

WES MOORE
Governor

ARUNA MILLER
Lt. Governor

MARIE GRANT
Commissioner

JOY Y. HATCHETTE
Deputy Commissioner



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May 30, 2025

The Honorable Wes Moore
Governor of Maryland
State House
100 State Circle
Annapolis, MD 21401

The Honorable Pamela Beidle
Chair, Senate Finance Committee
3 East Miller Senate Building
11 Bladen Street
Annapolis, MD 21401

The Honorable Joseline A. Pena-Melnyk
Chair, House Health and Government
Operations Committee
241 House Office Building
6 Bladen Street
Annapolis, MD 21401

Re: 2024 Report on Non-Profit Health Service Plan Compliance with Title 14, Subtitle 1 of the Insurance Article of the Annotated Code of Maryland (MSAR # 10390)

Dear Governor Moore, Chair Beidle, and Chair Pena-Melnyk:

On behalf of the Maryland Insurance Administration (MIA), I am pleased to submit the 2024 Report on Non-Profit Health Service Plan Compliance with Title 14, Subtitle 1 of the Insurance Article of the Annotated Code of Maryland. Section 14-102(e) of the Insurance Article requires the Insurance Commissioner to report on a non-profit health service plan's compliance with Title 14, Subtitle 1 of the Insurance Article. The non-profit health service plan that meets this statutory definition is CareFirst, Inc. and certain of its subsidiaries.

The MIA has determined that CareFirst has fulfilled the statutory requirements of its non-profit mission as set forth in §14-102(c).

Five printed copies of this report have been mailed to the DLS library for its records.

Should you have any questions regarding this report, please do not hesitate to contact me or my Associate Commissioner of External Affairs and Policy Initiatives, Jamie Sexton, at Jamie.sexton@maryland.gov.

Sincerely,

Marie Grant
Insurance Commissioner

cc: Sarah T. Albert, Department of Legislative Services (5 copies)



**2024 Report on Non-Profit Health Service Plan
Compliance with Title 14, Subtitle 1 of the Insurance
Article of the Annotated Code of Maryland**

Insurance Article § 14-102

**Marie Grant
Commissioner**

May 30, 2025

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INTRODUCTION

CareFirst, Inc., which holds a certificate of authority from the State of Maryland as a non-profit health service plan, is the holding company of, among other entities, CareFirst of 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 non-profit health service plans and hold certificates of authority from the State. This report addresses the activities of CareFirst, Inc., CFMI, and GHMSI which, unless otherwise indicated, will be referred to collectively as “CareFirst.”

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

- (1) to regulate the formation and operation of non-profit health service plans in the State; and
- (2) to promote the formation and existence of non-profit health service plans in the State that:
 - (i) are committed to a non-profit 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 non-profit health service plans operate.

The review of CareFirst’s compliance with Title 14, Subtitle 1 of the Insurance Article for calendar year 2024 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.

¹ All citations herein are to the Insurance Article, Annotated Code of Maryland.

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

A. Non-profit Mission

Section 14-102(c) provides that the mission of a non-profit 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 non-profit health service plan operates.

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

Since 2020, CareFirst has implemented strategies such as entering the Medicaid and Medicare Advantage markets and investing in primary care practices that have increased equity holdings in for-profit entities, which ultimately inure to the benefit of the Non-profit Health Service Plan. These acquisitions were made by CareFirst BlueChoice, Inc. (CFBC), a for-profit health maintenance organization domiciled in the District of Columbia. CFBC is an indirect subsidiary of CareFirst.²

Specifically, in 2020, CareFirst acquired, through CFBC, 100% of the stock of CareFirst Community Partners, Inc., a Maryland-domiciled managed care organization; Care First Advantage DSNP, Inc., a Maryland-domiciled health maintenance organization (HMO);³ and Trusted Health Plan (District of Columbia), Inc., a District of Columbia HMO, and managed care organization. Also in 2020, CareFirst formed, as subsidiaries of CFBC, CareFirst Advantage, Inc., a Maryland-domiciled HMO and CareFirst PPO, Inc., a Maryland-domiciled health insurer. In 2021, CareFirst formed CF Risk PCC, LLC, a District of Columbia captive.

Also in 2021, CareFirst formed CareFirst Management Company, LLC for the purposes of consolidating the employment of CareFirst personnel, the ownership of CareFirst equipment, and contracting for CareFirst real estate and services. In addition, CareFirst formed CareFirst Consolidated, Inc., a Maryland corporation, and Healthworx, LLC to support innovative investment by the group.

² CFMI and GHMSI hold joint interests in a holding company, CareFirst Holdings, LLC (CFH). CFH was formed on December 31, 2010, by contributed assets from CFMI and GHMSI to hold the equity interests in various for-profit subsidiaries, including regulated insurance entities, CareFirst BlueChoice, Inc., The Dental Network, Inc., and First Care, Inc. CFH and its subsidiaries are owned 50.001% by CFMI and 49.999% by GHMSI. The creation of CFH was approved by the Maryland Insurance Administration (MIA) in Order No. MIA 2010-09-031 and by the District of Columbia Department of Insurance Securities and Banking (DISB) in 2010.

³ The acquisition was approved by the MIA in Order No. MIA 2020-09-049.

In 2021, CareFirst formed Atlas Health, LLC (Atlas), a virtual primary care practice, as a subsidiary of CFBC. In 2023, CareFirst, through CFBC, acquired a primary care practice, Comprehensive Primary Care, LLC, and related Comprehensive Primary Care and Associates, LLC (collectively, CPC). In 2025, CFBC filed an application for approval to acquire AllCare Inc., a primary care practice, and related entities (collectively, AllCare).

