Suggested Talking Points for New York Insurance Department Hearings on the Proposed Conversion of HIP Of Greater New York and GHI to a For-Profit Company

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Preface

The transformation of a nonprofit health insurer into a for-profit, stockholder corporation is not just a technical corporate change. It is a community decision about how we want to arrange and pay for health care in a democratic society. New Yorkers have contributed over many years to the value of HIP and GHI by buying health insurance from these companies, directing employer, union and municipal labor contracts to them, and granting them exemption from various state and federal taxes.

Any change in HIP and GHI's organizational status deserves very careful attention and public oversight, with ample opportunities for citizen participation.

Below are some suggested talking points. Choose points that resonate with you and that you would feel comfortable making. You do not have to address all points. Feel free to put these ideas in your own words, and to relate them to your interest in affordable, accessible health care for the population(s) your organization serves.

Suggested Talking Points for Testimony

- Briefly state your name, title, organization (if any), and what your organization does and who you represent.

- Briefly identify any personal or organizational connection to: HIP of Greater New York and/or GHI, Vytra Health Plan and/or ConnectiCare (now owned by HIP). If you are insured by HIP and GHI, make sure to say so.

- Briefly explain why the issue of affordable, accessible health coverage is important to you and the people your organization serves.

Review Process

- The timeline for reviewing HIP-GHI's proposal is far too short. The review of Empire Blue Cross' conversion proposal took over five years, yet HIP-GHI's proposal was first publicly disclosed on December 13, 2007.

- The impacts of an insurance conversion could be felt for many years to come. It is important to take sufficient time in reviewing it upfront to ensure that the public is not adversely affected.

- At this very early stage, HIP and GHI have not provided enough information in their application to establish that the proposal will not have serious adverse impacts on policyholders, and on the affordability and accessibility of health care in New York state.

- Health insurance conversions have great potential to affect the affordability, accessibility and availability of health care in New York state. We call on the Department of Insurance to commission a detailed independent analysis of potential impacts on the affordability of premiums, the accessibility of health coverage, marketplace concentration and competition, and the impact on provider networks in all market segments. The results of the Department's investigation should be publicly disclosed for public comment, prior to any final decision on HIP-GHI's application.

- In four other states – Kansas, Maryland, Washington and North Carolina -- applications for nonprofit insurance conversions have been rejected or withdrawn since 2001. In each state, the conversion proposal received detailed scrutiny from insurance regulators, including the hiring of independent outside experts to determine the impact on the insurance market and access to health care.

- The burden of proof for establishing that the conversion is in the public interest is on HIP-GHI. If that burden of proof has not been met, regulators must reject HIP-GHI's application.

<u>Insurance Access and Affordability Issues</u>

- GHI and HIP were established in 1937 and 1944, respectively, to serve the needs of the entire community for affordable health coverage by covering working families and their children. They later expanded their operations to participate publicly-funded insurance programs like Medicare and Medicaid.

- In November 2006, Group Health Incorporated (GHI) and Health Insurance Plan of Greater New York (HIP) became affiliated companies under the parent organization EmblemHealth Inc. Since then, GHI and HIP have submitted a plan to combine the two not-for-profit health benefits providers into a single for-profit publicly traded company.

- As they exist today, GHI and HIP are obliged by their nonprofit mission to serve their entire community, by expanding affordable health coverage to all persons who are potentially eligible in their service area. By contrast, a for-profit company has a fiduciary duty to earn profits for its investors, and does not have the same legal obligations as a nonprofit insurer. This is a fundamental difference.

- If the proposed conversion is approved, New York will lose 2 community-oriented nonprofit insurers with nonprofit social missions of extending coverage to those left out of the commercial market. In its place will be one big investor-oriented for-profit insurer with a mission of making as much money as possible.

- Based on HIP-GHI's proposal, it isn't clear why their boards have concluded that conversion to for-profit operation is the best or only choice to secure the future of the organization. In particular, HIP, which is the larger of the two health plans, has not shown a financial reason as to why it needs to convert to for-profit operation. HIP has over $900 million in reserves, and it recently spent $350 million to acquire Connecticare, a for-profit HMO in 2005. HIP has had many years of consecutive positive financial results and is not financially distressed. GHI is weaker financially, but it isn't clear that conversion is its best or only option, and that it could not continue as a viable nonprofit insurer through mergers or partnerships with other nonprofit partners.

