February 13, 2017

The Honorable Kenyan McDuffie, Chair
Committee on Business and Economic Development
Council of the District of Columbia
1350 Pennsylvania Avenue NW
Suite 506
Washington, D.C. 20002

Re: D.C. Department of Insurance, Securities, and Banking’s Review of Group Hospitalization and Medical Services, Inc.’s 2011 Surplus

Dear Councilmember McDuffie,

I am writing to express DC Appleseed’s deep concern with the continued delay in the D.C. Department of Insurance, Securities, and Banking’s (“DISB”) review of Group Hospitalization and Medical Services, Inc. (“GHMSI”) under the Medical Insurance Empowerment Amendment Act (“MIEAA”).

On August 30, 2016, the DISB Commissioner ordered GHMSI to issue $51 million in rebates to subscribers with District-based contracts by December 28 (subsequently extended to February 27, 2017). This represents the District’s share of the $268 million in excess 2011 surplus that the previous Commissioner found in December 2014 and that the current Commissioner upheld on June 14, 2016 under MIEAA.

Unfortunately, GHMSI has yet to issue these rebates. This is because GHMSI’s motions for a stay and reconsideration have been pending with the Commissioner since September 22, 2016. The Commissioner has not indicated when he will rule on these motions.

While this proceeding is complicated and must be conducted carefully, we are particularly concerned because this is not the first delay. In March 2015, GHMSI failed to file a plan for reinvesting excess surplus as ordered in December 2014. It was not until June 2016 that the Commissioner appropriately rejected GHMSI’s plan and announced his intention to develop and ensure the implementation of his own plan, which he did in August 2016. In the meantime, as you remember, the Council unanimously adopted an emergency resolution (attached) in May 2016 calling on the Commissioner to bring this proceeding to a conclusion.

The continued delay is troubling, given the tens—and potentially hundreds—of millions of dollars that are stake for public health. These rebates would go primarily to D.C. residents who have CareFirst health
insurance through non-federal D.C. employers or the D.C. Health Benefit Exchange. They would average $200 per subscriber, depending on the level of premiums paid. We also think that, on appeal, the amount of excess and the District's share to be reinvested should be much larger, and that it should be spent directly on community healthcare needs. However, the D.C. Court of Appeals is holding the petitions for review in abeyance until the Commissioner issues a final order.

We urge you to take appropriate action to ensure that this proceeding is brought to a conclusion, including through the DISB's oversight hearing before you on February 15. Thank you for your attention to this important matter.

Sincerely,

Walter Smith, Executive Director
DC Appleseed Center

cc: Mr. Ronan Gulstone, Interim Committee Director