

WHEREAS, In 2000, CareFirst, Inc., entered into an affiliation with BlueCross BlueShield Delaware; and

WHEREAS, CareFirst, Inc., is Maryland's Blue Cross Blue Shield Plan; and

WHEREAS, CareFirst, as a nonprofit corporation, is a community asset; and

WHEREAS, The mission of CareFirst is to provide affordable and accessible health insurance to Maryland citizens; and

WHEREAS, There is a national crisis of health insurance affordability and accessibility; and

WHEREAS, CareFirst is the State's largest health insurer; and

WHEREAS, CareFirst has enjoyed significant taxpayer and State-funded exemptions and subsidies to assist in its mission; and

WHEREAS, In recent years, CareFirst has exited from several segments of the Maryland health insurance market, including the withdrawal from the Medicare+Choice program and the withdrawal of its subsidiary HMOs, FreeState and Delmarva, from insurance markets in Maryland, resulting in over 6,000 individuals losing their health insurance; and

WHEREAS, Citing a need for increased access to capital, on January 11, 2002, CareFirst filed an application with the Maryland Insurance Commissioner to convert to a for-profit company and to be acquired by a California-based health insurer for \$1.3 billion; and

WHEREAS, In 2002, the profits of CareFirst rose 13% to \$104 million, its revenue was \$6.7 billion, and the number of its members increased to 3.24 million; and

WHEREAS, On March 5, 2003, after extensive review, the Maryland Insurance Commissioner found that the proposed sale and conversion of CareFirst is not in the public interest; and

WHEREAS, The Insurance Commissioner found that the management and Board of Directors of CareFirst did not view their nonprofit mission as restraining or guiding their business activities; and

WHEREAS, The Insurance Commissioner found that the management and Board of Directors of CareFirst failed to seek and consider material information relevant to the decision to convert; and

WHEREAS, The Insurance Commissioner found that the management of CareFirst sought, and the Board of Directors approved, large bonuses and permanent roles for current management in the combined company and these bonuses created incentives that conflicted with the nonprofit mission of CareFirst; and

WHEREAS, The Insurance Commissioner found that the bidding process for the sale of CareFirst was flawed and did not produce fair market value; and