- Other nonprofit insurers are able to continue in this marketplace and finance their operations through various methods. Rather than uncritically accepting HIP-GHI's assertions that it has no other option but to convert, the Insurance Department should thoroughly investigate these issues, and conduct an independent assessment of whether these claims are actually justified. The Insurance Department could also work with HIP-GHI and independent consultants to identify alternative measures that could facilitate or encourage continued nonprofit operation.

- Independent financial analyses of insurance conversion proposals in Washington and Maryland established that plans had overstated their needs for external capital, and that conversion would not necessarily benefit consumers.

- The Insurance Department must not accept HIP-GHI's assertions about its need for capital uncritically, without commissioning an independent study of these issues. The Insurance Department should hire independent experts to fully analyze and evaluate the potential impacts of any proposed conversion, to examine potential changes in premium rates and benefits, market structure and competition, and the potential loss of any other community benefits currently provided by HIP and GHI.

- The analysis of conversion health impacts should include the potential impacts on all populations and customer segments served by or intended to be served by HIP-GHI, including vulnerable populations (such as _______, the people our organization serves). (Add more specifics here about how you think your members or clients may be affected by the proposed conversion.)

- Consumers and workers could be hurt by higher premiums and reduced benefits if HIP-GHI is allowed to convert to for-profit purposes. As a for-profit company, HIP-

GHI would be permitted to spend less of each premium dollar on health expenses, and more on marketing, administration and executive salaries and benefits.

- The conversion could potentially drive up the cost of health insurance for HIP and GHI's 3.5 million policyholders, and result in reduced access to health care for many consumers. If HIP-GHI's prices go higher, than the prices of its competitors may go higher, too. In addition, HIP-GHI may be acquired by large out-of-state insurance companies, resulting in greater market concentration.

- New York City and others have raised serious concerns about the impact that the GHI merger and conversion will have on the price of health care for New York City's workforce. (More info, below) These concerns should be fully investigated by independent consultants to the Department of Insurance and department staff, with an additional public meeting to brief consumers, employers and retirees, explaining the outcome of the independent analysis, prior to approval of HIP-GHI's plan.

- The HIP-GHI proposal seems to promise no immediate impacts on premiums and accessibility, but as organizations that represent consumers, we are concerned about what will happen over the long-term. The lack of specificity in HIP-GHI's proposal does not inspire confidence that consumer interests will not be harmed later on.

- In particular, HIP-GHI's section on "Continuity of Coverage and Protection of Policyholders and Members" relies on general assertions about the organization's good intentions, but provides little specific information to assure customers that premiums and benefits will not experience significant changes over the next 3-5 years and beyond. It merely states that "the Conversion will not ***by itself*** result in any impact on the premiums due ***for the remaining term of any policy or contract*** issued by any of the Companies." (emphasis added)"

- Long-term customers, and others who seek affordable coverage, are entitled to know how HIP-GHI's broad assertions will actually be backed up in practice, through public commitments and promises, and/or by enforceable agreements with regulators, and for what period such guarantees or promises will remain in effect.

- HIP-GHI's commitment to participate in public health insurance programs like Medicare, Medicaid and Family Health Plus should be clarified and strengthened over a much longer period of time. I am particularly concerned about __________________. which affects the population my organization serves.

- As noted in the conversion plan, HIP is heavily involved in the state Medicaid program. If HIP goes for-profit, the rate of profitability will be a much bigger financial consideration for all lines of business, including Medicaid. Many other commercial carriers have already deserted the Medicaid field. Whereas HIP may be able to sustain itself in the Medicaid program if it remains a nonprofit, investors in a private Emblem-Health may demand much higher rates of return on capital This could lead to Medicaid beneficiaries losing a reliable source of coverage, and having fewer choices of insurers and provider networks.

- If despite these concerns, the Insurance Department approves HIP-GHI's application, continued access to affordable, accessible health insurance should be maintained for all policyholder groups. No consumer should lose coverage as a result of the conversion. Any adverse impacts should be fully addressed and mitigated through changes in the conversion proposal and/or appropriate regulatory action. We also need to know the period in which such guarantees will be in force.

- Rate hearings for premium increases should be reinstated, to ensure that consumers are not harmed by HIP-GHI's conversion and recent mergers in the insurance marketplace.

