MARTIN O'MALLEY
Governor

ANTHONY G. BROWN
Lt. Governor

THERESE M. GOLDSMITH
Commissioner

KAREN STAKEM HORNIG
Deputy Commissioner

MARYLAND
INSURANCE
ADMINISTRATION

200 St. Paul Place, Suite 2700, Baltimore, Maryland 21202
Direct Dial: 410-468-2013 Fax: 410-468-2020
Email: tgoldsmith@mdinsurance.state.md.us
1-800-492-6116 TTY: 1-800-735-2258
www.mdinsurance.state.md.us

June 4, 2013

The Honorable Martin O'Malley
Governor
State House
100 State Circle
Annapolis, MD 21401 – 1991

The Honorable Michael V. Miller, Jr.
Senate President
State House, H-107
100 State Circle
Annapolis, MD 21401 – 1991

The Honorable Michael E. Busch
Speaker of the House of Delegates
State House, H-101
100 State Circle
Annapolis, MD 21401 – 1991

The Honorable Thomas A. Middleton
Chair, Senate Finance Committee
3 East Miller Senate Bldg.
11 Bladen Street
Annapolis, MD 21401 – 1991

The Honorable Peter A. Hammen
Chair, House Health and Government
Operations Committee
241 House Office Bldg.
6 Bladen Street
Annapolis, MD 21401 – 1991

RE: Calendar Year 2012 Report on CareFirst's Compliance with Title 14, Subtitle 1 of the Insurance Article of the Annotated Code of Maryland

Dear Sirs:

Section 14-102(e) of the Insurance Article of the Annotated Code of Maryland requires the Insurance Commissioner to report on a nonprofit health service plan's compliance with Title 14, Subtitle 1, of the Insurance Article.[1] The only nonprofit health service plans that meet this definition are CareFirst, Inc. and certain of its subsidiaries.

CareFirst, Inc., which holds a certificate of authority from the State of Maryland as a nonprofit health service plan, is the holding company of, among other entities, CareFirst of

[1] Unless otherwise indicated, all statutory references are to the Insurance Article of the Annotated Code of Maryland.

Maryland, Inc. (CFMI), a Maryland-domiciled company, and Group Hospitalization and Medical Services, Inc. (GHMSI), a federally chartered company domiciled in the District of Columbia. Both companies are nonprofit health service plans and hold certificates of authority from the State.

This report addresses the activities CareFirst, Inc., CFMI and GHMSI which, unless otherwise indicated, will be referred to collectively as "CareFirst."

Section 14-102(a) states that the purpose of Title 14, Subtitle 1 is:

(1) to regulate the formation and operation of nonprofit health service plans in the State; and
(2) to promote the formation and existence of nonprofit health service plans in the State that:
    (i) are committed to a nonprofit corporate structure;
    (ii) seek to provide individuals, businesses, and other groups with affordable and accessible health insurance; and
    (iii) recognize a responsibility to contribute to the improvement of the overall health status of the residents of the jurisdictions in which the nonprofit health service plans operate.

The review of CareFirst's compliance with Title 14, Subtitle 1 of the Insurance Article for calendar year 2012 is divided into the six subparts, which are as follows.

Part I	Definition; General Provisions;
Part II	Certificates of Authority;
Part III	Management, Finances, and Solvency;
Part IV	Regulatory Authority of Commissioner;
Part V	Conversion; Acquisitions and Investments; and
Part VI	Prohibited Acts; Penalties.

This report addresses all Parts with the exception of Part IV as it does not involve actions that must be taken by CareFirst.

PART I – DEFINITIONS; GENERAL PROVISIONS (§§ 14-101 TO 14-107)

A. Nonprofit Mission

Section 14-102(c) provides that the mission of a nonprofit health service plan is to:

(1) provide affordable and accessible health insurance to the plan's insureds and those persons insured or issued health benefit plans by affiliates or subsidiaries of the plan;
(2) assist and support public and private health care initiatives for individuals without health insurance; and
(3) promote the integration of a health care system that meets the health care needs of all the residents of the jurisdictions in which the nonprofit health service plan operates.

A nonprofit health service plan must have goals, objectives, and strategies for carrying out its nonprofit mission. Section 14-102(d).

CareFirst committed approximately $50 million to health-related community initiatives in 2012. According to a December 2012 update to the MIA, CareFirst contributed to a variety of initiatives including:

1) a program to expand home visitations in Baltimore City ($32,000);
2) funding for a primary care clinic in Greenbelt ($772,000);
3) support for case management services for the rural poor in Allegany County ($35,000);
4) contribution for a scholarship program for nursing and allied health professionals ($125,000); and
5) funding for services for cancer patients and their families in Anne Arundel County ($24,000).

Additional evidence that CareFirst was in compliance with its nonprofit mission was its compliance with §§ 14-106 through 14-106.2, which required CareFirst to spend funds for a public purpose equal to its premium tax exemption amount, and to annually transfer additional funds to the Senior Prescription Drug Assistance Program. (See Section 1.D.)

