Government of the District of Columbia
Muriel Bowser, Mayor
Department of Insurance, Securities and Banking

DISB

Chester A. McPherson
Acting Commissioner

BEFORE THE INSURANCE COMMISSIONER OF THE DISTRICT OF COLUMBIA

Re: Combined Report on Target Market Conduct Examination – **Group Hospitalization and Medical Services, Inc. (GHMSI)** and **CareFirst BlueChoice, Inc.** as of December 31, 2013

ORDER

A combined Target Market Conduct Examination of **GHMSI** and **CareFirst BlueChoice** have been conducted by the District of Columbia Department of Insurance, Securities and Banking ("the Department").

It is hereby ordered on this 19th day of June, 2015, that the attached target market conduct examination report be adopted and filed as an official record of this Department.

Pursuant to Section 31-1404(d)(1) of the D.C. Official Code, this Order is considered a final administrative decision and may be appealed pursuant to Section 31-4332 of the D.C. Official Code.

Pursuant to Section 31-1404(d)(1) of the D.C. Official Code, within 30 days of the issuance of the adopted report, the Company shall file affidavits executed by each of its directors stating under oath that they have received a copy of the adopted report and related order.

Pursuant to Section 31-1404(e)(1) of the D.C. Official Code, the Department will continue to hold the content of the report as private and confidential information for a period of 10 days from the date of this Order.

Acting Deputy Commissioner for

Chester A. McPherson
Acting Commissioner

The District of Columbia Department of Insurance, Securities and Banking

TARGET MARKET CONDUCT EXAMINATION REPORT

OF

Group Hospitalization and Medical Services, Inc.

And

CareFirst BlueChoice, Inc.

AS OF

December 31, 2013

April 10, 2014

Honorable Chester A. McPherson
Interim Insurance Commissioner
Washington, DC

Commissioner McPherson:

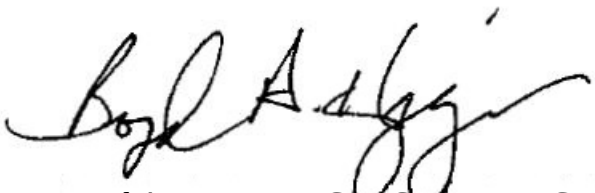
Per your request, a limited Target Market Conduct Examination has been performed on:

Group Hospitalization and Medical Services, Inc.
CareFirst BlueChoice, Inc.

NAIC GROUP CODE 0380

The examination was conducted off site. The report of such examination is herein respectfully submitted.

Sincerely,



Boyd A. Higgins, MCM, CIE, FLMI, CLU, ALHC
Market Conduct Examiner

TABLE OF CONTENTS

SCOPE OF EXAMINATION **1**

COMPANY PROFILE **1**

OFF-CYCLE RENEWALS **2**

Small-Medium Group Division 2

Consumer Direct Division (individual contracts) 3

"KeepMyPlan" Program 4

SAMPLE FILES REVIEW **5**

Small-Medium group- Population 1,235 files 5

Consumer Direct- Population 445 5

COMPLAINTS **6**

COMPANY CORRESPONDENCE TO DISB **6**

SCOPE OF EXAMINATION

The District of Columbia Department of Insurance, Securities and Banking (DISB) assigned Bostick/Crawford Consulting Group (BCCG) to conduct a limited scope target market conduct examination of Group Hospitalization and Medical Services, Inc. and CareFirst BlueChoice, Inc. (Companies) as of December 31, 2013.

The purpose of this limited Target Market Conduct Examination was to review the program of off-cycle renewals the Companies allowed members to employ in order to delay changing their current plan due to the provisions of the Affordable Care Act. The examination included a review of the Companies' requirements and procedures for implementing this program, how information was deployed and how closely the files of sampled cases reflected consistent application of these requirements and procedures.

COMPANY PROFILE

- Group Hospitalization, Incorporated was formed by a hospital association in Washington, DC in 1934, became sanctioned to use the Blue Cross service mark in 1942 and became a fully participating member of the Blue Cross in 1951.
- A group of 15 hospitals in Baltimore, MD agreed to participate in Associated Hospital Service of Baltimore in 1937 and began using the Blue Cross service mark.
- In 1985, Group Hospitalization, Inc. and Medical Services of the District of Columbia merged under the new name Group Hospitalization and Medical Services, Inc. (GHMSI). The company adopted a new trade name: Blue Cross and Blue Shield of the National Capital Area (BCBSNCA).
- Maryland and Washington Blues acquired regulatory approval to combine under the new name of CareFirst BlueCross BlueShield effective January 1998.

