



District of Columbia
Hospital Association

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Robert A. Malson
President

September 8, 2009

The Honorable Gennet Purcell, Esq.
Commissioner
D.C. Department of Insurance, Securities and Banking
810 First Street, NE, Suite 701
Washington, DC 20002

Dear Commissioner Purcell:

- The District of Columbia Hospital Association is monitoring closely your agency's examination of the financial reserves held by Group Hospitalization and Medical Services, Inc. (GHMSI), the CareFirst BlueCross BlueShield affiliate serving metropolitan Washington. As the region's largest private health insurer, covering the health care needs of 1 million members throughout the region, it is critical that GHMSI maintain strong reserves to assure that it can cover subscribers' health care costs.
- The primary responsibility of a health insurance company is to pay members' claims. While we appreciate your role as regulator to evaluate the level of reserves that are held for the purpose of paying subscribers' claims and meeting the operational requirements of the company, we also note the disastrous things that can happen when an insurer gets into financial difficulty.
- Indeed, GHMSI's reserves in the early 1990s fell so low that there were questions as to whether it could survive. Only by borrowing significant sums from its sister Blues Plans was it able to continue operations. Any action by the District government that might destabilize the District's largest health insurer could negatively impact hospitals and the entire health care system.
- DCHA applauds the important community commitment that GHMSI has made in the District. Beyond its significant charitable giving, the company serves as the carrier of last resort for District residents who are denied health insurance by other carriers due to pre-existing medical conditions. Because of their health problems, these individuals tend to incur disproportionately high health care costs. GHMSI is the only insurer serving this population. The company uses a portion of its reserves to help make this coverage more affordable and accessible as well as to cover the losses it incurs on this product. Without access to this

Children's National Medical Center • George Washington University Hospital • Georgetown University Hospital • Howard University Hospital
Malcolm Grow Medical Center, Andrews AFB, MD • National Naval Medical Center, Bethesda, MD • National Rehabilitation Hospital
Providence Hospital • Psychiatric Institute of Washington • Saint Elizabeths Hospital, D.C. Department of Mental Health
Sibley Memorial Hospital • Specialty Hospital of Washington - Capitol Hill • Specialty Hospital of Washington - Hadley
United Medical Center • Veterans Affairs Medical Center • Walter Reed Army Medical Center • Washington Hospital Center

The Honorable Gennet Purcell, Esq.

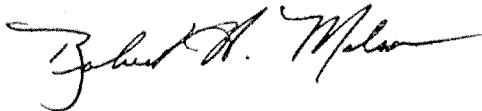
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coverage, the only option available to many of these individuals is to go to hospital emergency rooms, driving up uncompensated care costs which ultimately are borne by everyone.

- Emergency preparedness is another important issue you should consider in determining the adequacy of GHMSI's reserves. DCHA member hospitals are well aware of the unique environment in which we all operate given our locations in the Nation's Capital. Like hospitals, we know that GHMSI must include as a major component of its contingency planning the possibility of an area-wide epidemic, natural disaster or act of terrorism. Building and maintaining reserves for these unknown contingencies is as essential for GHMSI as it is for hospitals to have staffing, supplies and operating capacity.
- While District hospitals recognize your responsibility in evaluating GHMSI's reserve levels, we urge you tread carefully so that nothing is done that would hamper its ability to meet its responsibility to its subscribers and its level of community commitment. DCHA member hospitals recommend that you act to keep GHMSI financially strong so that it can maintain its high level of quality service to its subscribers, hospitals, other health care providers and the community.

Sincerely,

A handwritten signature in cursive script, appearing to read "Robert A. Malson".

Robert A. Malson
President