These efforts show a continued commitment to assisting and supporting public and private health care initiatives that fulfills CareFirst's obligations under §§ 14-102 and 14-106.

B. Disclosure of Not-For-Profit Status

Section 14-103 requires CareFirst to "disclose on each document, statement, announcement, and advertisement and in any representation it places before the public that [it] is a private not-for-profit corporation." The MIA is not aware of any instances in which CareFirst failed to comply with these provisions during calendar year 2012.

C. Statement of Principal Claims Practices

Section 14-104 (b) requires CareFirst to provide a statement of principal claims practices in its certificate form or booklet, which "shall include practices for payment for: (1) surgical procedures performed by two or more surgeons; (2) services provided in-area by nonparticipating providers; and (3) services provided out-of-area by affiliated plans and affiliated providers." Each individual policy and group certificate is also required by regulation to make clear how to file a claim and provide proof of loss. COMAR 31.10.25.04.

CareFirst has complied with § 14-104(b) during calendar year 2012.

D. Premium Tax Exemption and Transfer to Senior Prescription Drug Assistance Program

Section 14-106 provides that a nonprofit health service plan is exempt from the State's premium tax "so that funds that would otherwise be collected by the State and spent for a public purpose shall be used in a like manner and amount by the nonprofit health service plan." CareFirst is required by March 1 of each year to file with the MIA a Premium Tax Exemption Report, which demonstrates that it has used funds equal to the value of its premium tax exemption in a manner that serves the public interest in accordance with § 14-106. On April 25, 2013, the Commissioner issued an order notifying CareFirst that its 2011 Premium Tax Exemption Report was in compliance with the requirements of § 14-106. (Attachment A.)

In addition, §14-106.2 requires CareFirst to transfer annually $4 million to the Senior Prescription Drug Assistance Program for the "donut hole subsidy" if CareFirst's surplus exceeds a specified risk based capital threshold. CareFirst's 2012 Premium Tax Exemption Report disclosed that it had made the required transfer.

PART II – CERTIFICATES OF AUTHORITY (§§ 14-108 TO 14-112)

CareFirst maintained the appropriate State certificate of authority required by §§ 14-108 through 14-111. There were no delinquency proceedings instituted against CareFirst during calendar year 2012.

PART III – MANAGEMENT, FINANCES, AND SOLVENCY (§§ 14-115 TO 14-121)

A. Management of Business by a Board of Directors

CareFirst and each of its affiliates operated under the management of a board of directors as required by the provisions of § 14-115.[2]

B. Duties of Officers; Sanctions

The MIA is not aware of any instances in which CareFirst's officers acted in a manner inconsistent with the mission of CareFirst as required by § 14-115.1 during calendar year 2012.

C. Unsound or Unsafe Business Practices

The MIA is not aware of any instances in which CareFirst's officers or directors engaged in unsound or unsafe businesses practices as defined by § 14-116 during calendar year 2012. Furthermore, Maryland's Attorney General did not notify the MIA that he had reason to believe that any of CareFirst's officers or directors have engaged in unsound or unsafe businesses practices pursuant to § 14-116(f) in calendar year 2012.

D. Surplus Requirements

During calendar year 2012, CareFirst's surplus funds (i.e., the amount by which assets exceed liabilities) exceeded the minimum amounts required by § 14-117.

Section 14-117(e) defines when the Insurance Commissioner may consider the surplus of a nonprofit health service plan to be excessive and the procedure by which the excess surplus may be distributed. During calendar year 2012, the Insurance Commissioner did not determine that CareFirst's surplus was excessive. On September 14, 2012, the Insurance Commissioner executed a consent order with CareFirst stating that the targeted surplus ranges proposed by CareFirst and reviewed by the MIA were neither excessive nor unreasonably large.[3] CareFirst did not have an impaired surplus (§ 14-118) and it did not issue a notification of impairment (§ 14-119).

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[2] A listing of the members of each board of directors for CareFirst, Inc. and its affiliates can be found online at: https://member.carefirst.com/wps/portal/Company/Aboutus.

[3] The consent order can be found online at http://www.mdinsurance.state.md.us/sa/documents/MIA-2012-09-006-CareFirst.pdf.

E. Investments

Section 14-120(b) provides that a nonprofit health service plan, "may invest its funds only in assets allowed for the investment of the funds of life insurers under §§ 5-101 and 5-102 and Tile 5, Subtitle 5 of this article." Each year, the MIA's investment specialist performs a detailed portfolio analysis of CareFirst. As a part of that analysis, the portfolio is qualitatively and quantitatively compared to the provisions of Title 5, Subtitle 5. The analysis of CareFirst's portfolio as of December 31, 2012 disclosed that CareFirst was generally in compliance with the provisions of Title 5, Subtitle 5.

F. Annual and Interim Statements, Audited Financial Reports

During calendar year 2012, CareFirst complied with § 14-121, which requires that each nonprofit health service plan file with the Insurance Commissioner an annual, complete statement of its financial condition, transactions, and affairs for the immediately preceding calendar year, interim financial statements, and annual audited financial statements. CareFirst filed with the MIA an annual statement of financial condition, an interim financial statement and a consolidated audited financial statements required by § 14-121(d).

