

Owned by Arkansans (our policyholders)

Arkansas Blue Cross is a **not-for-profit, mutual insurance company**. That means we are owned by our policyholders, not by stockholders. All our revenue goes to process and pay current or future claims. Of every premium dollar we collect, we pay out nearly **87 cents in benefits** for our customers. The remaining **13 cents goes toward operating costs and reserve funds**. Health insurance carriers are required to maintain reserve funds to safeguard their financial strength and to pay claims when costs run higher than anticipated – or during emergencies or disasters such as the current COVID-19 pandemic.

The Affordable Care Act established a measurement called the medical loss ratio (MLR), which legally establishes the percentage of each premium dollar (80 percent for individual and small-group plans; 85 percent for large-group plans) that an insurer must spend directly on the payment of healthcare claims. If an insurance company falls short of that threshold, it must send refunds to its customers. Since the passage of the ACA, our performance has greatly exceeded that federal requirement.

Policyholders are our top priority but not our only obligation. Arkansas Blue Cross has paid more than \$550 million in state and federal taxes over the past dozen years, and we work continuously to satisfy new and changing regulations from the state and federal governments.

Build your health plan vocabulary

Affordable Care Act: Health reform legislation passed by the 111th Congress and signed into law in March 2010.

Copayment: A payment made by an individual in addition to that made by an insurer.

Deductible: Set amount a member has to pay every year toward medical bills before an insurance company starts paying.

Fully insured: Healthcare policies usually purchased by individuals and small groups. Monthly premiums are paid to an insurance company and in return, the insurance company pays medical claims and assumes all the risk for those costs.

Medical loss ratio (MLR): The percent of premium an insurer spends (on claims and expenses) that improve healthcare quality. If that threshold is not met, companies are required to send refunds to their customers.

Medicare supplement: These plans are sold by private health insurers and are only available to individuals who are eligible for Medicare. These policies pay costs not covered by Medicare, like copayments, coinsurance and deductibles.

Financial reserves (to protect Arkansans)

Because we are a mutual insurance company, we cannot sell stock. That means we have **limited access to capital** to fund ongoing infrastructure needs or unexpected events. During more than 70 years of business operations and investments, we have worked to build reserves. Those dollars equaled about **\$1,488 per covered member** at the end of 2020, which likely would not pay for even one day of inpatient hospital care.

Hopefully, this overview provides you additional information about the history of Arkansas Blue Cross and the role we play in our state's healthcare system. We remain committed to our members, the dedicated healthcare providers who continue to provide vital services to all Arkansans and to the communities throughout our state. Please contact me or any of our legislative team with any questions or concerns you may have now or in the future.

Take care and be safe.

Max Greenwood

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Premium: Amount an individual or employer pays to a health plan to purchase health insurance coverage.

Reserves: Health insurance carriers are required to maintain reserve funds to show a company's financial strength and to serve as "insurance" for payments of claims in times when costs run higher than anticipated or emergencies or disasters occur.

Self-funded: A health plan that assume the financial risk of paying its own medical claims. Federal law allows self-funded group plans to determine their own benefit structures and policies... A third-party administrator is usually hired to pay claims and handle other administrative processes.

Small group: Under Arkansas law, a small group is generally defined as one with 2-50 employees.

More vocabulary: <http://news.arkansasbluecross.com/healthliteracy/insurance-basics/glossary/#tabBasics>



Arkansas
BlueCross BlueShield

An Independent Licensee of the Blue Cross and Blue Shield Association

9931 12/20



Building a Healthier ARKANSAS

We're building something. Together.

For more than seven decades, Arkansas Blue Cross and Blue Shield has strived to build a healthier Arkansas. And we always will.

Our Blueprint? To harness powerful tools and build on our core foundation. To build with a purpose—for our people, our communities and our future.

Our purpose

is to make Arkansas a healthier place and to give every Arkansan better well-being every day, along with the peace of mind that comes from knowing that if they get sick, we're there to help them through those tough medical and financial times.

Our core foundation

is as solid as Arkansas bedrock. Arkansans can count on the strength that comes from our origins and the dedication we bring to our unwavering state-based focus.

Our passion

for people drives us to find new and better ways to improve the health and lives of our members and the communities where they live, work and play.

Our powerful tools

enable us to work with providers to identify, predict and address issues so together we can help our members and keep communities healthy.

Our future-focused outlook

means we are built to withstand uncertain times. In the health insurance industry, that requires the ability to meet immediate needs while also seeing beyond them.



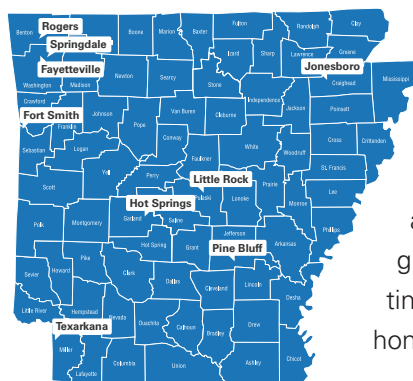
In our more than 70 years of helping to build Arkansas' healthcare system, we've seen a lot of change in the way it delivers what people need. And we know more changes and challenges are on the horizon. We hope you will look to us as a resource for information as we work to give Arkansans access to the best care, at the best value, in ways that respect our state's unique needs.