Effective January 1, 2025, all of the CFBC HMO and insurance subsidiaries described above were transferred to CareFirst Consolidated, Inc.; Effective March 1, 2025, CareFirst Advantage, Inc. was merged into CareFirst Advantage, DSNP, Inc.; with CareFirst Advantage DSNP, Inc. surviving

According to a February 28, 2025 premium tax exemption report filed with the Maryland Insurance Administration (MIA), CareFirst contributed approximately \$5.7 million to health-related community initiatives that benefit Maryland residents and governmental organizations in the State of Maryland in 2024. These contributions were in excess of the funds that CareFirst transferred to the Senior Prescription Drug Assistance Program, the Community Health Resources Commission, and the Kidney Disease Program discussed in Part 1 Section E.

Additional confirmation that CareFirst was in compliance with its non-profit mission was its compliance with §§14-106 through 14-106.1, which required CareFirst to spend funds for a public purpose equal to its premium tax exemption amount. (See Part 1 Section E)

These efforts show an organization that is moving toward a diversified revenue stream, while continuing a commitment to assisting and supporting public and private health care initiatives that fulfill CareFirst's obligations under §§14-102 and 14-106.

B. Nonprofit Health Service Plans

Nonprofit health service plans are regulated by the statutory sections listed and referenced in Section 14-102(g) of the Insurance Article. Certain provisions of the Insurance Article that expressly refer to nonprofit health service plans, including Title 12 and Title 15, are among those sections applicable to nonprofit health service plans. During calendar year 2024, the MIA found four instances in which CareFirst failed to comply with the provisions of Title 15. The MIA orders are listed below:

1. MIA 2024-08-005 – CFMI, CFBC, and GHMSI violated §15-10D-02 by failing to render decisions within 60 days of the date on which appeals were filed.
2. MIA 2024-07-003 – CFMI violated §15-112(g)(3) by failing to provide notice that a credentialing application was approved within 120 days of receiving the application.
3. MIA 2024-06-022 – GHMSI violated §15-10D-02 by failing to include information required by Maryland law in a notice of appeal decision.
4. MIA 2024-03-013 – GHMSI violated §4-113(b)(5) by delaying payment of amounts due to a claimant pursuant to the Summary of Benefits and Coverages.

In addition, CFBC violated COMAR 31.10.37.03 by failing to deliver a policy to the contract holders within 60 days of the effective date (MIA 2024-10-002).

C. 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 nonprofit corporation.” The MIA is not aware of any instances in which CareFirst failed to comply with these provisions during calendar year 2024.

D. 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.

The MIA is not aware of any instances in which CareFirst failed to comply with §14-104(b) during calendar year 2024.

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

Section 14-106 provides that a non-profit health service plan is exempt from the State’s premium tax “so that funds which would otherwise be collected by the State and spent for a public purpose shall be used in a like manner and amount by the non-profit 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. According to the 2024 report submitted by CareFirst, CFMI’s payments for public purposes totaled \$10,612,298, which equaled the value of its premium tax exemption of \$10,612,298. GHMSI’s payments for public purposes totaled \$7,037,111, which equaled the value of its premium tax exemption of \$7,037,111.

The MIA verified the accuracy of the premium tax exemption amount and confirmed the payments to public programs. On May 8, 2025, the Commissioner issued an order, MIA-2025-05-012, notifying CareFirst that its 2024 Premium Tax Exemption Report was in compliance with the requirements of §14-106. (See Exhibit A)

**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 the 2024 calendar year.

**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.

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 the 2024 calendar year.

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 business practices, as defined by §14-116, during calendar year 2024. 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 business practices, pursuant to §14-116(f), in calendar year 2024.

D. Surplus Requirements

During calendar year 2024, 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 non-profit health service plan to be excessive and the procedure by which the excess surplus may be distributed. 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.⁴ During calendar year 2024, the Insurance Commissioner did not determine that CareFirst’s surplus was excessive. CareFirst did not have an impaired surplus (§14-118) and it did not issue a notification of impairment (§14-119).

E. Investments

Section 14-120(b) provides that a non-profit 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 Title 5, Subtitle 5 of this article.” Each year, the MIA 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, 2024, disclosed that CareFirst was in compliance with the provisions of Title 5, Subtitle 5.

⁴ MIA-2012-09-006

F. Annual and Interim Statements, Audited Financial Reports

During calendar year 2024, CareFirst complied with §14-121, which requires that each non-profit health service plan file with the Insurance Commissioner a complete annual 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 statement as required by §14-121(d).

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

The MIA's review indicates that CareFirst did not hold or acquire an investment in an affiliate or subsidiary during calendar year 2024 in violation of §14-133, nor did it violate any other provision of Title 14, Subtitle 1.

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 non-profit health service plans are subject to the unfair and discriminatory trade practices provision of Title 27 of the Insurance Article. During calendar year 2024, there were no instances in which CareFirst failed to comply with the provisions of Section 14-136.

B. Exclusion of Coverage for Violations

The MIA identified no instances in 2024 pursuant to §14-137, 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.

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 2024.

D. Prohibited Acts of Officers, Directors and Employees

During calendar year 2024, CareFirst provided the compensation guidelines approved by its board of directors and the compensation paid to each officer, executive, and director pursuant to the requirements in § 14-139. The MIA reviewed the approved guidelines and the compensation paid by CareFirst. The MIA found no instances in which CareFirst provided compensation to any of its officers, executives, or directors in excess of the approved guidelines.

in violation of § 14-139. In addition, the MIA found no instances in which any of CareFirst's officers, directors or employees performed any of the acts prohibited by § 14-140.

In conclusion, the MIA has determined that CareFirst has fulfilled the statutory requirements of its non-profit mission as set forth in §14-102(c).

If additional information is needed regarding CareFirst's compliance with its statutory mission, please do not hesitate to contact the Maryland Insurance Administration.