PART V – CONVERSION, ACQUISITIONS AND INVESTMENTS (§§ 14-130 TO 14-133)

The MIA's review indicates that CareFirst did not hold or acquire an investment in an affiliate or subsidiary during calendar year 2012 in violation of § 14-133 nor did it violate any other provision of Title 14, Subtitle 1, Part V.

PART VI – PROHIBITED ACTS AND PENALTIES (§§ 14-136 TO 14-140)

A. Unfair and Discriminatory Trade Practices; Other Prohibited Acts

Section 14-136 prohibits unfair and discriminatory trade practices and other prohibited acts. Specifically, § 14-136(a) provides that nonprofit health service plans are subject to the unfair and discriminatory trade practices provision of Title 27 of the Insurance Article. During calendar year 2012, the MIA found 10 instances in which CareFirst failed to comply with the provisions of Title 27. A summary of the orders is contained in Attachment B.

B. Exclusion of Coverage for Violations

In 2012, the MIA identified no instances in which CareFirst did not issue, renew, or deliver an insurance contract excluding coverage for hospital or medical expenses based on a violation of a provision of Title 21 of the Transportation Article or a provision of the Natural Resources Article. Section § 14-137.

C. Disclosure of Medical Information

The MIA is not aware of any instances in which CareFirst disclosed medical information in violation of § 14-138 during calendar year 2012.

D. Prohibited Acts of Officers, Directors and Employees

During calendar year 2012, the MIA found no instances in which any of CareFirst's officers, directors or employees performed any of the acts prohibited by §§ 14-139 or 14-140 or in which CareFirst provided compensation to any of its officers, executives and directors in excess of the amounts in CareFirst's compensation guidelines.

In conclusion, the MIA has determined that CareFirst has fulfilled the statutory requirements of its nonprofit mission as set forth in § 14-102(c). If you require additional information regarding CareFirst's compliance with its statutory mission, please do not hesitate to contact me.

Very truly yours,

Therese M. Goldsmith
Insurance Commissioner

TMG:mmh

cc: Sarah Albert, DLS Library (5 copies)
Mr. Chet Burrell

MARTIN O'MALLEY
Governor

ANTHONY G. BROWN
Lt. Governor

THERESE M. GOLDSMITH
Commissioner

KAREN STAKEM HORNIG
Deputy Commissioner

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www.mdinsurance.state.md.us

Attachment A

April 26, 2013

CERTIFIED MAIL
RETURN RECEIPT REQUESTED
REGULAR MAIL

Chester Emerson Burrell
President
CareFirst of Maryland, Inc.
10455 Mill Run Circle
Owings Mills, Maryland 21117

Re: *IN THE MATTER OF: CareFirst of Maryland, Inc. and Group Hospitalization and Medical Services, Inc.*
Case No.: MIA-2013-04-039

Dear Mr. Burrell:

The Maryland Insurance Commissioner has entered an Order in the above-mentioned case. A copy of the Order is attached and is self-explanatory.

If you have any questions regarding this Order, you may contact the Associate Commissioner of Examination and Auditing at 410-468-2122.

Sincerely,

Sharon Kraus

Sharon Kraus
Appeals Clerk

Attachment
cc: Therese M. Goldsmith, Commissioner
J. Van Lear Dorsey, Principal Counsel
Neil Miller, Associate Commissioner
Vivian Laxton, Director of Public Affairs
Sherry Durandetto, Director, Company Licensing
Gorina Moody, Fiscal Associate

STATE OF MARYLAND
MARYLAND INSURANCE ADMINISTRATION

IN THE MATTER OF THE 2012 PREMIUM TAX EXEMPTION REPORTS OF	*	
CAREFIRST OF MARYLAND, INC. NAIC #47058 10455 MILL RUN CIRCLE OWINGS MILLS, MARYLAND 21117	*	
AND	*	
GROUP HOSPITALIZATION AND MEDICAL SERVICES, INC. NAIC #53007 840 FIRST STREET NE WASHINGTON, DC 20065	*	CASE NO: MIA: 2013-04-039

* * * * * * * * * *

ORDER

This Order addresses the premium tax exemption reports filed with the Maryland Insurance Administration (the "MIA") by CareFirst of Maryland, Inc. ("CFMI") and Group Hospitalization and Medical Services, Inc. ("GHMSI") for calendar year 2012. Copies of the reports are included as Exhibit A.

Under Maryland law, a nonprofit health service plan is exempt from the State's premium tax "so that funds that would otherwise be collected by the State and spent for a public purpose shall be used in a like manner and amount by the nonprofit health service plan." Md. Code Ann., Ins. §14-106(a).

A nonprofit health service plan is required by March 1 of each year to file with the MIA a report that demonstrates that the plan has used funds equal to the value of its premium tax exemption in a manner that serves the public interest in accordance with §14-106. Md. Code Ann., Ins. §14-106(b). By November 1 of each year the Commissioner is required to issue an order notifying the plan whether it has satisfied these requirements. If the Commissioner determines that the plan has not satisfied the requirements, the Commissioner is required to issue an order requiring the plan to pay the premium tax to the extent it had not contributed to the public purpose in ways permissible under the statute. Md. Code Ann., Ins. §14-107(a) and (b).

