

Blue Cross NC to Issue \$200 Million in Health and Wellness Retail Cards to Members in October and November

Overview, Questions and Answers

September 2020

Overview

Blue Cross and Blue Shield of North Carolina (Blue Cross NC) will issue \$200 million in health and wellness retail cards to more than 600,000 eligible subscribers, or households, across the state. The cards will be pre-loaded with funds that will help many North Carolinians pay for health, wellness, and household expenses, including food, during the ongoing COVID-19 pandemic.

Key Messages

- This year, our members have experienced unexpected hardship and uncertainty due to the COVID-19 pandemic, high levels of unemployment and an economic slowdown. Blue Cross NC is committed to the well-being of its members, and we want to help make it possible for them to continue to prioritize health and wellness during this time.
- As a result, we are issuing more than \$200 million in health and wellness retail cards to more than 600,000 subscribers, or households, across the state who are enrolled in individual under 65 and fully insured employer plans, including vision and dental plans.
- Blue Cross NC is able to fund these health and wellness retail cards for the direct benefit of its members from monies received from the federal government following litigation related to the Affordable Care Act (ACA) temporary risk corridor program.
 - In April 2020, the United States Supreme Court ruled that the federal government is required to follow-through on the promise of the ACA risk corridor program that covered years 2014 through 2016. While not intended to protect insurers from all losses in the ACA marketplace, the risk corridor program provided an appropriate and necessary backstop on losses for insurers that were willing to serve people in the new marketplace.
- Blue Cross NC applied the remaining risk corridor funds to help keep 2021 rates for many of its customers lower. The company has been working hard to contain rates for several years and has achieved results. For example, for 2021, ACA plans offered to individuals will be reduced by an average of one percent on a statewide basis, the third straight year that Blue Cross NC has lowered ACA rates and a three-year cumulative

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- The health and wellness retail cards can be used for health-related expenses such as over-the-counter medications, food, first aid supplies, baby care items, exercise equipment, vitamins and more at a variety of retailers including Walmart, Walgreens, CVS, Rite Aid, Dollar General and Family Dollar. The cards cannot be used to pay for insurance premiums, prescription drugs, tobacco, alcohol or firearms.

Questions and Answers

Who is qualified to receive a health and wellness retail card?

Eligible fully insured subscribers active as of Sept. 30, 2020 will qualify. More than 600,000 subscribers across the state who are enrolled in individual under 65 and fully insured employer plans, including vision and dental plans, are eligible to receive a health and wellness card with a balance between \$100 and \$500 based on the products they are enrolled in.

We will share more details about card amounts by line of business soon.

What is the difference between a subscriber and a member?

A subscriber is the health insurance plan policy holder. A member is any person, including the subscriber, who has coverage under a policy. For example, a family covered under a single Blue Cross NC policy will have one subscriber but may have any number of affiliated members (spouse, children, etc.) also covered by the policy.

Why did Blue Cross NC choose to distribute these funds through health and wellness retail cards rather than rebates or a premium holiday?

This year, our members have experienced unexpected hardship and uncertainty due to the COVID-19 pandemic, high levels of unemployment and an economic slowdown. Choosing to distribute these funds through health and wellness cards is the fastest, most flexible way to deliver financial support to our members when they need it most.

While rebates and premium holidays may provide specific financial relief, health and wellness cards allow our subscribers to choose the best use of these funds for themselves and their families.

This method gets funds to the most people possible. Many customers would either get no benefit or very little out of a premium waiver, because the vast majority of our ACA members on an individual plan get premium subsidies, or full subsidies, and therefore pay very small or \$0 monthly premium amounts. And many of our members in employer plans have premiums paid partially or in full by the employer.

Why isn't Blue Cross NC issuing a general-use debit card that could be used to pay for rent, utilities, health care premiums, prescription drugs or gas?

These health and wellness cards help us achieve several important goals:

- getting these funds to the most people possible, as quickly as possible

- focusing on our customers' health and well-being

While the cards cannot be used for every purchase, they can be used for many essentials, including food, over-the-counter medications, first aid supplies, baby care items, exercise equipment, vitamins and more at a variety of retailers. And we are distributing these cards within a few weeks of receiving the risk corridor funds from the federal government, with as little delay as possible.

How much money will the health and wellness cards contain? Will all the cards be worth same amount?

Subscribers enrolled in individual, small group and fully insured large employer plans, including vision and dental plans, are eligible to receive a health and wellness card with a balance between \$100 and \$500 based on the type of products they have as outlined in the chart below.

We will share more details about card amounts by line of business soon.

Will customers on a grandfathered or transitional plan receive the health and wellness cards?

Yes. Eligible individual under-65 customers who receive these include subscribers on On- and Off-Marketplace plans, plus transitional plans. Eligible group fully insured subscribers who receive these include subscribers on grandfathered and transitional plans.

