

# **SB 173 - Support.pdf**

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Position: FAV

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## SB 173 – Nonprofit Health Service Plan Board of Directors

### Position: Support

Thank you for the opportunity to provide written comments in support of SB 173. This bill amends the existing Md. Insurance Code Ann. § 14-115(d) by modifying the number of positions on the board of directors of a nonprofit health service plan to between 11 and 23 members, instead of the current 23 members required in statute. In addition, it clarifies the requirement that two board members must be subscribers or certificate holders of CareFirst, Inc. or an affiliate *at their time of initial election*, increases the maximum number of provider members from 4 to 5, and clarifies the intent for board members to have a diverse range of skills and experience relevant to CareFirst and its mission, expanding this experience to include data, consumer experience, government programs, population health, geriatrics, diversity, equity and inclusion, audit, human resources, benefit consulting, executive level, and actuarial science. Importantly, the bill maintains the rigorous board requirements set forth in the Insurance Article to ensure CareFirst is best positioned to carry out its not-for-profit mission in support of its members and the communities that we serve.

As part of its mission, CareFirst is committed to driving transformation across the healthcare continuum with a particular focus on providing access to quality, affordable, equitable care. In addition to providing high value services to our members, we are keenly focused on improving the healthcare experience for the communities we serve. To advance this mission, the board of our parent company CareFirst, Inc. (CFI) and the boards of its two affiliate companies CareFirst of Maryland, Inc. (CFMI) and Group Hospitalization and Medical Services, Inc. (GHMSI) meet as a “Combined Board”<sup>1</sup> at least 5 times per year to conduct business for the company. The Combined Board is comprised of several Committees (Finance & Investment, Audit & Compliance, Service & Quality Oversight, Mission Oversight, Governance & Nominating, etc.) that also meet on a regular basis throughout the year.

As recently as 2020, the Combined Board had 37 positions. Today, the Combined Board has 29 positions. In 2019, CareFirst’s board engaged an external consultant to address “Adaptive Governance” which included a discussion of board effectiveness and size. The board agreed that CareFirst’s board was too big, not standard in the market, and should be reduced over time through attrition.

According to the [Wall Street Journal](#) and [Deloitte](#), companies with smaller boards outperform those with larger boards, in part due to fostering meaningful deliberation and agile decision making which in turn, creates more cohesion. This collaboration fosters a sense of purpose that is critical to effective oversight. Reducing the size of the board will allow members to have more opportunities to develop a deeper and more holistic understanding of the organization and a greater sense of personal accountability when making important decisions. In addition to the body of research that exists on the qualitative aspects of how board size impacts an organization, data also suggests that smaller boards are more common.

In considering other Blue Cross Blue Shield Plans, the national average is 9 board members. In 2004, Maryland statute set the size of the CareFirst, Inc. board to 23 members making it the second largest reported Blue Plan Board. CareFirst’s Combined Board (CFI, CFMI and GHMSI) has the largest board of all Blue Plans in the nation. To put this in perspective, CareFirst, which serves 3 states, has a board size

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<sup>1</sup> Note: Some members of the CFI Board also serve on the CFMI or GHMSI boards.

that exceeds Anthem BlueCross BlueShield, which serves 11 states and has a 9-member Board of Directors (not including Anthem's CEO, who chairs the board), and Health Care Service Corporation, which serves 5 states and has a 7-member Board of Directors.

Organizations in CareFirst's region that provide consumer services (telecommunications, electricity, heat, auto insurance, workers compensation, etc.) with significant regulatory oversight, including rate regulation, also have smaller boards than CareFirst.

- [Chesapeake Employers Insurance](#), who writes workers' compensation insurance in Maryland, is governed by a 9-member Board of Directors
- [Maryland Auto Insurance](#), formerly the Maryland Automobile Insurance Fund, is governed by a 9-member Board of Trustees
- [Baltimore Gas & Electric](#) is governed by a 9-member Board of Directors
- [Comcast Corporation](#) is governed by a 10-member Board of Directors
- [Verizon](#) is governed by a 9-member Board of Directors

Based on its research and findings, the Combined Board approved plans to begin to reduce the size of its respective boards to the extent permitted by law, through attrition. Legislative changes are also needed to facilitate recommended adjustments to the size and composition of the CFI board. SB 173 bill will enable CareFirst to undertake a strategic reduction in CFI's board size to improve its ability to govern effectively.

**An effective board should have enough members, but not be so large as to hinder its ability to come together quickly, effectively, and efficiently and make decisions to carry out its mission.** This is especially relevant given recent challenges associated with issues such as COVID, cybersecurity, and more, necessitating quick decision making. This bill will offer needed flexibility for CareFirst to seat a board that best reflects the needs of the company over time and the communities that we serve.

**Thank you for consideration of SB 173. We urge the committee to move this bill with a favorable report.**

#### About CareFirst BlueCross BlueShield

*In its 84<sup>th</sup> year of service, CareFirst, an independent licensee of the Blue Cross and Blue Shield Association, is a not-for-profit healthcare company which, through its affiliates and subsidiaries, offers a comprehensive portfolio of health insurance products and administrative services to 3.4 million individuals and employers in Maryland, the District of Columbia, and Northern Virginia. In 2019, CareFirst invested \$43 million to improve overall health, and increase the accessibility, affordability, safety, and quality of healthcare throughout its market areas. To learn more about CareFirst BlueCross BlueShield, visit our website at [www.carefirst.com](http://www.carefirst.com) and our transforming healthcare page at [www.carefirst.com/transformation](http://www.carefirst.com/transformation), or follow us on [Facebook](#), [Twitter](#), [LinkedIn](#) or [Instagram](#).*

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**STATE OF MARYLAND**  
**OFFICE OF THE ATTORNEY GENERAL**  
**CONSUMER PROTECTION DIVISION**

January 24, 2022

To: The Honorable Delores G. Kelley  
Chair, Finance Committee

From: The Office of the Attorney General's Health Education and Advocacy Unit

Re: Senate Bill 173 (Health Insurance - Nonprofit Health Service Plan - Board of  
Directors): Information

The Office of the Attorney General's Health Education and Advocacy Unit (HEAU) submits the following information for the committee's consideration regarding this bill, which would increase the number of provider and hospital industry members on CareFirst's board of directors from 4 to 5. CareFirst reportedly is seeking the increase because the company is expanding its Medicare Advantage plans and business. Two consumer members are currently required to be on the board. We believe the number of consumer members should increase from 2 to 3 in order to maintain the proportionality of industry and consumer input as CareFirst's business model changes in ways that will materially impact consumers.

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