During calendar year 2012, nonprofit health service plans were required to subsidize the Senior Prescription Drug Assistance Program. A nonprofit health service

plan that spent an amount equal to or greater than the value of its premium tax exemption for the Senior Prescription Drug Assistance Program during 2012 qualified for the premium tax exemption.

If its premium tax exemption value exceeded the amount required to be paid to the Senior Prescription Drug Assistance Program, a nonprofit health service plan could demonstrate that it had contributed to the public purpose in other ways permissible under the statute to qualify for the premium tax exemption. Specifically, a nonprofit health service plan could satisfy the public service requirement by: (1) increasing access to or the affordability of health care products and services; (2) providing financial or in-kind support for public health programs; (3) employing underwriting standards that increase the availability of one or more health care services or products; (4) employing pricing policies that enhance the affordability of health care services or products and result in a higher medical loss ratio than that established by a comparable for-profit health insurer; or (5) serving the public interest by any method or practice approved by the Commissioner. Md. Code Ann., Ins. §14-106(c).

Regarding financial or in-kind support for public health programs, during calendar year 2012 a nonprofit health service plan was required to support the costs of the Community Health Resources Commission and subsidize the Kidney Disease Program. Md. Code Ann., Ins. §14-106(d).

Findings:

(1) Both CFMI and GHMSI hold Certificates of Authority from the State of Maryland to act as nonprofit health service plans.

(2) CFMI and GHMSI timely filed their 2012 premium tax exemption reports (the "2012 Reports") on February 28, 2013.

(3) The MIA is satisfied that the values listed in the 2012 Reports are accurate.

(4) For 2012, the value of CFMI's premium tax exemption amount was $11,111,478.

(5) In calendar year 2012, CFMI made payments to the Senior Prescription Drug Assistance Program totaling $6,107,407. Because CFMI's premium tax exemption value exceeded the amount paid to the Senior Prescription Drug Assistance Program, it was required to demonstrate that it had contributed to the public purpose in other ways permissible under the statute.

(6) CFMI demonstrated that it contributed to the public purpose in other ways permissible under the statute by making payments totaling $5,030,334 to the Department of Health and Mental Hygiene to support the costs of the Community Health Resources Commission and the Kidney Disease Program. Additionally, CFMI made payments totaling $1,744,885 to the Senior Prescription Drug Assistance Program for the "donut hole subsidy".

(7) CFMI's payments for public purposes described in paragraphs (5) and (6) totaled $12,882,626, exceeding the value of its premium tax exemption (i.e., $11,111,478) by $1,771,148. CFMI also reported that it had made additional payments totaling $6,218,366 for other public purposes, bringing the total of its reported payments for public purposes to $19,100,992. Because CFMI's payments for public purposes described in paragraphs (5) and (6) exceeded the value of its premium tax exemption, the MIA did not verify the accuracy of these additional reported payments.

(8) For 2012, the value of GHMSI's premium tax exemption amount in Maryland was $12,215,267.

(9) In calendar year 2012, GHMSI made payments to the Senior Prescription Drug Assistance Program totaling $7,892,593. Because GHMSI's premium tax exemption value exceeded the amount paid to the Senior Prescription Drug Assistance Program, it was required to demonstrate that it had contributed to the public purpose in other ways permissible under the statute.

(10) GHMSI demonstrated that it contributed to the public purpose in other ways permissible under the statute by making payments totaling $6,501,991 to the Department of Health and Mental Hygiene to support the costs of the Community Health Resources Commission and the Kidney Disease Program. Additionally, GHMSI made payments totaling $2,255,115 to the Senior Prescription Drug Assistance Program for the "donut hole subsidy".

(11) GHMSI's payments for public purposes described in paragraphs (9) and (10) totaled $16,649,699, exceeding the value of its premium tax exemption (i.e., $12,215,267) by $4,434,432. GHMSI also reported that it had made additional payments totaling $1,790,992 for other public purposes, bringing the total of its reported payments for public purposes to $18,440,691. Because GHMSI's payments for public purposes described in paragraphs (9) and (10) exceeded the value of its premium tax exemption, the MIA did not verify the accuracy of these additional reported payments.

(12) On the basis of the payments described in paragraphs (5), (6), (9) and (10), both CFMI and GHMSI qualify for the premium tax exemption for calendar year 2012.

ACCORDINGLY, it is therefore ORDERED that the Commissioner has determined that CFMI's and GHMSI's 2012 Premium Tax Exemption Reports are in compliance with the requirements of § 14-106 of the Insurance Article, Annotated Code of Maryland.

IN WITNESS WHEREOF, I have hereto set my hand and affixed the Official Seal of my office in the City of Baltimore this 25th day of April, 2013.