- How will the decision to allow HIP and GHI to go for-profit interact with the state's plans to expand coverage for the uninsured? In addition to increasing their administrative costs, HIP-GHI's plan says they want to strengthen their for-profit subsidiary PerfectHealth to sell Health Savings Accounts and high deductible plans. Is this what we want to encourage? Until the state knows what it intends to do about universal coverage, how can it decide what is in the public interest, and the effect on coverage of this conversion?

<u>Asset Disposition Issues</u>

- Billions of dollars of charitable health dollars are at stake in this deal. HIP-GHI's ulimate value may exceed $5 billion or more. Any proposed plan for redeploying HIP and GHI's assets should be carefully reviewed to determine how it would affect the affordability and accessibility of health care in New York state.

- As things stand today, 100% of HIP-GHI's assets are already allocated to a charitable mission of providing affordable health coverage. Policyholder rely on HIP and GHI's promises to keep their resources devoted to nonprofit purposes. If a single dollar is diverted to private pockets, the New York Attorney General and the Courts can become involved to ensure that HIP and GHI's assets remain devoted to a charitable mission.

- If, despite the grave concerns raised regarding insurance affordability, HIP-GHI's conversion proposal is approved, 100% of the charitable assets of HIP-GHI should remain in nonprofit sector to provide a satisfactory and viable replacement resource to address the post-conversion needs of subscribers and the community. If the money is taken by government, it should be used to expand access to affordable and accessible health coverage, and not used to replace existing sources of state revenue.

- The path that the state of New York followed for the Empire Blue Cross conversion did not create a workable policy framework for how the state should deal with health care conversions. In the Empire case, the state decided that a for-profit conversion could be permitted if the State gets the lion's share of the money. In the Empire case, the state of New York received 95% of the Empire proceeds, which it spent down in just 3-4 years. By contrast, the state of California retained over $6 billion in Blue Cross conversion assets in two charitable foundations, to carry on a continuing mission of expanding access to affordable health care.

- The HIP-GHI conversion follows this same flawed model, with the state of New York taking 90% of the money for purposes that are much different than HIP-GHI's current mission.

- The HIP-GHI conversion would divert billions in nonprofit health care dollars to government. The state is in effect raiding nonprofit health dollars to replace existing state commitments to fund public health care programs. This plan does not create "net new dollars" for the health care system; it merely redeploys nonprofit dollars in the service of state health care programs.

- Under the state's plan, approximately 80% HIP-GHI's assets would be rapidly spent down over 3-4 years to fill a short-term state budget needs, with approximately 10% of funds allocated to the foundation and 10% to stem cell research. Very little would be left behind to carry on HIP's historic mission of expanding access to affordable, comprehensive health insurance. In addition, consumers would not be provided with an adequate replacement resource to mitigate the negative impacts of conversion.

- When future state budgets are put together, HIP's resources may be diverted away to other government programs, including non-health care purposes, special interest spending, and/or deficit reduction. Once money is received by government, it is fungible. HIP's assets will in effect replace billions in current state spending on health care, so health care funds can be moved to other areas of the budget and/or to reward special interest lobbying groups.

- When for-profit health plan conversion have taken place in other states, including California, the people of those states have almost universally been compensated by having health care foundations promoting the access to coverage and care, with billions of dollars in assets. New Yorkers are being cheated by this proposal.

- The proposed Gottfried and Seward conversion legislation (A 8545 and S 2464) would clarify existing law by requiring full public disclosure and public hearings prior to any proposed conversion of a nonprofit health insurer to a for-profit company. A 4024 and S 2464 would also ensure that 100% of a nonprofit health plan's assets would be protected in the nonprofit sector, as currently required by the Not-For-Profit Corporation law. These bills establish a clear, transparent process to ensure that conversions will only be approved if the plan's assets are fully protected, and the transaction is found to be in the public interest.

Note: In his hearing notice, Insurance Commissioner Eric Dinallo indicates that the hearings will not entertain comments about the enabling legislation or the disposition of HIP-GHI's assets. However, in the past, our experience in the past is that groups were allowed to comment on this, as long as they didn't harp on it too much, and it was not their only point.

Stock Options

- The ability of HIP-GHI officers and managers to obtain stock options in six months after the conversion is probably a very strong incentive for pursuing conversion.

