

**DC Department of Insurance, Securities and Banking**  
**Hearing on GHMSI's Reserves**  
**September 10, 2009**  
**Testimony of**  
**Peter D. Rosenstein**  
**Executive Director, American Academy of Orthotists and Prosthetists**

Good afternoon Commissioner Purcell and congratulations on your recent appointment to lead the Department of Insurance, Securities and Banking. I am sure the Mayor made a very wise choice in your appointment. Also, thank you for allowing me to testify and to share my concerns about some aspects of the matter before you.

My organization, the American Academy of Orthotists and Prosthetists, is headquartered in the District and CareFirst is our insurance provider. I have been an Association Executive for over 25 years and have run a number of associations in the District who also used CareFirst as their insurance provider. Small businesses and small associations located in the District, like mine, are disproportionately covered by CareFirst. I, like other association leaders, have chosen CareFirst as the health insurer for my employees because CareFirst has provided us with superior service and their rates have been largely competitive.

I understand the reason that CareFirst maintains a sizeable reserve level and because of that reserve I can feel assured that if a catastrophe happens, I will be covered and so will my employees.

However, if you and others with a comprehensive knowledge of the insurance industry can convince me that these reserves are too high I will respect your knowledge. But if that is the case then the issue becomes what to do with those reserves. I think it would be highly inappropriate to do anything other than return these funds to those who built them to their current levels, the subscribers, and do so through lower premiums and rate reductions.

To do anything else is most offensive to the business community, non-profits, and associations such as mine who paid the premiums with the expectation they were for our benefit.

It is important to note who built up these reserves in question today. It was not so much the larger employers, many of who self insure so CareFirst only administers their health insurance and they do not contribute to these reserves. It is not the Federal Employees Health Program, which CareFirst also administers but whose funds are not included in these reserves. Therefore, Commissioner Purcell, the reserves you are evaluating today were paid in by the small and medium size businesses which are the economic backbone of the District, as well as individuals who had to secure individual coverage. Further, I would note that many small businesses and associations struggle today to afford quality health insurance for our employees.

Therefore, if you do not return any excess to these subscribers in the form of rate reduction or rebate, you will be doing direct and immediate harm. It would be a direct tax on these businesses and their employees. Confiscating these premiums held in reserve for other purposes, may mean that the money will eventually have to be made up by those of us who fund the reserves – small and medium sized businesses and other organizations located in the District as well as individual DC residents.

This is not equitable to these tens of thousands of District residents and their organizations. It is actually a direct tax on people who are over taxed as it is and what is worse it is a tax on only a select few people and their employers. I would be willing to pay a small personal tax if we could help get more people health care, but I resent being taxed and the City purloining these funds that are meant for something else while my neighbor, who happened to subscribe to another insurance carrier isn't. In the end this is contrary to the goal of helping our organizations maintain access to health care for our employees. In the long run it could actually encourage us to locate outside the District of Columbia. It defies logic for the District to do this.

I trust you will, as Commissioner of Insurance for the District of Columbia, protect the interests of those tens of thousands of D.C. residents who paid their insurance premiums to CareFirst, me and my employees included, believing these premiums

were fair and for their own health care coverage and not for any other purpose. Protecting their interests' means letting CareFirst keep its current level of reserves to make sure it can continue to meet our health care needs, or if you deem them to be too high, working with CareFirst to return them to those who have paid them.

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