



July 14, 2016

Hon. Stephen C. Taylor
Commissioner
Department of Insurance, Securities and Banking
810 First Street NE, Suite 701
Washington, D 20002

Dear Commissioner Taylor,

I am writing on behalf of the District of Columbia Association of Health Plans (The Association), with regard to the recent Decision and Order you issued related to Group Hospitalization and Medical Services, Inc. Plan. The Association and its 7 member plans have been leaders in providing efficient, reliable and cost-effective health insurance coverage to District residents. Equally as important has been the work and initiative of our member plans in the philanthropic area, where they have invested unprecedented resources in addressing the unmet health and social needs of many of their community partners and organizations.

Group Hospitalization and Medical Services, Inc. (GHMSI), the CareFirst BlueCross BlueShield affiliate serving metropolitan Washington, is a significant component of our region's health care infrastructure. As the largest health insurer in the region, its financial stability is important not only to its customers, but to the entire health care system.

After years of review of GHMSI's reserves by the District of Columbia Department of Insurance, Securities and Banking (DISB), the former Acting Commissioner made a finding in December 2014 that GHMSI's reserves at the end of 2011 had been "excessive," that a portion of the GHMSI reserves could be attributed to the District, and that, as a result, \$56 million of the assumed "excess" should be used for "community health reinvestment" in the District. Most recently, your June 14, 2016 order indicated your affirmation of the previous order and your intent to develop a plan to distribute the "excess" surplus and allow for public input.

As these proceedings continue, and as DISB continues to evaluate the appropriateness of GHMSI's surplus levels, we find it bears repeating as previously cautioned, that from an industry perspective, it is counter intuitive during this time of significant change in the health insurance market, that an insurer could be asked to have fewer funds in reserve.

Health insurance companies maintain strong financial capital for one purpose, to ensure their ability to pay members' medical claims in good times and bad times, including widespread crisis situations such as a major disaster, terrorist event or epidemic. Plans must be prepared to provide their members with

unwavering assurance that their health insurance coverage remains in place and claims will be paid, no matter what the circumstance. This commitment is a cornerstone of any reliable insurer. Maintaining strong capital over time – well beyond minimum levels – protects our customers and is good for the communities we serve. This is particularly important here in the District where GHMSI is one of only two carriers that has chosen to remain in the individual market.

However, notwithstanding the concerns raised by the Association and its member plans about the intended purpose of reserves; the market uncertainty that GHMSI and all other District health insurers were facing with the transition in the District to Exchange-based Individual and Small Group markets; and the actuarial agreement on the appropriateness of this repeatedly studied reserve; DISB has continued its unprecedented pursuit of a private company's reserves for public benefit.

As Insurance Commissioner, you have an obligation to protect the public interest by regulating the insurance industry. As we've previously noted, the most important aspect of that responsibility is to ensure the financial solvency of insurance carriers and to ensure that the promises made by insurers are kept.

GHMSI's has always regarded its first commitment is to provide health insurance benefits to its subscribers. To that end, the company and its Board of Directors have successfully managed to meet its promise to subscribers while also making significant investments in the community.

For over a decade, GHMSI's Board of Directors and senior leaders have taken responsible steps to ensure the appropriate surplus range. Through multiple reviews both internally and for external regulatory reviews, nationally recognized actuarial firms have advised GHMSI on the appropriate surplus range and affirmed its appropriateness.

While the Council of the District of Columbia did adopt the Medical Insurance Empowerment Amendment Act (MIEAA) directing you to monitor GHMSI's surplus and its level of community investment, we are confident that it was not the intent to create an environment where a company that is such an important component of our health insurance infrastructure would be forced to operate in an unsound financial posture. Our overarching goal should be to see the balance, with a very high degree of confidence, that GHMSI has maintained the appropriate surplus level and also made the maximum feasible community investment. It is the Association's position that the company has met that balance.

Thank you for the opportunity to offer these remarks in support of our member plan GHMSI. Please feel free to contact me on behalf of the Association with any questions.

Kindest regard,

A handwritten signature in black ink, appearing to read 'David W. Wilmot', with a horizontal line extending to the right from the end of the signature.

David W. Wilmot