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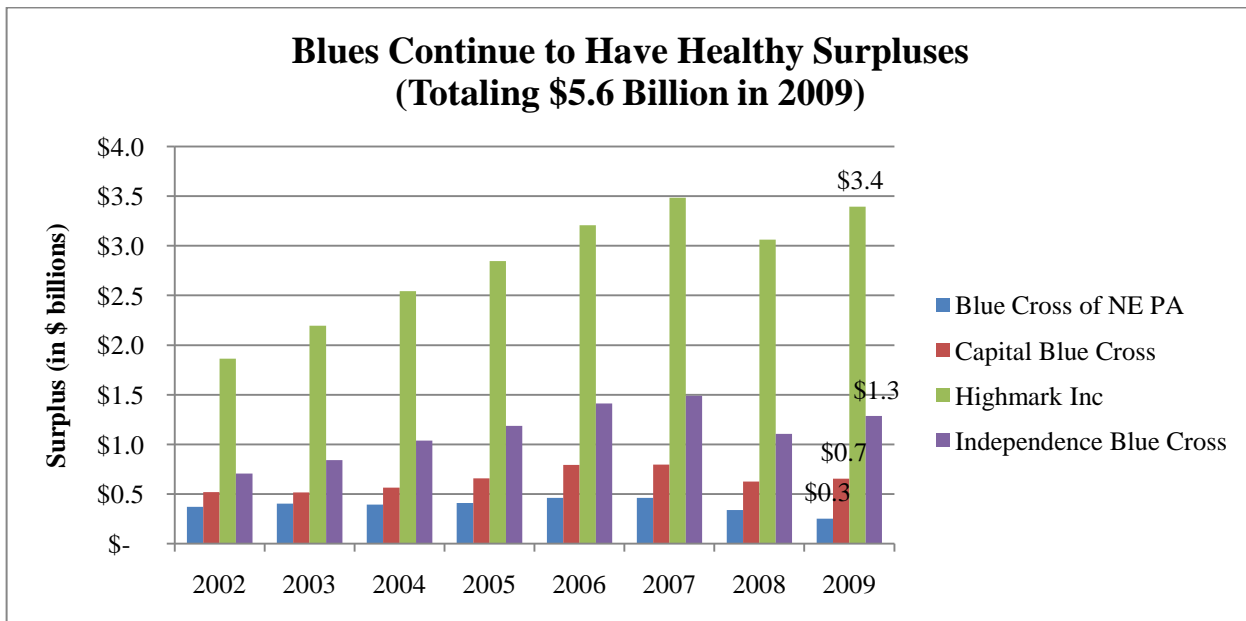
Blues Could Save adultBasic with 3% of Surpluses

Pennsylvania’s four Blue Cross/Blue Shield plans were created by law as non-profit hospital and professional health services plans and deemed as “charitable and benevolent institutions” exempt from taxation by the state and local municipalities.

Starting in the late 1990s, the Blues plans came under increasing fire for their growing surpluses. In the wake of an Insurance Department review of those surpluses, the Blues signed the Community Health Reinvestment Agreement, committing to contribute to the adultBasic health program in order to satisfy their charitable obligation. That agreement, signed in 2005, expired on December 31, 2010.

In the years after that, the accumulated surpluses of Highmark and Independence Blue Cross, the larger Blue Cross insurers in Pennsylvania, continued to grow, despite their contributions to the Community Health Reinvestment Agreement. **From 2002 to 2009, the cumulative surpluses of the four Blues plans have increased from \$3.5 billion to \$5.6 billion — growing more than two-and-a-half times faster than wages in Pennsylvania.**

The Blues could fully fund adultBasic, without any state funds, with less than 3% of their combined surpluses. Rather than allowing adultBasic to end — and, with it, affordable health insurance for 42,000 Pennsylvanians — policymakers should require the Blues to continue their contributions to adultBasic to fulfill their charitable mission and preserve their tax-exempt status.



Source. Company Annual Filings with the National Association of Insurance Commissioners (NAIC)