- The likelihood of dramatically increased compensation for HIP-GHI executives raises serious questions about whether the conversion will benefit the public, rather than private parties. Policyholder dollars will be used to line private pockets, rather than to improve health care.

- For example, the nonprofit Trigon Blue Cross paid its CEO less than $900,000 in 1995, prior to going for-profit. Six years later, after it converted to for-profit status, Trigon paid its CEO $6.5 million, plus $16 million in stock options. Trigon did not remain a local company, and was taken over by Wellpoint Health Networks.

- In the case of the Empire conversion, prior to going for-profit, Michael Stocker, the CEO of Empire Blue Cross Blue Shield received an annual salary and bonus of $1.6 million, plus another $500,000 in long-term and other compensation. After Empire went for-profit, Stocker's salary and compensation package dramatically increased. Empire was taken over by Wellpoint Health Networks, and Stocker received a total compensation package of $15.5 million in 2006.

- The former CEO of Wellpoint, reported made over $100 million, by converting California Blue Cross to a for-profit company. This is an enormous amount of money for one person alone to be paid by our struggling health care system, at a time when 45 million Americans lack coverage and there so many unmet needs.

- If New York state allows HIP-GHI to go for-profit, HIP-GHI insiders will cash in on the deal, and make millions of dollars in additional executive compensation and stock options.

Political Influence

- With a fiduciary duty to serve only its investors, HIP-GHI could also become a more formidable lobbying presence in Albany to lobby against pro-consumer laws and regulations. We do not see how this proposal compensates the community for the losses it will suffer in this regard.

Asset Valuation

- The HIP-GHI conversion plan does not make clear who would control voting rights for stock in the event of a future merger bid or corporate takeover, or how the state would determine whether such a merger or takeover would be permitted. As a result, the plan does not necessarily ensure that the full value of HIP-GHI would be realized for the public's benefit. If the conversion is approved, the Insurance Department should make sure that NYSHF and NY Public Asset Fund, who would own the HIP-GHI stock, can protect fully their interests as investors.

- If they have not already done so, the NewYork Insurance Department should commission an independent valuation of HIP-GHI’s fair market value, and adopt specific procedures to ensure that the full value of the charitable asset is protected for the public’s benefit.

Conclusion

- The threshold question for any for-profit health plan conversion is whether it is in the public interest. As mentioned above, if the HIP-GHI conversion is not in the overall public interest, it should not be approved by regulators.

- Any approval decision at this point would be premature, because there is not sufficient information in the public record to demonstrate that HIP-GHI’s proposal will not adversely affect policyholders, and the affordability and accessibility of health care in New York state.

- At a minimum, the New York Insurance Department needs to commission independent analyses of the health impacts of the proposed conversion, and report back to policyholders and the public before considering the conversion further. Consumers and community are entitled to a full review of the conversion’s possible impacts, similar to the independent reviews carried out by regulators in other states.

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These are suggested talking points. Obviously, there are many other important points that can be made. If you have other ideas for points affecting your constituents or other populations, please circulate them. If you have any questions or need more information, please contact Chuck Bell at Consumers Union at 914-378-2507 or cbell@consumer.org More information on health care conversions is available at our web site, www.consumersunion.org/conv/

ADDITIONAL BACKGROUND INFORMATION

How to 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.

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.hipusa.com/conversion/index.asp

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

Similar documents are available at all three web sites.

Legislative Background: In April, the legislature passed and Gov. Spitzer signed A4308-C and S2108-C, budget legislation that authorizes HIP and GHI to convert to one or more for-profit companies, subject to approval by the Superintendent of Insurance.

The budget bill amends sections §4301 and §7317 of the New York Insurance Law, which set out certain provisions to authorize the Empire Blue Cross Blue Shield conversion to a for-profit company.

Like the previous law, A4308-C and S2108-C eliminate the role of the role of the Attorney General and the courts in providing public oversight of health insurance conversions. HIP and GHI are the only companies that are affected by the amendments.

To read §4301 and §7317, go to: http://public.leginfo.state.ny.us and look under ISC for Insurance, Chapters 43 and 73.

To read the amendments, visit: http://www.assembly.state.ny.us/leg/?bn=S2108

It appears that HIP and GHI almost immediately filed for permission to convert to for-profit purposes after the legislation was passed in early April. However, HIP-GHI's conversion plan was not made public under December 13, 2007, at which point it appears to have been deemed complete by the Insurance Superintendent, and the hearing dates were announced.

