

Brian D. Pieninck
President and Chief Executive Officer

CareFirst BlueCross BlueShield
1501 S. Clinton Street, 17th Floor
Baltimore, MD 21224-5744
Tel: 410-998-5320
Fax: 410-781-7606
brian.pieninck@carefirst.com



July 1, 2020

Hon. Karima M. Woods
Acting Commissioner
Department of Insurance, Securities and Banking
1050 First Street, NE, Suite 801
Washington, DC 20002

Dear Commissioner Woods:

I write on behalf of Group Hospitalization and Medical Services, Inc. ("GHMSI") to report GHMSI's surplus at year-end 2019, pursuant to 26A DCMR 4601.1. GHMSI's year-end 2019 surplus was \$1,440M or 1088% risk-based capital - authorized control level ("RBC").

In 2017, Milliman performed a full actuarial review of GHMSI's surplus and reported that GHMSI should maintain an optimal surplus range of 900% to 1200% RBC. The 2017 Milliman analysis is the 18th review of GHMSI's surplus that has been conducted on behalf of GHMSI or a regulator since 2005. On December 4, 2017, the GHMSI Board approved the recommended target surplus range of 900% to 1200% RBC for the period of 2018 through 2020. The Milliman analysis was provided to the DISB in a letter dated December 12, 2017 from Chet Burrell, GHMSI's CEO at that time, and was incorporated into GHMSI's 2017 surplus report, which was filed with the Department of Insurance, Securities, and Banking ("DISB") on June 1, 2018.

At its annual meeting, on December 3, 2019, the GHMSI Board made no changes to the target surplus range. GHMSI has engaged Milliman to conduct a full surplus review that will be completed before the end of 2020.

GHMSI has made and continues to make significant community reinvestments, many of which are not reflected in the 2019 surplus. For example, on January 20, 2020, CareFirst BlueChoice, Inc. acquired Trusted Health Plan (District of Columbia), Inc., thereby expanding services to District of Columbia residents enrolled in Medicaid. As the DISB is aware, GHMSI also has been in discussions regarding similar entry into Medicaid in other parts of its Service Territory as well.

As a not-for-profit health service company, CareFirst has been relentlessly committed to its mission during the COVID-19 crisis – to help the many constituencies that we serve in the District of Columbia and region-wide: our individual members and employer groups; our partners in the health care delivery system; our communities and community-based organizations, and our own employees. The pandemic has required an unprecedented mobilization of resources to address subscriber and community needs. In these extraordinary times, CareFirst, including GHMSI, has offered assistance and relief to our members, accounts, providers, and the community at large. These efforts include, but are not limited to, changes to benefits and enrollment periods, advance payments and other financial support for providers, assistance to members and providers for telemedicine, provision of key resources for transmission of accurate information regarding COVID-19, and direct monetary

assistance to the community. Attachment A provides only a brief description of the myriad of efforts in which CareFirst has been engaged, and additional efforts and new initiatives continue to be deployed as the circumstances unfold.

CareFirst is monitoring the impact of the COVID-19 on its financial soundness and expects it will be quite some time before those impacts are fully known. The enclosed white paper by Milliman, at Attachment B, discusses some of the issues that require consideration with respect to this and potential future pandemics.

Please do not hesitate to contact me if you have questions.

Sincerely,

A handwritten signature in blue ink, appearing to read "B.D. Pieninck", with a stylized flourish at the end.

Brian D. Pieninck
President and Chief Executive Officer

Attachments