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Assault on a Health Insurer

CareFirst shouldn't be a piggy bank for District politicians.

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THE D.C. government has long had a beef with CareFirst BlueCross BlueShield. It doesn't think the region's largest health insurance provider does enough to give back to the community. The District could be right, but that in no way justifies a misguided effort to coerce CareFirst to take money paid by subscribers for health services and distribute it to satisfy the government's notions of public good.

D.C. officials have unleashed a two-pronged assault on the not-for-profit health-care company. Legislation supported by 11 D.C. Council members seeks to dip into the firm's cash reserves to address city residents' unmet health-care needs. A lawsuit filed in U.S. District Court by Acting Attorney General Peter J. Nickles has the same aim. City officials contend that CareFirst, chartered by Congress as a "charitable and benevolent institution," is not living up to obligations -- and, as evidence, they point to the $753 million in cash reserves it holds.

The argument is essentially the same as that advanced by a D.C. advocacy group, which was rejected by the D.C. Department of Insurance, Securities and Banking. Chief among the 2005 findings of then-Insurance Commissioner Lawrence H. Mirel was that CareFirst was meeting its basic legal obligation "by operating a non-profit health plan that serves residents throughout its service area, including the District of Columbia." Then-Attorney General Robert J. Spagnoletti offered this view: CareFirst "does not have an obligation -- derived either from common law principles or tax decisions -- to satisfy any minimum threshold for providing services at no charge or for making contributions to other organizations."

If, indeed, the firm's reserves are too high (an odd claim to make during these trying economic times), shouldn't the benefits go to those people paying for its health plans? Instead of forcing CareFirst to dip into its coffers to fund the philanthropic priorities of D.C. officials, the city should be using its regulatory powers to demand the best service and value for subscribers.

There is no question that CareFirst has obligations to be a good corporate citizen, and some of its past actions -- its failed conversion to for-profit status and its extravagant executive compensation -- have called into question whether it had lost sight of its public mission. CareFirst's new leadership says it is committed to helping the community address unmet health-care needs and points to the $100 million it has given over the past three years to community groups. Perhaps it could do more, and we were sorry to see a breakdown in negotiations with the city over expanding health coverage for the uninsured. Nonetheless, the decision about what CareFirst can afford to do should be based on the fiduciary judgment of its officers, not on strong-arming by city politicians.