The Companies are now a part of a not-for-profit, non-stock health services company which, through its affiliates and subsidiaries offers a comprehensive portfolio of products and

administrative services to individuals and groups in Maryland, the District of Columbia and portions of northern Virginia. CareFirst, Inc. is the parent company of CareFirst of Maryland, Inc. and Group Hospitalization and Medical Services, Inc., which together own CareFirst BlueChoice, Inc. CareFirst, Inc., and its affiliates are governed by a Board of Directors and special statutes regulating the company's business in Maryland, the District of Columbia and Northern Virginia.

The CareFirst organization is now the largest health care insurer in the Mid-Atlantic region, serving 3.4 million members. It has the largest provider network in the region, with more than 80 percent of the region's health care providers participating in one or more networks.

OFF-CYCLE RENEWALS

Small-Medium Group Division

On April 23, 2013, the Companies sent a "Sales Flash" to group brokers titled "Off-Cycle Renewals on Current Coverage" responding to inquiries from brokers and group subscribers. The following excerpts from this sales flash explain the early renewal program for group subscribers:

> "CareFirst has always allowed groups to make off-cycle benefit changes which then in turn begin a new 12 month contract for the chosen benefit. Under today's business rules, an off-cycle change can be done any time of the year with the exception of 90 days prior to the group's current renewal date. However, we will now waive our 90 day lock-in for off-cycle benefit changes.
>
> …ACA certainly places an additional dynamic to the group renewal and sales process. If you want to pursue an early renewal option, it might be wise to submit the request well in advance to allow your groups to renew early with the most appropriate benefits that fit your client's needs."

Group producers requested that they be given extra compensation for the additional work they would have to perform due to off-cycle renewals. The Companies decided to pay the broker a one-time administrative fee of $60 per contract. The Companies stated that this will not be considered an expense for rate determination. This extra compensation was not paid to consumer direct (individual) producers.

Consumer Direct Division (individual contracts)

Starting September 23, 2013, the Companies began a mass member communication. These letters were mailed to all Maryland, Virginia and DC Consumer Direct members (Individuals) with non-grandfathered plans under the Affordable Care Act (ACA) and intended to:

- Inform members that their current plan did not conform to the new ACA mandates and would cease upon their 2014 anniversary date
- Explain ACA required changes, to include federally mandated Essential Health Benefits
- Notify members that beginning January 1, 2014 they would have new plan choices
- Explain the members' options before their 2014 anniversary date

Until the member's 2014 anniversary date, the current plans would not change and the Member could continue to use their existing member ID card to receive their benefits.

The letter included:

- ACA Plans at a Glance chart that gives an overview of new ACA-compliant plans
- Step-by-step guide to choosing the best ACA-compliant plan

Members had two options:

- Apply for an ACA-compliant plan before their current plan's annual renewal date
- Cancel their current plan before December 1, 2013 and re-enroll in their current plan with a late 2013 effective date. They would then need to enroll in an ACA compliant plan by their 2014 renewal date. They were warned that this option delays—but does not avoid—the need to eventually obtain coverage through an ACA compliant plan, and were also warned of other important consequences such as deductible resets, subsidy ineligibility

and ACA benefit differences.

On September 23, 2013 letters were mailed to members with January and February renewal dates; between September 30, 2013 and October 10, 2013 letters were mailed to members with March through November renewal dates, and on October 21, 2013 letters were mailed to members with December renewal dates. The members were notified of the subsidy possibility only if they enrolled in ACA and also advised that accumulated annual deductibles and coinsurance would start over at $0 if they chose to elect early cancellation/renewal of their current coverage. The only incentive offered to members was the ability to delay the requirement to enroll in an ACA compliant plan.

"KeepMyPlan" Program

"KeepMyPlan" was a website that the Companies established for members to use to obtain a copy of their enrollment change form and get instructions on how to re-enroll in their current plan for a December 31, 2013 renewal.