How was the \$200 million total amount of the health and wellness card program determined?

Blue Cross NC is able to fund these health and wellness cards for the direct benefit of its members from monies received from the federal government following litigation related to the Affordable Care Act (ACA) temporary risk corridor program. We want to support our members during this time so they can continue to prioritize the health and well-being of themselves and their families. This is our first priority, and as such, we will immediately redistribute as much of the risk corridor funds as possible to our members.

After paying taxes and an estimated \$8 million in MLR rebates for prior years, Blue Cross NC will issue \$200 million in health and wellness retail cards to more than 600,000 eligible subscribers across North Carolina. Blue Cross NC applied the remaining risk corridor funds to help keep 2021 rates for many of its customers lower. The company has been working hard to contain rates for several years and has achieved results. For example, for 2021, ACA plans offered to individuals will be reduced by an average of one percent on a statewide basis, the third straight year that Blue Cross NC has lowered ACA rates and a three-year cumulative reduction since 2018 of nearly \$1 billion.

How were the individual card amounts determined?

Blue Cross NC is committed to helping as many of our customers as possible. When determining the specific pre-loaded amount for each health and wellness card, we aimed to

identify amounts that are meaningful but also take into account the relative value of different subscriber segments.

What subscribers are not be eligible to receive a health and wellness retail card?

Many of our subscribers will receive a health and wellness retail card. Those who are not eligible include subscribers through self-funded Administrative Services Only (ASO) plans and balance funded plans, including the State Health Plan, Federal Employee Plans (medical, dental or vision plans), Medicare and Student Blue plans.

Vision plans eligible for retail cards refer to fully insured Blue 20/20SM plans. Dental plans refer to fully insured Dental Blue[®] and Dental Blue[®] Select plans. Retail cards do not apply to Federal Employee Program or State Health Plan vision or dental products.

Subscribers through these plans were not included, because Blue Cross NC received these risk corridor funds from the federal government due to the substantial losses the company sustained on its fully insured commercial business during the first three years of the ACA. Since the risk corridor program didn't apply to self-funded group or Medicare business, it would not be appropriate to distribute these funds to customers on self-funded group or Medicare plans.

Will subscribers owe taxes on the health and wellness retail cards?

Because the dollar amount is less than \$600, there will be no 1099 issued. However, we encourage subscribers to consult their tax professional to determine taxability for their personal situation.

If the health and wellness retail cards do not account for all of the risk corridor funds, what else are you doing with those funds to benefit members?

All of the funds we receive as a result of the risk corridor ruling will go to benefit our members. Of the total \$356 million, approximately \$75 million are owed in combined taxes and MLR rebates for prior years. Blue Cross NC will issue \$200 million to directly benefit members through the health and wellness cards. Any remaining funds will be used to offset the cost of premiums in 2021.

How can members receive their health and wellness retail card?

Members will receive their health and wellness card in in the mail between Oct.19 and Nov. 7 of this year with instructions on how to activate it and where it can be used.

Where can the health and wellness retail cards be used?

Blue Cross NC is providing health and wellness cards to benefit members where they need it most. Health and wellness cards may be used for qualifying health-related expenses such as food, over-the-counter medications, first aid supplies, baby care items, exercise equipment, vitamins and more at a variety of retailers including Walmart, Walgreens, CVS, Rite Aid, Dollar General and Family Dollar. The cards cannot be used to pay for insurance premiums, prescription drugs, tobacco, alcohol or firearms.

Do the health and wellness retail cards have an expiration date?

No. The health and wellness cards do not expire.

How will agents and employer groups be notified of this program?

Blue Cross NC will notify external agents and applicable employer groups of this program via email, the employer portal and the agent portal by early October. We will share samples of the member materials with these stakeholders at that time.

Is it true that some Medicare customers may receive these health and wellness cards?

Yes. If a Blue Cross NC customer has one of our vision (Blue 20/20) or dental (Dental Blue and Dental Blue Select) plans on Sept. 30, they are eligible for a health and wellness card. These ancillary products are sold to individuals of any age.

In addition, in January 2021, Blue Cross NC plans to issue health and wellness cards to Medicare Advantage customers, as part of a separate wellness initiative, unrelated to the risk corridor funds. We will share more about that program at a later date.

If customers have a question about their health and wellness card, who do they call?

Customers with questions about this program can call [877-277-7912](tel:877-277-7912). Customers who call Blue Cross NC about this will be transferred to the customer service team at Prime (our pharmacy benefit manager and the vendor who's administering the health and wellness cards). Blue Cross NC is also adding this temporary call prompt to automatically route callers to Prime:

- “Thank you for calling Blue Cross NC. If you are calling about a health and wellness card you received in the mail from Blue Cross NC and the OTC Network, press 2 or call them directly at [877-277-7912](tel:877-277-7912). Otherwise press 3 or remain on the line.”

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