

Department of Insurance, Securities & Banking Public Hearing

One Judiciary Square  
441 4th Street, NW, Suite 220 South  
Washington, DC

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Paul D. Craney, Executive Director  
The District of Columbia Republican Committee  
1275 K Street NW, Suite 102  
Washington, DC 20005

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Thank you for allowing me the opportunity to testify as a spokesperson for the District of Columbia Republican Committee today. My name is Paul Diego Craney and I am the Executive Director for the DC Republican Committee. There are approximately 28,503 registered Republicans in the District of Columbia and comprehensive and affordable healthcare is an important issue for DC Republicans.

It is in the opinion of the DC Republican Committee that District government is over reaching in its oversight of CareFirst affiliate, Group Hospitalization and Medical Services, Inc., (GHMSI), with a law that requires the Department of Insurance, Securities and Banking (DISB) to determine whether the company's reserves are excessive.

An important question to ask is "Is District Government a better judge of the right level of reserves for this - or any other business?" In our opinion, the answer is "no." The DC Republican Committee believes that company's Board of Directors and its management should maintain the right to define what is the right of amount of reserves to help it carry out its responsibility.

According to information in the company's August 31 pre-hearing report, it has close to 1 million members in the Washington metropolitan region. These people pay insurance premiums for health insurance coverage. The money that GHMSI has in the reserves come from a portion of the premiums that these individuals pay. We oppose any effort by the District to require the company to use even a portion of this money for something other than what the company collected it for.

Many of the companies that contract with CareFirst do so at great sacrifice. For example, if you own a dry cleaners in Ward 5, a restaurant in Ward 4, a clothing store in Ward 3, or some of the other hundreds of small businesses in the District covered by CareFirst, you are about to have some of the money you set aside for paying your health insurance claims taken by the District of Columbia government. Just as these employers and their employees are struggling to pay health insurance premiums, the City is going to take a portion of the premiums held in reserve and use for other purposes. The same is true for individual subscribers who pay the full cost of their health insurance premiums out of their pockets. If these people sacrificed to pay the premiums, then only they should benefit from reserves built by CareFirst.

CareFirst is a good corporate citizen. Its Board of Directors and management have done the right thing by putting enough money in reserves to take care of its customers. This company is not going to the District Government for a bail out. It has operated in a smart and efficient way. And what is its reward - intrusive oversight by the District government with the prospect of being forced to take an action that the company believes is inappropriate and could put it in fiscal jeopardy.

Commissioner Purcell, I would submit to you that the management and Board of Directors of CareFirst no doubt have the best working knowledge about the reserve levels they need to operate in a challenging market. And secondly, I would strongly urge that if there is a finding of excess reserves that the excess goes back to those who paid the premiums. To do otherwise is an affront to every small business in the District.

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