Therese M. Goldsmith
Insurance Commissioner
for the State of Maryland

RIGHT TO REQUEST A HEARING

Pursuant to Section 2-210 of the Insurance Article and COMAR 31.02.01.03, a person aggrieved by this order may request a hearing on this Order. This request must be in writing and be received by the Commissioner within thirty (30) days of the date of this Order.

Pursuant to §2-212 of the Insurance Article, the Order shall be stayed pending a hearing only if a demand for hearing is received by the Commissioner within ten (10) days after the Order is issued.

The request for hearing must be made in writing and shall state the grounds for the relief to be demanded at the hearing. This request must be addressed to the Maryland Insurance Administration, 200 St. Paul St., Suite 2700 Baltimore, MD 21202, ATTN: Sharon Kraus, Appeals Clerk. Failure to request a hearing timely or to appear at a scheduled hearing will result in a waiver of your rights to contest this Order and the Order shall be made final on its effective date.

This information is for CareFirst of Maryland, Inc. for 2012 representing the revenue and care. The data on this page represents Risk (including stop loss), Non Risk, and FEP. It excludes mandated Individual <65 products, Individual > 65, and SEGO.

Funds used by the plan to serve the public interest:

Description and name of each activity, insurance product or coverage, or project and explanation how each meets the requirements of section 14-106 (D) of the insurance article. (Attached additional sheets as needed)

Community served, recipients or beneficiaries of each item listed:

Number of members or individuals served (as of 12/31/2012):

Non-Mandated Risk	95,116
FEP	210,351
Non Risk	1,102,213
Total Enrollees	1,407,680

Project Financial Information

Revenues

- ☐ Premiums Earned
- ☐ Other Income

Non-Mandated Risk	466,875,751
FEP	1,051,358,148
Non Risk	2,807,250,000
Total Revenues	$ 4,325,483,899

Medical Expenses

- ☐ Comprehensive (Hospital & Medical)
- ☐ Medical Only
- ☐ Dental
- ☐ Other (please list)

Non-Mandated Risk	370,964,798
FEP	984,889,034
Non Risk	2,658,635,000
Total Medical Expenses	$ 4,014,488,832

Non Medical Expenses

(Refer to the Underwriting and Investment Exhibit Part 3- Analysis of Expenses in the Annual Report Statement for appropriate expense classifications)

Non-Mandated Risk	99,644,038
FEP	67,974,467
Non Risk	178,961,000
Total Non Medical	$ 346,579,505
Total Expenses	$ 4,361,068,338

This information is for CareFirst of Maryland, Inc. for 2012 representing the revenue and care. The data on this page represents Risk (including stop loss), Non Risk, and FEP. It excludes mandated Individual <65 products, Individual > 65, and SEGO.

Project Net Profit (LOSS)		
Non-Mandated Risk		(3,733,086)
FEP		(1,505,353)
Non Risk		(30,346,000)
Total Project Net Profit (LOSS)	$	(35,584,438)

Value of Premium Tax Exemption

Premiums Written, Calendar Year 2012 (should agree to Schedule T, Maryland Business form Annual Statement)	1,610,033,671
Adjustments:	
ASO/ASC business included in premiums written	
Federal Employee Health Program Premiums	1,054,459,782
Minimum Premium contracts	
Other	
Total Adjustments	$ 1,054,459,782
Premiums subject to taxation	555,573,889
Premium tax rate	2%
Value of Premium Tax Exemption	$ 11,111,478

CFMI EXEMPTION COMPUTATION

	2012
Premiums Written (Should agree to Schedule T, Maryland business from the Annual Statement)	1,610,033,671
Adjustments:	
ASO/ASC included in premiums written	
Federal Employee Health Benefits Program Premiums	1,054,459,782
Other	-
Premiums Subject to Taxation	555,573,889
Premium Tax Rate	2%
Value of Premium Tax Exemption	11,111,478

CFMI USES

	2012	
Value of Premium Tax Exemption	11,111,478	
Funds Used by the Plan to Serve the Public Interest:		
Legislative Funding Request (1)	12,882,626	a-1
Contributions, Sponsorships, Comm Hlth. Spending (2)	6,218,366	a-2
Total Funds Used by the Plan to Serve the Public Interest:	19,100,992	
Net Excess/(Deficit) in Public Interest Spending	7,989,514	

(1) see Attachment A
(2) see Attachment B

Attachment A

Actual Legislative Spending During Calendar Year 2012

State Program FY	Total FY Obligation	Basis of Obligation	Qterly Pymt	CFMI	GHMSI	Total	
FY 2012	$ 25,696,738	2010 Schedule T Filed 3/11 for State Programs 7/11 - 6/12	Jan-12	2,780,406	3,643,779	6,424,185	
			Apr-12	2,780,406	3,643,779	6,424,185	
FY 2013	$ 25,367,912	2011 Schedule T Filed 3/12 for State Programs 7/12 - 6/13	Jul-12	2,788,465	3,553,513	6,341,978	
			Oct-12	2,788,465	3,553,513	6,341,978	
				11,137,741	14,394,584	25,532,325	see (a) below
Total							
SPDAP Donut Hole Subsidy	$ 4,000,000.00	Annual Assessment. Entity split based on the avg of Schedule T's Filed For FY 12 & 13 to equal CareFirst Calendar Yr 2012. See Alloc 2	Jan-12	436,221	563,779	1,000,000	
			Apr-12	436,221	563,779	1,000,000	
			Jul-12	436,221	563,779	1,000,000	
			Oct-12	436,221	563,779	1,000,000	
				1,744,885	2,255,115	4,000,000	
Total Legislative Spending and SPDAP Commitment				12,882,626	16,649,699	29,532,325	
				transfer to a-1	transfer to b-1		

