

Common Insurance Terms

-  **Affordable Care Act:** Health reform legislation passed by the 111th Congress and signed into law in March 2010. Applies to the fully insured individual and group marketplaces.
-  **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.
-  **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 for which the sponsoring organization or employer group assumes the financial risk of paying for medical claims from its own funds (as opposed to claims being paid by an insurer). Federal law allows self-funded group plans to determine their own benefit structures and policies. A third-party administrator is usually hired by self-funded groups to issue claims payments 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>



For nearly 75 years, Arkansas Blue Cross and Blue Shield has been working alongside other stakeholders in our healthcare delivery and financing system to improve the well-being of the people and communities of our home state. And today, that work continues, with investments and initiatives designed to ensure a better present and future for everyone.

- **Our goal** is to make Arkansas a healthier place and to give every Arkansan the peace of mind that comes from knowing that we're there to help them get – and pay for – quality care when they need it.
- **Our core foundation** is as solid as Arkansas bedrock. Arkansans can count on the strength that comes from our local 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 we all live, work and play.
- **Our powerful tools** enable us to work together with providers to identify, predict and address issues so 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, as we all experienced during the recent COVID-19 pandemic.

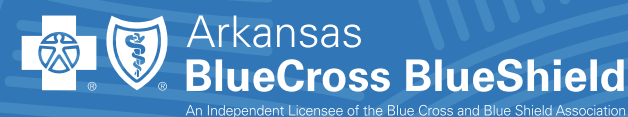
Through the years, we've seen many evolutions in healthcare and coverage. And we know more changes are on the horizon. We hope you will look to us as a resource for information as we work to give Arkansans access to the best care at the best value and proactively work to meet our state's unique health challenges.



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 34 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 medical expertise, claims-processing and customer service to case management and information technology. **More than 10,000 healthcare professionals** participate in our provider networks.





Presence throughout Arkansas

We recognize that each part of our state is as unique as its diverse population. That's why we've maintained sales and service centers throughout the state. We currently have a local presence in **Fayetteville, Fort Smith, Hot Springs, Little Rock, Jonesboro, Pine Bluff, Rogers, Springdale** and **Texarkana** areas. These regional centers give 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 Advantage and 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.



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 **88 cents in benefits** for our customers. The remaining **12 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 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 benefits. 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 **\$740 million in state and premium taxes** over the past dozen years, and we work continuously to satisfy new and changing regulations from the state and federal governments.



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 nearly 75 years of business operations and investments, we have worked to build reserves to be used in times of crisis, when cash flow could be disrupted. Though the amount of those reserves may seem vast, it's important to note we insure the overwhelming majority of Arkansans. Accordingly, our reserve dollars amounted to only about **\$1,702 per covered member** at the end of 2021. According to recent studies, the average hospital cost per day is \$2,873. Given the high cost of healthcare, it is evident that if a catastrophe were to disrupt our revenue stream for an extended period, it would not take long to exhaust these reserves.



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.



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.



Commitment to Arkansas' communities

We established our charitable foundation, the Blue & You Foundation for a Healthier Arkansas, in 2001. Since then, the foundation has:

- Awarded more than **\$49 million** in grants to **thousands of health-improvement programs** throughout our state – **in all 75 counties**
- Offered special grants to assist selected organizations during the COVID-19 pandemic
- In 2021, awarded **\$5.29 million** in special grants for behavioral health-related programs in Arkansas and added more than **\$610,000** in its 2022 grant cycle.

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, both through funding and through volunteerism by our employees.

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 all of our citizens.

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. I look forward to working with each of you as we continue improving the healthcare system in 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,

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