Criteria for Authorizing the Conversion: The review standards and process to be followed by the Superintendent of Insurance are identical to those followed by the Superintendent in the Empire Blue Cross conversion. Under the law, HIP-GHI must submit a formal conversion plan, backed up by many supporting documents, including board resolutions, contract and policy forms, reinsurance agreements and other financial information.

The Superintendent can only approve the conversion if he is assured that the conversion process:

1) "…will not adversely affect the applicant's contractholders or members;
2) will protect the interests of and will not negatively impact delivery of health care benefits and services to the people of New York;"
3) and will result in the fair, equitable and convenient winding down of the business and affairs of the applicant."

In addition, HIP-GHI is supposed to submit information that establishes that **"sufficient safeguards are in place to ensure that the affected community has continued or increased access to health care coverage."**

Note: These "standards of review" are good reference points for framing your testimony. You can say, " I believe that HIP-GHI's conversion will adversely affect their contractholders and members because…." Or "the conversion will negatively impact health care benefits and services for New Yorkers because…."

The elements of the proposed conversion plan must include the following items:

> (c)(1) The proposed plan shall address the following items and issues, if applicable, to the satisfaction of the superintendent:
> (A) The transition of contract forms from the not-for-profit corporation to the converted corporation or health maintenance organization including any related holding companies, subsidiaries or other entities involved in the proposed conversion;
> (B) Any transfer of assets agreements;
> (C) Any corporate resolutions or authorizations by the board of directors;
> (D) Any reinsurance arrangements;
> (E) An explanation of any transfers of employees, records and equipment;
> (F) Any management contracts or administrative service agreements;
> (G) Any guarantees or cross-guarantee agreements;
> (H) Any trust agreements;
> (I) That the applicant's financial reserves are funded prior to the conversion at the level required by law and provide a detailed

description of the financial structure and reserve levels of the converted corporation or organization;
(J) The governance structure and the character and competence of directors and officers;
(K) Any administrative agreements among related companies, including fair and equitable terms and reasonable fees;
(L) A detailed description of any proposed public sale of stock or securities or any initial public offering;
(M) New or revised contract forms together with notices of discontinuance or any other explanation to contractholders of the conversion process;
(N) A plan for outreach to consumers to explain in simple terms the transaction and the steps, if any, consumers need to take to preserve their coverage;
(O) Any necessary protections for contractholders to preserve contract form anniversary dates, calculation of deductibles and consistent premiums as part of the contract transfer process; and
(P) That sufficient safeguards are in place to ensure that the affected community has continued or increased access to health care coverage.
(2) The proposed plan shall explain in detail the method of transfer of contract forms or other methods of assuring uninterrupted continuance of coverage for all covered persons, with particular focus on medicare supplement, policies issued pursuant to sections four thousand three hundred twenty-one and four thousand three hundred twenty-two of this chapter, policies subject to chapter six hundred sixty-one of the laws of nineteen hundred ninety-seven, and any other types of coverage designated by the superintendent which may warrant special attention.

Disposition of Assets: If the conversion is approved, the authorizing legislation calls for 90% of HIP-GHI's value to be given to the State of New York for unspecified health care programs in the Health Care Reform Act (HCRA) pools. This is a special fund that is separate from the annual state budget that is used to fund a variety of health initiatives, including Family Health Plus, graduate medical education, worker training, etc. The state did not specify in the legislation how it would use the $4-5 billion or more it gets from the HIP-GHI conversion. Presumably this would be determined at a later time.

The legislation does state that $50 million a year of the state's share of the proceeds will be allocated for stem cell research, up to a total of $500 million.

The law also calls for 10% of HIP-GHI's assets to be directed to the New York State Health Foundation, a charitable foundation established in the Empire Blue Cross conversion. This is an increase of 5% from the Empire Conversion, which only directed 5% of the total proceeds to the charitable foundation; but it is still just a fraction of HIP-GHI's overall value.

Additional background / analysis:

The proposed HIP-GHI conversion is similar in many ways to the proposed conversion of Empire Blue Cross in 2002, which diverted over $5 billion in nonprofit health dollars into a state-controlled health care fund. A small non-profit conversion foundation was created in the conversion, now known as the New York State Health Foundation, but it received only 5% of Empire's value, or around $250 million.

At least four things about the HIP-GHI conversion are notably different.

