



# **ACTION ALERT!!!**

## **Two Nonprofit Health Plans – HIP and GHI – Seek Permission From New York Insurance Department To Convert To A Single For-Profit Company**

*Public Hearings Scheduled for Tuesday, January 29 (New York City) and  
Thursday, January 31 (Albany)*

*To sign up to testify, call the NY Insurance Department's Public Affairs Bureau at  
(212) 480-5262*

### **What's Happening?**

Health Insurance Plan of Greater New York (HIP) and Group Health Inc. (GHI) are two large nonprofit health insurers, based in New York City, with operations throughout New York state. (HIP also controls Connecticare, a for-profit subsidiary, and Vytra Health Plans, a nonprofit insurer based in Long Island.)

In November 2006, HIP and GHI entered into an affiliation agreement and announced their intent to merge into one nonprofit company. (New York City's government has filed suit to block the merger, but the initial affiliation has been permitted by a federal judge; the lawsuit is expected to go to trial this summer.)

Then, last spring, the state legislature passed legislation authorizing HIP and GHI to convert into one or more for-profit companies, subject to final approval by the New York Insurance Department.

In April, HIP and GHI filed an application with the Insurance Department to convert to a single for-profit company, that will issue stock and be publicly traded. The Insurance Department has now reviewed the plan and seems prepared to approve it. As specified by the law, the Insurance Department is now seeking public comment as part of its final review process.

Under the terms of the proposed conversion, 90% of the value of HIP-GHI would be given to New York State, and 10% to the New York State Health Foundation, a charitable foundation that will make grants to nonprofit organizations.

The proposed conversion is similar to the 2002 for-profit conversion of Empire Blue Cross Blue Shield. Like HIP and GHI, Empire said it needed to go for-profit to raise capital to expand its managed care networks and survive financially as a New York-based regional company. Within three years, Empire was sold to Wellpoint Health Networks, a national for-profit Blue Cross company. The state took 95% of Empire's value, and used it to fund programs through the Health Care Reform Act (HRCA) pool over 3-4 years. Most of the Empire assets are now gone.

### **What's at Stake?**

When a conversion is proposed, there are at least four major issues to deal with.

- First, why is the health plan proposing to convert to for-profit purposes? Has the nonprofit made a credible case that it is financially unable to carry on its nonprofit social mission? Are there alternatives that could be explored?
- What happens to consumers after conversion – will premiums go up? Will it be harder to obtain affordable coverage, if the for-profit decides not to offer certain types of products, or to withdraw from certain geographic areas? Will the company be sold to another big for-profit insurer? Will other community benefits, such as participation in public health insurance programs like Medicare and Medicaid, continue under for-profit operation?
- What will the impact be on provider networks and access to care?
- What happens to the billions in charitable assets that are controlled by the nonprofit? In most states where conversions have been permitted, these assets have been transferred to large charitable foundations to carry on a mission of expanding access to care. By contrast, in New York, only a 10% of HIP-GHI's assets would be earmarked to continue a charitable mission of expanding access to coverage and care.

### **How will the proposed HIP-GHI conversion affect consumers, health providers, employers, unions, and others who rely on affordable coverage?**

Some key concerns:

- **If the conversion is approved, HIP and GHI will no longer be nonprofit health plans with a legal duty to serve the community.** Instead, they will be reorganized as a for-profit stockholder owned company with a fiduciary duty to make as much money as possible for investors. Corporate decisions will be driven more by "bottom line" factors than concerns about getting health care to the uninsured or assisting vulnerable populations. The company could also be sold or merged with other large for-profit insurance companies.
- **For-profit health care could drive up the cost of health insurance for HIP and GHI's 4 million policyholders.** As a for-profit company, HIP-GHI will be permitted to spend less of each premium dollar on health expenses, and more on marketing, administration and executive salaries and benefits. This could result in higher premiums, reduced insurance benefits, or both. HIP-GHI has not presented convincing evidence that premiums will not go up substantially.

- **\$3-5 billion in nonprofit health care dollars will be redeployed to New York state.** Under current New York state law, HIP and GHI's assets must remain dedicated to a charitable mission of expanding access to affordable health coverage. If HIP-GHI converts to for-profit operation, 90% of its value – estimated at \$4-5 billion – will be transferred to the state of New York for unspecified health care programs. Because New York state has not determined how it will spend its share of the money, it is unclear how much these funds will end up benefiting the public, since they may be used merely to plug holes in the state budget, rather than funding new initiatives to expand health coverage. (Up to \$500 million of the state's share has been earmarked for stem cell research, the only indication as to how any of the funds will be spent.)
- **Only 10% of HIP-GHI's value would be transferred to a nonprofit foundation to carry on the plan's charitable mission.** In most other states where health plan conversions are permitted, at a minimum, they have resulted in the establishment of charitable foundations endowed with 100% of the converting plan's assets, to compensate the community for the loss of its nonprofit insurer. New Yorkers are being cheated by this proposal.

**SPEAK OUT!! Participate in the Jan. 29 and Jan. 31 Public Hearings:**

The New York State Department of Insurance is holding two public hearings to get public comments regarding the proposed conversion of HIP and GHI, two New York-based nonprofit health insurers, into a single for-profit company.

This is your one chance to let the New York Insurance Department know about your concerns, and whether you think the for-profit conversion should be approved by New York state.

The first hearing will be held on Tuesday, January 29 at HIP's office, 55 Water Street, New York, NY, beginning at 10:00 AM.

The second hearing will be held at the Empire State Performing Arts Center ("the Egg") in the Empire Plaza in Albany on Thursday, January 31, beginning at 11:00 AM.

**Sign up to Testify:** To sign up to testify, please call the Insurance Department's Public Affairs Bureau at (212) 480-5262. Accommodations for the hearing impaired and others with disabilities can be arranged by calling the same number.

**Where to Find HIP-GHI's Conversion Plan:** For a copy of HIP-GHI's plan to convert to for-profit status, please visit:

[http://www.ins.state.ny.us/hip\\_ghi\\_conv/hip\\_ghi\\_planof.htm](http://www.ins.state.ny.us/hip_ghi_conv/hip_ghi_planof.htm)

<http://www.hipusa.com/conversion/index.asp>

<http://www.ghi.com/default.aspx?Page=600>

Similar documents are available at all three web sites.

**More Info:** For more information, refer to the [Consumers Union Talking points regarding the HIP-GHI conversion](#). If you have questions or need more information, please contact Chuck Bell, Programs Director of Consumers Union at (914) 378-2507 or [cbell@consumer.org](mailto:cbell@consumer.org)