Arkansas foundation, Arkansas focus

Arkansas Blue Cross was founded in 1948 as a grassroots collaboration when the **Arkansas Medical Society**, the **Arkansas Hospital Association** and the **Arkansas Farm Bureau Federation** came together to stabilize the state's post-Depression healthcare financing and delivery system.

Today, Arkansas Blue Cross is one of 36 Independent Licensees of the national Blue Cross Blue Shield Association and is **the oldest and largest health insurer in Arkansas**. Arkansas Blue Cross and its family of affiliated companies **employ more than 3,200 Arkansans** who live and work throughout the state – in jobs ranging from claims-processing and customer service to case management and information technology. **More than 10,000 healthcare providers** participate in our networks.

Presence throughout Arkansas



We recognize that each part of our state is unique. That's why we've maintained sales and service centers for more than 20 years in the **Fayetteville, Fort Smith, Hot Springs, Little Rock, Jonesboro, Pine Bluff** and **Texarkana** areas. This regional presence gives all Arkansans access to convenient, timely expertise and service from folks close to home who understand their needs.

Plans for all Arkansans

Arkansas Blue Cross offers two basic health plan categories for folks who live, work and play in Arkansas:

- **Consumer health plans** (for individuals) – We have a wide range of health and dental insurance policies for individuals and families (including offerings on the Health Insurance Exchange) as well as Medicare supplement policies for seniors.
- **Employer-sponsored health plans** – Employers may select from fully insured or self-insured versions of group health and dental plans to offer to their employees.

Affordability for Arkansans

We believe our primary role is to be a good steward of the premium dollars our members pay us. We work with doctors, hospitals and others in the medical community to address the continual rise in healthcare costs. When we share information and ideas, it leads to innovative care and payment models that focus on keeping people healthy, coordinating services among providers and producing the best care outcomes for each person.

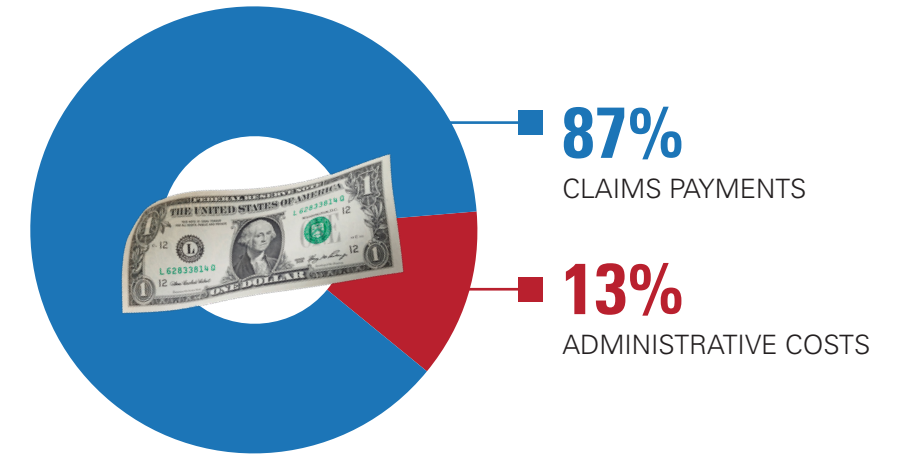
Commitment to Arkansas' healthcare providers

Arkansas Blue Cross recognizes how important it is to share claims information with healthcare providers. This helps them serve their patients better, improve efficiency and coordinate services with each other. We have taken several steps during the pandemic to help direct more funds to our state's provider community.

Commitment to Arkansas' people

Arkansas Blue Cross is proud to participate in programs that improve the health of all Arkansans. We're also proud of our partnership with the state on various initiatives throughout the years.

- Arkansas Blue Cross was the **only company that offered health plans in all 75 counties** during the launch of the state's Affordable Care Act's Private Option. That allowed the state to meet the federal government's requirements for implementing the program.
- Our commitment to help Arkansas meet federal requirements included an **initial investment of \$18 million** before the program even started – and the **addition of 200 employees** to our workforce. A decade later, we're still the primary health insurance carrier for the most economically challenged areas of our state, where access to healthcare providers is lacking.
- Arkansas Blue Cross remains committed to improving access and services in our rural communities through various statewide partnerships and local entities.
- From the onset of the COVID-19 public health emergency in March 2020, through the end of 2020, Arkansas Blue Cross did not cancel a single individual or group policy for nonpayment of premiums, protecting our members from the pandemic's financial and physical hardships.



Commitment to Arkansas' communities

We established our charitable foundation, The Blue & You Foundation for a Healthier Arkansas, in 2001. In its 19 years, the foundation has:

- Awarded more than **\$36 million**
- Benefited more than **1,900 health-improvement programs** in Arkansas
- Created grants to nonprofit or governmental organizations **in all 75 counties**
- Offered special grants to assist entities during the COVID-19 pandemic

Additionally, Arkansas Blue Cross contributes about **\$1 million in sponsorships** annually to civic, cultural, educational and health-improvement organizations in Arkansas and consistently supports disaster-relief efforts in our state.

Arkansas Blue Cross remains committed to improving the health of all Arkansans and to working toward a sustainable approach for the future of healthcare in Arkansas. This commitment extends to the equality, diversity, health equity and inclusion of all our citizens. We look forward to working with you to craft policies that reduce costs for Arkansans and help build a healthier Arkansas.

