

PUBLIC HEARING

BEFORE THE

**THE DEPARTMENT OF INSURANCE, SECURITIES AND
BANKING**

**ON SURPLUS AND REVIEW OF GROUP HOSPITALIZATION &
MEDICAL SERVICES, INC. (GHMSI)**

**TESTIMONY
OF**

DAVID W. WILMOT, EXECUTIVE DIRECTOR

**DISTRICT OF COLUMBIA ASSOCIATION OF HEALTH
MAINTENANCE ORGANIZATIONS (DCHMO)**

THURSDAY, SEPTEMBER 10, 2009

**441 4TH STREET, NW, SUITE 220 SOUTH
WASHINGTON, D.C. 20001**

**DISTRICT OF COLUMBIA ASSOCIATION OF HEALTH
MAINTENANCE ORGANIZATIONS (DCHMO)**

MEMBER PLANS

AETNA U.S. HEALTHCARE CORPORATION, INC.
Gregory Martino

CARE FIRST, INC.
Tonya Vidal-Kin low

D.C. CHARTERED HEALTH PLAN, INC.
Karen Dale

HEALTH RIGHT, INC.
Donna Carris

HEALTH SERVICES FOR CHILDREN WITH SPECIAL NEEDS
Danny Bellamy

KAISER PERMANENTE OF THE MID-ATLANTIC STATES, INC.
Laurie Kuiper

UNITED HEALTH CARE, INC.
Scott Henderson

DAVID W. WILMOT
Executive Director

Good morning Commissioner Purcell. I am David W. Wilmot, Executive Director of the District of Columbia Association of Health Maintenance Organizations (The DCHMO Association). The our Association consists of seven (7) Managed Care Organizations (MCOs), including Medicaid and Commercial member plans that provide high quality, cost effective health care coverage to over 180,000 District of Columbia residents. During its history, the Association has been both a leader and partner in not only shaping the healthcare debate but in assisting the District in conjunction with other stakeholders in developing an efficient and effective healthcare delivery system. We believe that through our collective and consistent leadership in this area we are achieving our shared goal of improving the healthcare system in the District. We come today to express the Association's support of GHMSI's goal to remain a cost effective and financially viable entity, and in that regard we offer the following testimony:

- The DCHMO member plans believe that it is important to maintain a strong and competitive health insurance industry in the District of Columbia. At one time, the DCHMO Association had as many as 19 member plans. And, as you are aware,

several of those companies had to cease operation because they did not have adequate reserves. CareFirst affiliate Group Hospitalization & Medical Services, Inc. (GHMSI) is one of the largest insurers in the city, and it is essential that the company remain financially strong.

- We recognize that you are mandated to conduct a review of the company's reserves and make a determination on whether those reserves are excessive. Specifically, the Commissioner is required to assess the reserves that are "attributable to the District." Typically, companies establish reserves based on their entire business obligation. A number of our member plans are concerned that a policy with the stated objective to divide reserves based on an individual jurisdiction could weaken the entire company as well as have an adverse effect on other member plans as well.
- In the health insurance industry, the Risk-Based Capital (RBC) standards set by the National Association of Insurance Commissioners (NAIC) establishes a minimum threshold to

measure financial solvency. In no way should this standard be the measure of excess. If a company is operating at that level, it should send off alarm bells and result in intervention by the Insurance Commissioner.

- Health insurers and other companies establish reserves to make sure that they can effectively meet both expected and unexpected business obligations. Establishing an appropriate level of reserves is going to be different for each company. DCHMO Association members believe that it is the role of a company's Board of Directors and its management to make that determination.
- We urge you to give careful consideration to the important decision you have to make. As the Insurance Commissioner, you have an obligation to protect insurance consumers and the make sure insurance companies provide quality service in accordance with the law. In order for an insurance company to meet the obligations it has to its customers, the company has to be effectively managed and financially strong. Right now,

GHMSI is both. We hope the first decision you make in your role as Commissioner sets the right balance.

Thank you for giving us the opportunity to testify on this issue that has the potential of an adverse impact on the financial stability of GHMSI and the industry as a whole. I would be delighted to answer any questions that you may have at this time.