(a) Program Funding Based on Above Payments (see allocation methodolgy below)

Payee	Program		Total Due	01/01/12	04/01/12	07/01/12	10/01/12
MHIP	Sr Rx Assistance Program		$ 14,000,000	3,500,000	3,500,000	3,500,000	3,500,000
		CFMI	$ *6,107,407*	*1,514,810*	*1,514,810*	*1,538,893*	*1,538,893*
		GHMSI	*7,892,593*	*1,985,190*	*1,985,190*	*1,961,107*	*1,961,107*
DHMH*	Comm Hlth Res Comm - Operating Budget & Kidney Disease Program		$ 11,532,325	2,924,185	2,924,185	2,841,978	2,841,978
		CFMI	$ *5,030,334*	*1,265,595*	*1,265,595*	*1,249,572*	*1,249,572*
		GHMSI	*6,501,991*	*1,658,589*	*1,658,589*	*1,592,406*	*1,592,406*
			$ 25,532,325	6,424,185	6,424,185	6,341,978	6,341,978
		CFMI	*11,137,741*	*2,780,406*	*2,780,406*	*2,788,465*	*2,788,465*
		GHMSI	*14,394,584*	*3,643,779*	*3,643,779*	*3,553,513*	*3,553,513*

	2nd Half of FY 2012 Funding based on 2010 Premium Exemption amount $25,696,738	1st Half of FY 2013 Funding based on 2011 Premium Exemption amount $25,367,912

Allocation Methodolgy:		Legislative Funding Requirement (alloc 1) Sch T			SPDAP Donut Hole Subsidy (alloc. 2) Sch T	
FY 2012	CFMI	11,121,622	43.3%	CFMI (sum of FY12 & 13)	22,275,482	43.62%
	GHMSI	14,575,116	56.7%	GHMSI (sum of FY12 & 13)	28,789,168	56.38%
		25,696,738			51,064,650	
FY 2013	CFMI	11,153,860	44.0%			
	GHMSI	14,214,052	56.0%			
		25,367,912				

* funds submitted to DHMH are used to to support the CHRC Operating Budget and Kidney Disease Program (DHMH determines split).

Attachment B

Grants Geographic Breakdown
Jan - Dec 2012
Provided by Corp Comm.

		GHMSI				
	CFMI	DC	PG/Mont Co	VA	Total	Total
Sponsorships	$ 775,860	$ 449,009	$ 192,039	$ 156,552	$ 797,600	$ 1,573,460
Targeted Giving	$ 1,406,327	$ 908,546	$ 581,658	$ 210,358	$ 1,700,562	$ 3,106,889
Programmatic	$ 992,893	$ 1,726,918	$ 157,272	$ 300,023	$ 2,184,213	$ 3,177,106
Catalytic	$ 3,043,286	$ 719,665	$ 860,023	$ 260,693	$ 1,840,381	$ 4,883,667
	$ 6,218,366	$ 3,804,138	$ 1,790,992	$ 927,626	$ 6,522,756	$ 12,741,122
	transfer to a-2		transfer to b-2			

Definitions:

Sponsorships - Cause related giving usually associated with external funding raising activities for a particular charity. Examples include Walk-a-thons, marathons, etc.

Targeted Giving - Giving that expands an organizations capacity to deliver the most needed health care services directly to under or uninsured individuals. Examples include free clinics, safety net providers mobile care units, etc.

Programmatic - Managed programs that are preventative in nature, target a particular audience and address a specific health concern. Examples include Cardiovascular, diabetes, childhood obesity and other health related issues.

Catalytic - Broad programs that are innovative with a goal of effecting long term systemic change and improvement in the health care system. Example include eICU, electronic medical records, etc.

This information is for GHMSI, Inc. for 2012 representing the revenue and care. The data on this page represents Risk (including agg & spec stop loss), Non Risk, and FEP. It excludes mandated Individual <65 products, Individual > 65, and SEGO.

