



Testimony to the Commissioner of Insurance, District of Columbia

Review of Group Hospitalization and Medical Services, Inc. ("GHMSI") 2011 Surplus

Robert V. Witeck

Owner of Witeck Communications, Inc. Washington, D.C.

As a native of the Washington, DC, region and a longtime owner of a "minority certified" small business in downtown Washington, I would like to express my concern about the proposal that has been kicking around the DC government too many years. I founded my firm here in 1993 and have employed between 40 and 50 individuals over the past two decades, while supporting the District with our tax revenues too.

It is hard to believe that once again the District of Columbia government is exploring how to expropriate "excess" reserves of CareFirst subscribers in DC, many if not most of whom are small businesses and nonprofits, to use for general public health needs of the District.

There are several important points to make:

1. The funds in question were paid in as premiums paid by CareFirst subscribers. If the District's Insurance Commissioner found that CareFirst had put too much money into reserves, then the funds in question must be rebated to those who paid the premiums or to offset their future premiums. Failure to follow this traditional view of how insurance reserves should be handled is so basic that I have no doubt there will be an uproar among small businesses and other premium payers in the District if the Council or Commissioner seizes these funds for general public health purposes.
2. I would note that the Insurance Commissioner's report seems to focus on past experience with covering health costs, rather than looking forward with the Affordable Care Act now being implemented, to upcoming costs associated with covering a higher risk population. Nevertheless, my main concern is with the ill-conceived notion of taking these insurance premium dollars held in reserve for the beneficiaries in the District and using them for other purposes. In effect, the District will be levying a new tax on the small businesses struggling to provide health insurance for their employees. This is particularly onerous to small companies, many of them minority owned.
3. If the District proceeds down this course, why wouldn't there be an incentive for affected small businesses and others who seek such health insurance coverage to move to Arlington or other close in Virginia or Maryland jurisdictions? It appears that both Maryland and Virginia clearly require that such premium dollars held in reserve must be used solely for the benefit of the premium payer's own intended health care coverage and do not allow them to be used for other purposes. Why should CareFirst subscribers in DC be subject to a special "taking" of a portion of their premiums, while this does not happen to CareFirst subscribers in Maryland and Virginia? Why would the District of

Columbia go out of its way to make itself less friendly to small businesses and nonprofits?

4. A few lawyers in DC claim that the federal charter creating the nonprofit entity that is now CareFirst should be interpreted to require that CareFirst fund public health needs. It is interesting that no state, local or federal official in Maryland or Virginia shares this interpretation of that federal charter. In fact Maryland and Virginia oversee more of the reserves, since more CareFirst subscribers covered by the federal charter live in the two adjoining state than in the District of Columbia which, as is indicated by the DC Commissioner of Insurance, has only 21% of these reserves paid in by subscribers under the federal charter. So why DC is considering "punishing" its residents who paid in 21% of these reserves by taking a portion of those reserves to use for other purposes, while Maryland and Virginia whose residents paid in 79% of these reserves are not? Can someone explain the logic of this to the small businesses located in the District of Columbia?



Robert V. Witeck

President, Witeck Communications, Inc.

Building reputations through strategic public relations and marketing.

2120 L Street, NW, Suite 850 • Washington, DC 20037