On November 14, 2013 President Obama announced that individuals could keep their current health plan for another year. In response, the Maryland Insurance Administration clarified that members of Maryland plans could reenroll in their plans until 11:59 PM EST on December 31, 2013 thereby allowing them to keep their current plan through December 31, 2014. The District of Columbia Department of Insurance, Banking and Securities and Virginia Bureau of Insurance did not issue similar guidance.

A mailing was sent to Maryland members advising them they could renew their plans until 11:59 PM EST on December 31, 2013 and a "KeepMyPlan" mailbox was established for members to respond by email. This mailing did not go out to District of Columbia or Virginia members.

Ultimately however, based on the challenges District of Columbia and Virginia members were facing and the ensuing uncertainty that followed the President's announcement, the Companies made the decision to extend the District of Columbia and Virginia re-enrollment deadline from November 22 to December 31, 2013 under the "KeepMyPlan" program, consistent with District of Columbia and Virginia law.

No additional written communication was sent to District of Columbia member, but members who called in were informed that the deadline to re-enroll for a December 1, 2013 was extended until December 31, 2013, and they were directed to the "KeepMyPlan" website to get the re-enrollment form and mail it to the appropriate address. If a member insisted on making the request over the phone, customer service and sales associates did assist the member to re-enroll and documented the call as "KeepMyPlan."

SAMPLE FILES REVIEW

Small-Medium group- Population 1,235 files

Old Renewal Month	Advanced to October	Advanced to November	Advanced to December
JANUARY	3	5	839
FEBRUARY		1	60
MARCH			92
APRIL			77
MAY			51
JUNE			48
JULY	2		11
AUGUST	1	1	7
SEPTEMBER	2		7
OCTOBER	1	3	4
NOVEMBER			4
DECEMBER			16

45 sample group files were selected for review. All files reviewed were handled according to procedures outlined. It was difficult to separate CareFirst of Maryland from GHMSI because most of the groups had a mixture of coverage, with some coverages issued on GHMSI plans and other coverages within the same group plan issued on CareFirst of Maryland plans.

Consumer Direct- Population 445

Old Renewal Report	Advanced to December
JANUARY	118
FEBRUARY	78

Old Renewal Report	Advanced to December
MARCH	32
APRIL	38
MAY	26
JUNE	33
JULY	32
AUGUST	19
SEPTEMBER	30
OCTOBER	18
NOVEMBER	19
DECEMBER	2

Of the 35 files presented for review:

- 13 were CF Blue Choice applications
- 22 were GHMSI applications

COMPLAINTS

Complaint registers showed twenty-four complaints received in 2013, three of which related to off-cycle renewals. Two of these were enrollment inquiries, and one (which was presented to the examiner by DISB for special review) was filed by the consumer as an off-cycle renewal problem, although it appears instead to be a lapse due to non-payment of premium. The Company indicated that member's premium was subsequently received and coverage would be reinstated.

COMPANY CORRESPONDENCE TO DISB

On May 13, 2013, the Company responded to three inquiries from the Department regarding early renewals. The first two inquiries dealt with the practice of early renewals. The Company responded that they have communicated to agents, brokers and subscribers that early renewals

are available in the District of Columbia. They further stated that the Company has always allowed early renewal of policies.

Based on information obtained during the course of this examination, the Company's response was accurate. However, they failed to reveal that group agents would receive compensation for helping clients with off cycle renewals used to delay changeover to requirements of the Affordable Care Act. They also neglected to inform the Department that the Company planned to waive the established business rules prohibiting off-cycle renewals within 90 days prior to the group's scheduled renewal date.

There is no indication that off-cycle renewals had been allowed for Consumer-Direct (individual) contracts prior to the September 23, 2013 letters sent to Consumer-Direct members. When the examiner asked:

> "Have early renewals been allowed for consumer direct business or other individual contracts before 2013?"

the Company responded:

> "Early renewals did not apply to consumer direct business prior to 2013. A member could change his plan at any time as long as the member passed medical underwriting."

The third inquiry dealt with the early renewal process. The significant point in the Company's response was that there would be no new underwriting if the individual or group continued with a plan that offered similar or lesser benefits and that the new policy would be written at existing approved rates. Based on information gathered during the examination, this was an accurate response.