Funds used by the plan to serve the public interest:

Description and name of each activity, insurance product or coverage, or project and explanation how each meets the requirements of section 14-106 (D) of the insurance article. (Attached additional sheets as needed)

Community served, recipients or beneficiaries of each item listed:

Number of members or individuals served (as of 12/31/2012):

Non Mandated Risk (excluding FEP)	79,713
Non Risk	131,229
FEP	155,513
Total Enrollees	366,455

Project Financial Information

Revenues

- ☐ Premiums Earned
- ☐ Other Income

Non Mandated Risk (excluding FEP)	$	239,618,651
Non Risk	$	473,163,513
FEP	$	789,263,047
Total Revenues	$	1,502,045,211

Medical Expenses

- ☐ Comprehensive (Hospital & Medical)
- ☐ Medical Only
- ☐ Dental
- ☐ Other (please list)

Non Mandated Risk (excluding FEP)	$	207,095,257
Non Risk	$	442,393,496
FEP	$	742,250,164
Total Medical Expenses	$	1,391,738,916

Non Medical Expenses
(Refer to the Underwriting and Investment Exhibit Part 3- Analysis of Expenses in the Annual Report Statement for appropriate expense classifications)

Non Mandated Risk (excluding FEP)	$	43,749,446
Non Risk	$	30,946,626
FEP	$	51,014,473
Total Non Medical	$	125,710,545
Total Expenses	$	1,517,449,461

This information is for GHMSI, Inc. (excluding BlueChoice) for 2012 representing the revenue and care. The data on this page represents Risk (including agg & spec stop loss), Non Risk, and FEP. It excludes mandated Individual <65 products, Individual > 65, and SEGO.

Project Net Profit (LOSS)		
Non Mandated Risk (excluding FEP)	$	(11,226,052)
Non Risk	$	(176,608)
FEP	$	(4,001,590)
Total Project Net Profit (LOSS)	$	(15,404,250)

Value of Premium Tax Exemption

Premiums Written, Calendar Year 2012 (should agree to Schedule T, Maryland Business form Annual Statement)	$	1,423,884,783
Adjustments:		
ASO/ASC business included in premiums written	$	813,121,443
Federal Employee Health Program Premiums		
Minimum Premium contracts	$	-
Other (Medicare Title XVIII)		
Total Adjustments		
Premiums subject to taxation	$	610,763,340
Premium tax rate		2%
Value of Premium Tax Exemption	$	12,215,267

GHMSI EXEMPTION COMPUTATION

	2012
Premiums Written (Should agree to Schedule T, Maryland business from the Annual Statement)	1,423,884,783
Adjustments:	
ASO/ASC included in premiums written	
Federal Employee Health Benefits Program Premiums	813,121,443
Other (Medicare Title XVIII)	
Premiums Subject to Taxation	610,763,340
Premium Tax Rate	2%
Value of Premium Tax Exemption	12,215,267

GHMSI USES

	2012	
Value of Premium Tax Exemption	12,215,267	
Funds Used by the Plan to Serve the Public Interest:		
Legislative Funding Request (1)	16,649,699	b-1
Contributions, Sponsorships; Comm Hlth. Spending (2)	1,790,992	b-2
Total Funds Used by the Plan to Serve the Public Interest:	18,440,691	
Net Excess/(Deficit) in Public Interest Spending	6,225,424	

(1) see Attachment A
(2) see Attachment B

Attachment A

Actual Legislative Spending During Calendar Year 2012

State Program FY	Total FY Obligation	Basis of Obligation	Qterly Pymt	CFMI	GHMSI	Total	
FY 2012	$ 25,696,738	2010 Schedule T Filed 3/11 for State Programs 7/11 - 6/12	Jan-12	2,780,406	3,643,779	6,424,185	
			Apr-12	2,780,406	3,643,779	6,424,185	
FY 2013	$ 25,367,912	2011 Schedule T Filed 3/12 for State Programs 7/12 - 6/13	Jul-12	2,788,465	3,553,513	6,341,978	
			Oct-12	2,788,465	3,553,513	6,341,978	
Total				11,137,741	14,394,584	25,532,325	see (a) below
SPDAP Donut Hole Subsidy	$ 4,000,000.00	Annual Assessment Entity split based on the avg of Schedule T's Filed For FY 12 & 13 to equal CareFirst Calendar Yr 2012. See Alloc 2	Jan-12	436,221	563,779	1,000,000	
			Apr-12	436,221	563,779	1,000,000	
			Jul-12	436,221	563,779	1,000,000	
			Oct-12	436,221	563,779	1,000,000	
				1,744,885	2,255,115	4,000,000	
Total Legislative Spending and SPDAP Commitment				12,882,626	16,649,699	29,532,325	
				transfer to a-1	transfer to b-1		

(a) Program Funding Based on Above Payments (see allocation methodolgy below)

Payee	Program		Total Due	01/01/12	04/01/12	07/01/12	10/01/12
MHIP	Sr Rx Assistance Program		$ 14,000,000	3,500,000	3,500,000	3,500,000	3,500,000
		CFMI	$ *6,107,407*	*1,514,810*	*1,514,810*	*1,538,893*	*1,538,893*
		GHMSI	*7,892,593*	*1,985,190*	*1,985,190*	*1,961,107*	*1,961,107*
DHMH*	Comm Hlth Res Comm - Operating Budget & Kidney Disease Program		$ 11,532,325	2,924,185	2,924,185	2,841,978	2,841,978
		CFMI	$ *5,030,334*	*1,265,595*	*1,265,595*	*1,249,572*	*1,249,572*
		GHMSI	*6,501,991*	*1,658,589*	*1,658,589*	*1,592,406*	*1,592,406*
			$ 25,532,325	6,424,185	6,424,185	6,341,978	6,341,978
		CFMI	*11,137,741*	*2,780,406*	*2,780,406*	*2,788,465*	*2,788,465*
		GHMSI	*14,394,584*	*3,643,779*	*3,643,779*	*3,553,513*	*3,553,513*

