past year.

This situation has created serious challenges for New Jersey hospitals. It has also made fair and effective contract negotiations an even greater challenge.

Horizon values every hospital and physician in our network. We do not believe any of our network providers should lose money on our contracts.

At the same time, Horizon has an obligation to our 2.9 million members to negotiate assertively to obtain the best possible rates on their behalf. We take that obligation very seriously.

This means that during hospital contract negotiations Horizon must challenge, at times, excessive rate demands, inefficiency in comparison to other providers, excessive lengths of stay, or unreasonable demands. We balance this with our desire to retain our network of excellent facilities for our members.

We have completed over 500 hospital contract renewals during my seven years with the company. During the same time, we have added almost a dozen new hospitals to our New Jersey networks. All but three of the 500 contract renewals were settled prior to any contract actually lapsing. Two of those three hospitals have already rejoined the network. And the third has recently asked to open discussions again.

Unfortunately, some hospitals have been advised that creating publicity will aid in pressuring insurance companies to settle contracts on more favorable terms. Our experience demonstrates that the opposite is true.

For example, our widely publicized contract negotiations with Hackensack University Hospital were satisfactorily resolved recently. This was successfully accomplished without the intervention of the courts or the Legislature, but, notably, after the cessation of the public relations campaigns of both parties.

However, rising health care costs continue to provide a challenge in the contracting process. On January 9th, as reported by the Associated Press, the federal Centers for Medicare and Medicaid Services found that "hospital spending rose 9.5%, reflecting increasing use of hospital services, rising wages of hospital workers and hospitals' growing ability to negotiate prices with private insurance plans." As the federal government report noted, hospitals are becoming more powerful, not less, in negotiating

with insurance companies – and all of this means higher out-of-pocket expenses and higher health insurance premiums for businesses and consumers.

In the past two years, Horizon has experienced hospital spending increases 25 to 35% above the national average. Given this fact, it is difficult to criticize Horizon for being unfair in our negotiations with network hospitals.

Horizon, in fact, has gone out of its way to work with its hospital partners. In a recent case, a major New Jersey hospital came to us in the middle of its contract term to ask us to renegotiate based on the hospital's changing financial circumstances. While we were under no legal obligation to do so, we did meet and negotiate with that hospital and came to terms that were mutually acceptable.

Moreover, Horizon is working with the New Jersey Hospital Association on a number of issues, including improving the payment of claims, improving quality of care, and reducing claims denials. Horizon has also established numerous collaborative partnerships to help manage utilization, reward clinical excellence, enhance clinical quality, and focus on improving the delivery of medical services. In fact, we provide our members with more information about network providers' medical care and clinical outcomes than any other health plan in New Jersey.

Horizon has worked hard to maintain good working relationships with the State's hospitals. They are a valued community resource.

We are also proud to have risen to become the State's top plan for customer service and clinical quality, in fact, leading all plans in 8 of 11 quality indicators.

In conclusion, I would like to thank the Committee for giving me the opportunity to explain a little bit more about the process of hospital contracting, the events that have led us to this hearing today, and Horizon's desire to contribute appropriately to the delivery of high quality and affordable health care in the State. Thank you for your time. I would be happy to answer any questions you may have.