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[Members & Visitors](#)
[Employers & Benefit Managers](#)
[Providers & Physicians](#)
[Brokers & Agents](#)
[CareFirst.com](#) > [Media Center](#) > [News Releases](#)

News Releases

[Media Center](#) | [News Releases](#) | [Contact Info](#) | [Mission](#) | [Fact Sheet](#) | [Leadership Bios](#) | [Images](#) | [Annual Reports](#) | [Legislation & Mandates](#) | [Blue Sites & Industry Links](#) | [Affiliates](#) | [History & Timeline](#)

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Proposed Legislation Burdens CareFirst Members
Legislation Likely to Increase Premiums, Ranks of Uninsured

OWINGS MILLS, MD (September 16, 2008) - The legislation to be introduced before the Council of the District of Columbia (the Medical Insurance Empowerment Amendment of 2008), if passed, would amount to an additional tax on the premiums of CareFirst BlueCross BlueShield (CareFirst) members, would likely lead to higher health care costs, and an increase in the ranks of the District's uninsured.

The legislation, which among other things seeks to require CareFirst's policyholders to fund various community organizations from its purported "surplus," is misguided on a number of fronts.

First, any CareFirst "surplus" has been paid by our policy holders. It is money saved to be used first and foremost for the benefit of our members.

Second, the word "surplus" implies excess cash that is available to benefit people other than our policyholders. In fact, we do not hold "surplus." Rather, CareFirst holds reserves which amount to less than a \$1,000 per member, or just a fraction of the cost of a day in the hospital. All earnings on these reserves benefit our policyholders by holding rates down or keeping rates lower than they would otherwise have been.

Third, with health care costs spiraling upwards at 3 times the rate of wages, individuals and small employers who pay the vast majority of our premiums are already struggling. This legislation would make their burdens heavier by leading to increased premiums and reducing our ability to moderate premiums by, in effect, taxing our reserves. The 50,000 individuals and the 80% of 16,000 of small businesses with less than 10 employees covered by CareFirst -- and that can least afford an additional tax -- would be hit the hardest.

Fourth, a basic premise of the proposed legislation is that CareFirst needs to give more to the community at large. The facts say otherwise. In the past three years, CareFirst has given over \$100 million to worthy community organizations and causes and we expect to give approximately \$40 million this year alone to such organizations. All other commercial insurers in the region combined do not equal this level of giving.

In short, the proposed legislation seeks to make CareFirst's reserves a new revenue source for the District's budget despite the fact that the overwhelming majority of CareFirst's subscribers who have paid into our reserves are not residents of the District, but rather live in Northern Virginia, and Prince Georges and Montgomery Counties in Maryland. The proposed legislation seeks to appropriate for District purposes funds that are dedicated to people who overwhelmingly live outside the District.

We share one goal of the proposed legislation which is increasing access to health care. Indeed for more than seven decades we have met that goal by serving our policyholders. That is what Congress intended when it chartered our affiliate in the District of Columbia. And two opinions of a former Attorney General of the District and a former District Insurance Commissioner agree that CareFirst meets its legal obligations by serving its policyholders. The proposed legislation would greatly compromise our ability to do so.

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The tumultuous state of the economy and the events of the last few days painfully demonstrate the importance of ensuring that companies are financially solvent. On the heels of a weekend in which two of the most trusted names in American finance have suffered devastating economic consequences, and a major U.S. metropolitan area is coping with the aftermath of a massive hurricane, the proposed legislation's intent to require a reduction in CareFirst's reserves is unwise.

Quite simply, enough is enough. CareFirst's National Capital Area affiliate, while a not-for-profit, nevertheless paid \$88 million in federal, state and local income, premium and property taxes last year. CareFirst pays its share - and then some.

CareFirst will vigorously oppose this legislation. Our policyholders' interests come first. This is a direct and regrettable attack on a company with a long history of service to the District and to this region.

In its 71st year of service, CareFirst, an independent licensee of the Blue Cross and Blue Shield Association, is a not-for-profit health care company which, through its affiliates and subsidiaries, offers a comprehensive portfolio of health insurance products and administrative services to 3.3 million individuals and groups in Maryland, the District of Columbia and Northern Virginia. Through its CareFirst Commitment initiative and other public mission activities, CareFirst supports efforts to increase the accessibility, affordability, safety and quality of health care throughout its market areas.

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