2nd Half of FY 2012 Funding based on 2010 Premium Exemption amount $25,696,738	1st Half of FY 2013 Funding based on 2011 Premium Exemption amount $25,367,912

Allocation Methodolgy:

		Legislative Funding Requirement (alloc 1) Sch T			SPDAP Donut Hole Subsidy (alloc. 2) Sch T	
FY 2012	CFMI	11,121,622	43.3%	CFMI (sum of FY12 & 13)	22,275,482	43.62%
	GHMSI	14,575,116	56.7%	GHMSI (sum of FY12 & 13)	28,789,168	56.38%
		25,696,738			51,064,650	
FY 2013	CFMI	11,153,860	44.0%			
	GHMSI	14,214,052	56.0%			
		25,367,912				

* funds submitted to DHMH are used to to support the CHRC Operating Budget and Kidney Disease Program (DHMH determines split).

Attachment B

Grants Geographic Breakdown
Jan - Dec 2012
Provided by Corp Comm.

		GHMSI				
	CFMI	DC	PG/Mont Co	VA	Total	Total
Sponsorships	$ 775,860	$ 449,009	$ 192,039	$ 156,552	$ 797,600	$ 1,573,460
Targeted Giving	$ 1,406,327	$ 908,546	$ 581,658	$ 210,358	$ 1,700,562	$ 3,106,889
Programmatic	$ 992,893	$ 1,726,918	$ 157,272	$ 300,023	$ 2,184,213	$ 3,177,106
Catalytic	$ 3,043,286	$ 719,665	$ 860,023	$ 260,693	$ 1,840,381	$ 4,883,667
	$ 6,218,366	$ 3,804,138	$ 1,790,992	$ 927,626	$ 6,522,756	$ 12,741,122
	transfer to a-2		transfer to b-2			

Definitions:

Sponsorships - Cause related giving usually associated with external funding raising activities for a particular charity. Examples include Walk-a-thons, marathons, etc.

Targeted Giving - Giving that expands an organizations capacity to deliver the most needed health care services directly to under or uninsured individuals. Examples include free clinics, safety net providers mobile care units, etc.

Programmatic - Managed programs that are preventative in nature, target a particular audience and address a specific health concern. Examples include Cardiovascular, diabetes, childhood obesity and other health related issues.

Catalytic - Broad programs that are innovative with a goal of effecting long term systemic change and improvement in the health care system. Example include eICU, electronic medical records, etc.

Closed Cases Involving CareFirst Companies and Violations of Title 27 of the Insurance

MIA Case Number	CareFirst Company	Date of Order	Section at Issue	MIA Finding
2012-02-011	GHMSI	02/13/2012	§ 27-303(8)	Failure to render a final decision in writing on a grievance within 45 working days after date on which grievance was filed.
2012-02-025	GHMSI	02/27/2012	§ 27-303(8)	Failure to render a final decision in writing on a grievance within 45 working days after date on which grievance was filed.
2012-03-019	GHMSI	03/15/2013	§ 27-303(1)	Misrepresentation of pertinent facts or policy provision that relate to the claim or coverage at issue. Incorrectly stated that a non-par provider could file an appeal of a claim denial only when related to the medical necessity of treatment.
2012-05-003	GHMSI	05/07/2012	§ 27-303(8)	Failure to render a final decision in writing on a grievance within 45 working days after date on which grievance was filed.
2012-05-020	GHMSI	05/17/2012	§ 27-303(8)	Failure to render a final decision in writing on a grievance within 45 working days after date on which grievance was filed.
2012-06-005	CFMI	06/08/2012	§ 27-303(1)	Misrepresentation of pertinent facts or policy provision that relate to the claim or coverage at issue. Incorrectly stated that member had no dental coverage.
2012-08-037	BlueChoice	08/23/2012	§ 27-303(8)	Failure to render a final decision in writing on a grievance within 45 working days after date on which grievance was filed.
2012-08-038	CFMI	08/27/2012	§ 27-303(8)	Failure to include the required information in a notice of grievance decision and failure to timely send a written notice of the grievance decision.
2012-11-028	GHMSI	11/08/2012	§ 27-303(8)	Failure to render a final decision in writing on a grievance within 45 working days after date on which grievance was filed.
2012-11-032	CFMI	11/16/2012	§ 27-303(1) & (2)	Misrepresentation of pertinent facts or policy provision that relate to the claim or coverage at issue and refusal to pay a claim for an arbitrary or capricious reason based on all available information. Refusal to pay a claim even though member had coverage on the date of service and that information was available to CareFirst.