

Government of the District of Columbia  
Office of the Chief Financial Officer



Natwar M. Gandhi  
Chief Financial Officer

**MEMORANDUM**

**TO:** The Honorable Vincent C. Gray  
Chair, Council of the District of Columbia

**FROM:** Natwar M. Gandhi  
Chief Financial Officer 

**DATE:** December 8, 2008

**SUBJECT:** Fiscal Impact Statement: "Medical Insurance Empowerment  
Amendment Act of 2008"

**REFERENCE:** Bill Number 17-934, Amendment in the Nature of a Substitute<sup>1</sup>

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**Conclusion**

Funds are sufficient in the FY 2009 through FY 2012 budget and financial plan to implement the proposed legislation.

**Background**

The proposed legislation would amend the Hospital and Medical Services Corporation Regulatory Act of 1996<sup>2</sup> to:

- Require the Commissioner for the Department of Insurance, Securities, and Banking (DISB) to determine whether the portion of a hospital and medical services corporation's surplus that is attributable to the District is excessive;
- Require the Commissioner to order hospital and medical services corporations to divest themselves of excessive surplus through community health reinvestment;
- Require hospital and medical services corporations to continue to offer the open enrollment program to subscribers as long as the subscribers renew their coverage under the program;
- Set affordability and adequacy standards for the open enrollment program;

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<sup>1</sup> As submitted to the Office of the Chief Financial Officer on December 1, 2008.

<sup>2</sup> Effective April 9, 1997. D.C. Law 11-245; D.C. Official Code § 31-3501 *et seq.*

- Require hospital and medical services corporations to advertise the availability of the open enrollment program; and
- Prohibit hospital and medical services corporations from converting to for-profit entities.

### **Financial Plan Impact**

Funds are sufficient in the FY 2009 through FY 2012 budget and financial plan to implement the proposed legislation. The Commissioner for DISB has indicated to the Office of the Chief Financial Officer that DISB could absorb implementing the provisions of the proposed legislation with existing resources.

According to the Commissioner, since CareFirst BlueCross BlueShield, Inc.<sup>3</sup> is the only company affected by the proposed bill, DISB would likely require the use of a minimum of 40 hours of staff time per year to implement the requirements of the bill.<sup>4</sup> This would include dedicated time from the Commissioner, the Insurance Bureau Director, a financial analyst, and at least one attorney. Funding for these positions is included in the DISB baseline budget and these positions are currently filled.

As is specifically enumerated in the proposed legislation, other costs associated with implementing the proposed bill would be borne by CareFirst, Inc.

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<sup>3</sup> This is the shared business name of CareFirst of Maryland, Inc. and Group Hospitalization and Medical Services, Inc (GHMSI).

<sup>4</sup> Requirements that would necessitate the use of DISB personnel would include working with insurance regulatory officials in Maryland and Virginia to determine how much of the company's surplus total is attributable to the residents of Maryland, Virginia, and the District. DISB personnel would also help to determine the amount of the DC surplus in excess of the Risk Based Capital (RBC) calculation used to determine the maximum allowable DC surplus. If the surplus is greater than the appropriate risk based capital requirements, DISB personnel would need to review the company's order regarding how it plans to eliminate the excess surplus.