

**Testimony to the
Insurance Commissioner, District of Columbia
Review of Group Hospitalization and Medical Services, Inc. ("GHMSI") 2011 Surplus
by
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Recently the acting D.C. Insurance Commissioner signed an order instructing CareFirst, the area's largest health insurer, to reinvest \$56 million in the community based on finding their reserve fund at the end of 2011 excessive. The problems with this order are many not the least being the decision was based on what the reserve fund was three years prior to the decision. At the time the decision was handed down the [Washington Post](#) in a column said "the current reserve as of a filing on September 30th of this year (2014) is \$824 million down more than \$100 million since 2011."

D.C. Appleseed and its executive director, Walter Smith, have pressed this fight against CareFirst for years. While supporting the effort to determine an appropriate level of reserves I continue to strongly disagree with Smith about what should happen to any excess. Appleseed has repeatedly stated excess funds should be used to fund public health programs disregarding the fact that any excess reserve funds come directly from CareFirst subscribers like me and the employees of the not-for-profit associations I ran. The District shouldn't be taking those insurance premiums to fund its programs. That constitutes a tax on CareFirst subscribers not levied on any other residents of the District.

At the time of the decision acting insurance commissioner, Chester A. McPherson, seemed to agree as the order allowed any excess could go back to CareFirst's customers. This would be in line with a report in the *Post* stating, "Maryland's insurance commissioner, Theresa M. Goldsmith told D.C. regulators in October that premium relief would be the 'only fair and equitable manner' to spend down the surplus."

Clearly the case is complicated by the fact that CareFirst sells insurance policies in Virginia and Maryland as well as the District and is responsible to the Insurance Commissioner in each state.

As a nonprofit CEO for over 30 years, CareFirst was my insurer of choice to contract for health insurance for my employees. Small businesses and small associations such as the ones I ran in the District are disproportionately covered by CareFirst because they provide excellent service and generally competitive rates. It is interesting while the D.C. Council passed legislation that could take CareFirst subscribers excess premiums to pay for public programs the District itself still doesn't allow its employees the option of insuring with CareFirst.

Over the years CareFirst has given various reasons for maintaining large reserves. These range from mandates by the localities they serve to having enough available for the regular needs of their subscribers to covering a potential natural disaster or terrorist attack in which thousands may need coverage at the same time.

Currently insurance policies in the District of Columbia including those issued by CareFirst have added costs that cover funding the Insurance Commission. There has also been legislation passed by the D.C. Council taxing all healthcare policies sold in the District to pay for the Health Benefit Exchange Authority set up under the Affordable Care Act.

Should the mayor and Council determine more funding is needed for public health programs, and personally I believe that is the case, funding for the programs should come from the general fund and not from what would be a special tax on only CareFirst subscribers if excess reserve funds were used to fund those programs.

If the excess isn't returned to subscribers in the form of a rate reduction or rebate it would cause direct and immediate harm. First it would be considered a tax on the individuals, businesses, non-profits and their employees based simply on their choice of an insurance provider. Second those currently insured by CareFirst could face a second hit if their premiums were to rise in the current or future years because the District forced the siphoning off of the money they paid in premiums instead of leaving it in the reserve fund.

The role of the Commissioner of Insurance, and I believe the Council of the District, is to protect the interests of those tens of thousands of D.C. residents who paid their insurance premiums to CareFirst and not to find a round-about way to use them to fund public health programs.