First, at the time of Empire's original proposal, Empire was in serious financial distress, although they had largely recovered by the time the conversion was approved in 2002. By contrast, HIP has over $700 million in reserves, and spent $300 million to acquire Connecticare, a for-profit HMO in 2005 (CK). GHI is weaker financially, but it isn't clear that conversion is its best or only option, and that it could not continue as a viable nonprofit insurer through mergers or partnerships with other nonprofit partners.

Second, the HIP-GHI conversion is also different because HIP and GHI are also seeking to merger into one company. In November 2006, Health Insurance Plan of Greater New York (HIP) and Group Health Incorporated (GHI) and were affiliated when the nonprofit EmblemHealth Inc. became the parent organization of both entities. EmblemHealth is in effect a nonprofit shell that governs both entities, which are in the process of consolidating their operations. Now, GHI and HIP are proposing a plan to combine the two not-for-profit health benefits providers into a single for-profit publicly traded company.

The City of New York filed a lawsuit to block the HIP-GHI merger in November, 2006, which is expected to go to trial this summer. A federal judge declined to issue a temporary restraining order, but the case is still pending. The City has stated that the merger "could result in potentially tens of million more in health care costs each year" to New York City. Further, the merged company would control more than 93 percent of the municipal labor market, and 100 percent of the low-cost municipal health benefits market, where there are no payroll deductions to the employee.

According to a press release issued by New York City on November 13, 2006:

> "More than 90 percent of city employees, their dependents, and retirees use HIP or GHI," noted Corporation Counsel Michael A. Cardozo. "The City pays 100 percent of the basic health care premium and some employees pay only for additional 'riders,' such as drug coverage. Most City employees select them, so as not to have to pay higher fees – and they value the ability to switch between the plans. The presence of competition between these two companies results in lower premiums than they would otherwise charge."

> "If HIP and GHI merge, there will be no competition between them," Cardozo added. The merged entity could raise prices substantially, because the next competitor is still far more expensive. Employees who pay for the additional coverage could see an increase in payroll deductions for enhancements, and the City, which today pays more than $3 billion annually in basic medical premiums, would have to pay millions and millions more each year for City health care costs – money that comes out of all New Yorkers' pockets. Therefore, it is imperative that this merger be prevented … A merger of GHI and HIP would eliminate all competition in the relevant market and would allow the merged entity to exercise its resulting monopoly power by substantially raising the prices it charges without fear of any market constraint," Cardozo said." ("New York City Sues HIP and GHI, Seeking To Enjoin The Two Health Insurance Companies From Merging," 11/13/06, available at: http://ci.nyc.ny.us/html/law/downloads/pdf/pr111306.pdf)

The third way that the HIP and GHI conversion is "different" is that it follows in the wake of the Empire Blue Cross Blue Shield conversion. Empire, too, argued that it wanted to remain a strong local and regional insurer, but it was quickly acquired by a large national insurer, Wellpoint Health Networks. For-profit companies are bought and sold all the time, and the number of health insurance companies for the larger carriers to buy is relatively few.

Therefore, the HIP and GHI consolidation and conversion could lead to a much more concentrated market, with sharply diminished competition. At the same time, those nonprofit insurers who remain in the New York state market, such as Excellus and HealthNow, could eventually face even stiffer competition, and may argue -- just like HIP and GHI -- that because of adverse market developments, they need to convert to for-profit operation too.

Fourth, as noted above, HIP and GHI insure many government employees, and are big players in public health care programs like Medicaid and Medicare. Their operations are interwoven in complex ways with many important public constituencies and interests, who could be negatively impacted by a commercial orientation. New York state's role a regulator of insurance, a provider of public health care, and an promoter of universal coverage, on the one hand -- and as the primary financial beneficiary of the proposed conversion, on the other -- creates some very serious potential conflicts of interest that can't be easily resolved.

As a result of these four factors, a policy decision regarding whether the HIP-GHI conversion will have minimal effects on policyholders, and will be in the public interest, is more complicated than the Empire Blue Cross decision, which was reviewed by regulators for over five years. HIP-GHI's conversion plan was first publicly disclosed on December 13, 2007. Consumers, employers, providers, community organizations and other stakeholders have not had sufficient time to review HIP-GHI's plan. We should insist that the process be slowed down, so that all of our questions and concerns can be carefully answered and addressed.