



CHAMBER of COMMERCE

The Voice of Business in DC

**Testimony of
Barbara Lang, President & CEO of DC Chamber of Commerce
Before the Department of Insurance Securities and Banking
Thursday, September 10, 2009**

Good morning, Commissioner Purcell and members of the Department of Insurance Securities and Banking. I am Barbara Lang, President and CEO of the DC Chamber of Commerce, the Washington DC metro region's largest business organization. I would like to thank you for allowing me to testify on the determination of the Group Hospitalization and Medical Services, Inc. (GHMSI) surplus.

The DC Chamber of Commerce would like to urge that you leave the decision about the appropriateness of GHMSI's reserves where it rightfully belongs – with its Board of Trustees. Our concerns now are similar to those expressed at a hearing on October 3, 2005, when we testified before Councilmember Graham on the issue.

In expressing our concerns, the Chamber recognizes that the Medical Insurance Empowerment Amendment Act of 2008 was narrowly drafted so that it would only apply to one corporate entity operating in the District of Columbia. The corporate entity identified in the law, CareFirst BlueCross BlueShield, through its Washington Area Affiliate, GHMSI, is an important member of the business community in the District of Columbia – so much so that we plan to honor the company as our Large Business of the Year at the Chamber's annual gala in October.

Not only is CareFirst an exemplary member of the business community for its sound management and strong financial position, but it is also one of the largest philanthropic givers in the region. It is our opinion that this company lives up to its mission by serving both its customers and the community in which it operates. In fact, by all rights, District officials should be commending CareFirst and GHMSI for their exemplary contributions to this community, instead of continuing to drag it through burdensome regulatory oversight reviews and legislative mandates.

The lion's share of CareFirst members are individuals and small employers – almost 5,000 businesses in total, nearly 70 percent of which have fewer than nine employees. The reserves that are the subject of this review were built by the premiums paid by these individuals and businesses and those reserves are maintained for their protection. Any attempt to redirect some share of those reserves for other purposes would impair the company's ability to moderate future premiums and ensure that it will always be there for its members, no matter what. For small employers, the decision to provide health insurance is both a necessity and a sacrifice. We believe that any determined excess reserves should be returned to the employers, employees and individuals who helped to create it.

GHMSI's corporate Board of Trustees is charged with the following major duties: providing continuity for the organization, selecting and appointing a chief executive officer, governing the

organization by broad policies and objectives, acquiring sufficient resources for the organization's operations, and providing fiscal accountability. In addition to these duties, the Board of Trustees has specific responsibilities such as determining the organization's mission and purpose, ensuring effective organizational planning, ensuring adequate resources, and managing those resources effectively.

The surplus payment requirement encroaches upon the Board of Trustees' duty to acquire sufficient resources and provide fiscal accountability. It also encroaches on its responsibility to ensure the adequacy and effective management of an organization's resources. Specifically, the law suggests that a corporation should not accumulate reserves because the events that would necessitate the use of those reserves seem remote or unforeseeable to the legislative or executive branch of government. While this statement may seem like a laudable concept with no harmful implications, its prohibition has serious ramifications.

Placing the vital business decisions of a private business in the hands of a spate of government officials is not only bad public policy, but is also quite dangerous to the vitality of the business and all its customers that rely on it for services. Further, government mandates to pay corporate surpluses back to the municipality sets a dangerous precedent that could severely limit a company's desire to do business in the District of Columbia in the future. Such an action could cost D.C. many millions of dollars of lost tax revenue going forward.

Additionally, the District of Columbia must move with caution as it examines the GHMSI surplus due to regional concerns. Any requirement of surplus return could spark legislation in Virginia and Maryland aimed at protecting policyholders who reside in the jurisdiction away from the District. Such a move could imperil CareFirst and threaten the health coverage of many District residents.

Further eroding the business community's sense of confidence is government forcing a corporation to divest itself of reserves and then subsequently directing where and how those reserves will be spent. Once again, the Chamber recognizes that this mandate is directed at a particular non-profit but there is nothing that prohibits the Council from expanding the law in the future, to for-profits and others that have reserves the government believes are unnecessary and excessive. Once again, the public policy precedent that this decision could set is of concern to the Chamber.

When we opposed the legislation in 2005, we warned that the proposal sent the wrong message to the business community. We stand by that statement today. In the face of these tough economic times, the District government has established a process that could result in the government taking funds created mostly by small employers and individuals. For small employers, the decision to provide health insurance is both a necessity and a sacrifice. If the Commissioner determines that GHMSI holds excessive reserves, then we believe that any excess should be returned to the employers, employees and individuals who helped to create it.

The DC Chamber of Commerce is committed to having a positive impact on the quality of life in the District of Columbia and we believe that the District should be one of the best places to live, work, play, and do business. We in the business community applaud the fact that the local CareFirst affiliate, GHMSI, has methodically improved its finances from near-insolvency in 1992. Now that the company is on sound financial footing, we urge you to acknowledge the

company's good works and its commitment to serving the community. Thank you again, for allowing me to testify and I will be happy to answer any questions.