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February 14, 2014

The Honorable Chester A. McPherson, Commissioner
District of Columbia Department of Insurance, Securities and Banking
810 First Street NE
Suite 701
Washington, D.C. 20002

*Re: Surplus Review of Group Hospitalization and Medical Services,
Inc. (GHMSI)*

Dear Commissioner McPherson:

D.C. Appleseed is writing to ask you for a short postponement of the March 12, 2014 hearing date now scheduled for your review of the surplus of Group Hospitalization and Medical Services, Inc. (GHMSI) that is required by the Medical Insurance Empowerment Amendment Act (MIEAA). We are making this request to allow Appleseed sufficient time to develop an analysis that can, in the fullest possible way, meaningfully contribute to your determination of whether GHMSI's surplus is excessive under the statute.

As you know, a critical element in your review of the surplus is the Rector Report. We received that Report on January 9 and received the Appendix to the Report on January 13. We completed our initial review of that Report and Appendix on January 24 and informed Associate Commissioner Barlow on that date that we wished to request data to understand how Rector reached the conclusion offered in the Report. Mr. Barlow recommended that we send our request to you, which we did on January 29. We received your preliminary responses to our nine data requests on February 10. This February 10 response provided some of the data we requested, and indicated that further data would be forthcoming. The response indicated that some of our requested data are confidential and would not be provided. The response also offered to convene a conference call to discuss our requests. We understand that Mr. Barlow is attempting to schedule that call for next week. We hope to discuss at that time our continuing willingness to enter into a confidentiality agreement to protect any confidential information that you may provide.

Even though all parties have thus been moving toward providing relevant data that we can promptly analyze in order to prepare a pre-hearing report for the upcoming hearing, we are concerned that it will not be possible for these steps to be completed by the date our pre-hearing report is currently due. Pre-hearing reports are due no later than 15 days before the hearing date, making the due date for submissions in connection with this hearing Tuesday, February 25, 2014. 26-A DCMR § 4602.2. Given that this date is now just a few


days away, it seems to us highly unlikely that all our data requests will be resolved by that date, much less that we will have adequate time thereafter to analyze the data and prepare a comprehensive pre-hearing report to submit to you.

D.C. Appleseed is eager for the surplus proceeding to move forward as soon as possible. However, in these circumstances, we believe it is prudent to take a modest amount of additional time to ensure that the proceeding will be fully productive and that it will provide a complete record for your decision. We say that in part because, as you are aware, the issues at stake in this proceeding are highly complex, and it takes significant time to fully and fairly analyze them. The 2009 surplus review took over one year from the hearing to a final order. During this most recent review, Rector took almost an entire year to produce its report, from initial conversations that took place in early 2013 to a final version dated December 9, 2013. The complexity is not limited to the actuarial issues: the D.C. Court of Appeals likewise took 15 months to issue a final opinion after oral argument on the legal requirements of MIEAA, despite having ordered an expedited briefing schedule.

We therefore request that you set a new hearing date that will allow sufficient time for the parties to respond to our data requests and for D.C. Appleseed to submit a pre-hearing report based on the data we receive. We suggest that you set a hearing date for 45 days after our data requests are resolved. This can be achieved by noting the new hearing date in the register immediately upon resolution of our data requests. Under the applicable regulations, the hearing should occur no earlier than 45 days after the register announcement. 26-A DCMR § 4602.1.

Thank you for considering our request. We look forward to working with you to resolve these very important issues.

Sincerely,



Walter Smith, Executive Director
DC Appleseed Center



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