

# D.C. Hearing to Explore CareFirst Giving More to Public Health

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The District insurance commissioner ventures today into the contentious issue of whether the region's largest health insurer is legally bound to commit more of its money, potentially tens of millions of dollars, to public health needs.

Officials at CareFirst BlueCross BlueShield plan to testify that the insurer is not obligated to do so, despite the federal charter defining its District-based affiliate as a "charitable and benevolent institution." That affiliate, a billion-dollar entity doing business in Washington, Northern Virginia and Montgomery and Prince George's counties, last year spent a fraction of what local leaders believe it should have -- provoking criticism and scrutiny that pushed the company to significantly expand its support of community programs this year.

"The company now recognizes it can do more and should do more," CareFirst spokesman Tony Bullock acknowledged this week. But that shift extends only so far.

During today's hearing before Lawrence H. Mirel, the District's insurance commissioner, CareFirst officials said they will dispute that the nonprofit mission of the company's affiliate, Group Hospitalization and Medical Services Inc., requires it to spend revenue surpluses on anyone other than its 1.24 million subscribers. Bullock said they also will defend the level of revenue reserves that the affiliate maintains, a level that detractors have labeled far beyond regulatory mandates.

"People are looking at this money with longing eyes," said Bullock, adding that while CareFirst and its affiliate are "perfectly willing to participate in community health efforts, we are not willing to be viewed as a new funding source for all sorts of government and community programs."

Put another way, he said: "This cash cow doesn't moo."

Not many of the nearly three dozen other people scheduled to testify are likely to defend CareFirst's positions. In the several months since a District advocacy organization concluded that the insurer was shirking its responsibility to the community by at least \$40 million a year, elected and nonprofit leaders alike have called for action -- and legislation, if necessary.

The company's unveiling in January of "CareFirst Commitment" did little to sway skeptics. Two-thirds of the \$92 million plan will be used to slow the rate of premium increases; the company has yet to explain publicly whether the price modification will be applied to everyone, or in targeted fashion that would benefit lower-income subscribers or those with the most medical needs.

If the cuts are across the board, said Walter Smith, executive director of the DC Appleseed Center for Law and Justice, "it really dilutes the potential of this company to do good."

Group Hospitalization and Medical Services is the largest and most valuable of CareFirst's three affiliates, which include Maryland and Delaware entities. The Appleseed Center's lengthy legal and economic analysis of its role was the catalyst for today's session, though Mirel's hearing is hardly the only pressure CareFirst is facing.

D.C. Council member Jim Graham (D-Ward 1) introduced legislation a week ago that, among other things, would direct the mayor to determine annually the level and appropriateness of its affiliate's reserves. In the event of a surplus, the D.C. insurance commissioner could ask its board to decide on disposition of that money. If nothing were done within 60 days, the commissioner could propose a plan.

Graham considers the District-based company's congressional charter -- specifically the wording about its charitable and benevolent purpose -- to still have vitality. "They would like to argue it doesn't mean anything anymore because of various changed circumstances," he said. "It still means something."

Maryland legislators continue their oversight. In Annapolis, a bill pending in the Senate would force CareFirst to allocate \$10 million to grants for community health clinics there and an additional several million dollars to help create a medical-records system that would link clinics, hospitals and other providers. The data information system is moving forward ahead of the bill, and Del. John A. Hurson (D-Montgomery), a past critic of CareFirst, has welcomed the company's recent cooperation.

"I'm cautiously optimistic," he said.

Both sides in the CareFirst issue claim support from a March 4 legal memo by D.C. Attorney General Robert J. Spagnoletti. Although Spagnoletti agreed that the District-based affiliate is obligated to use profits and surplus to promote area health, his evaluation contained language that allowed each side to argue its position.

The two sides have tried to solicit backing prior to today's hearing.

The District of Columbia Primary Care Association held an informational session Monday afternoon that attracted nearly 60 community health leaders. "How are we going to hold CareFirst accountable?" one woman asked.

For its part, CareFirst wrote local foundations and other organizations, pressing its point that being forced to divert many millions of dollars to the District would hurt the company. "After all," the letter noted, "whatever impacts the company adversely will also affect our greater mission of better quality health care to our communities."