



Chester McPherson  
Commissioner  
Department of Insurance, Securities &  
Banking  
810 First Street, N.E., Suite 701  
Washington, DC 20002

Dear Commissioner McPherson:

I am writing on behalf of the District of Columbia Association of Health Plans (The Association). The Association and its seven (7) member plans have been leaders in providing efficient, reliable and costs effective health insurance coverage to District residents. Equally as important has been the work and initiative of our member plans in the philanthropic area where they have invested unprecedented resources in addressing the unmet health and social needs of many of their community partners and organizations. Most recently, our member plans have been actively engaged in the District's efforts to implement the federal mandates of the federal Affordable Care Act (ACA).

Group Hospitalization and Medical Services, Inc. (GHMSI), the CareFirst BlueCross BlueShield affiliate serving metropolitan Washington and is a significant component of our region's health care infrastructure. As the largest health insurer in the region its financial stability is important not only to its customers, but to the entire health care system.

It is our understanding that DISB will convene a hearing in response to the request to evaluate the appropriateness of GHMSI's surplus level. If you find it excessive then the company must develop a plan to reduce it. From an industry perspective, it seems counter intuitive that, during this time of significant change in the health insurance market, an insurer could be asked to have fewer funds in reserve. GHMSI and all other District health insurers face market uncertainty with the transition in the District to Exchange-based Individual and Small Group markets. The Association is concerned that there would be further market disruption if one of the District's four Exchange carriers were harmed financially.

As Insurance Commissioner, you have an obligation to protect the public interest by regulating the insurance industry. The most important aspect of that responsibility is to ensure the financial solvency of insurance carriers and to ensure that the promises made by insurers are kept. GHMSI's first commitment is to provide health insurance benefits to its subscribers. To that

end, the company and its Board of Directors have successfully managed to meet its promise to its subscribers while also making significant investments in the community.

The Association is particularly troubled by DC Appleseed's statement that DISB should not be concerned if a carrier's surplus falls to 200% RBC-ACL, which would require the Commissioner to then begin a heightened level of regulatory oversight. Financially sound insurance companies should never have a surplus close to 200% RBC-ACL, and DC Appleseed's position is fundamentally inconsistent with basic principles of insurance regulation and with the obligations of an Insurance Commissioner. In fact, District law requires the Commissioner to take initial regulatory actions and to require corrective action plans from a carrier well before the carrier's surplus approaches 200% RBC-ACL. In our opinion it would be irresponsible for the Commissioner to force GHMSI's surplus down to a level that raises *any* realistic possibility that future adverse circumstances could push GHMSI's surplus down to the level of regulatory action.

The Association is also troubled by DC Appleseed's position that the Commissioner should adopt a "90% confidence" interval in the surplus model for GHMSI, which would result in a 10% likelihood that GHMSI's surplus would fall to 200% RBC-ACL or lower within the next three years. Such risks are unacceptable. In our view, the Commissioner has an obligation to both present and future health care consumers to ensure that GHMSI remain financially sound for years to come – and not to gamble with the future availability of GHMSI as a carrier in the District of Columbia.

Determining appropriate surplus and confidence levels should be based on the soundest actuarial principals. For over a decade, GHMSI's Board of Directors and senior leaders have done just that. Through multiple reviews both internally and for external regulatory reviews, nationally recognized actuarial firms have advised GHMSI on the appropriate surplus range and affirmed its appropriateness. While the District Council did adopt the Medical Insurance Empowerment Amendment Act (MIEAA) directing you to monitor GHMSI's surplus and its level of community investment, it did not intend to create an environment where a company that is such an important component of our health insurance infrastructure would be forced to operate in an unsound financial posture. Your goal should be to see the balance, with a very high degree of confidence, that GHMSI has maintained the appropriate surplus level and also made the maximum feasible community investment. It is Association belief that the company has met that balance.

Please feel free to contact me on behalf of the Association with any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "David W. Wilmot". The signature is stylized with a long horizontal line extending to the right and a looped structure above it.

David W. Wilmot, Executive Director