IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO/OAKLAND DIVISION

THE STATE OF CALIFORNIA; THE STATE OF CONNECTICUT; THE STATE OF DELAWARE; THE DISTRICT OF COLUMBIA; THE STATE OF ILLINOIS; THE STATE OF IOWA; THE COMMONWEALTH OF KENTUCKY; THE STATE OF MARYLAND; THE COMMONWEALTH OF MASSACHUSETTS; THE STATE OF MINNESOTA; THE STATE OF NEW MEXICO; THE STATE OF NEW YORK; THE STATE OF NORTH CAROLINA; THE STATE OF OREGON; THE COMMONWEALTH OF PENNSYLVANIA; THE STATE OF RHODE ISLAND; THE STATE OF VERMONT; THE COMMONWEALTH OF VIRGINIA; and THE STATE OF WASHINGTON,

Plaintiffs,

v.

DONALD J. TRUMP, President of the United States; ERIC D. HARGAN, Acting Secretary of the United States Department of Health and Human Services; UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES; STEVEN T. MNUCHIN, Secretary of the United States Department of the Treasury; UNITED STATES DEPARTMENT OF THE TREASURY; and DOES 1-20,

Defendants.

DECLARATION OF CHESTER E. BURRELL
IN SUPPORT OF
THE COMPLAINT FOR DECLARATORY AND INJUNCTIVE RELIEF

I, Chester E. Burrell, solemnly affirm under penalties of perjury and upon personal knowledge that the contents of this Declaration are true.

1. I am over 18 years old and I am competent to testify to the matters stated herein.

2. I am the President and Chief Executive Officer of CareFirst, Inc. ("CareFirst"), Group Hospitalization and Medical Services, Inc. ("GHMSI"), CareFirst of Maryland, Inc. ("CFMI"), and CareFirst BlueChoice, Inc. ("BlueChoice"). I have served as CEO since 2007. In that role, I have ultimate responsibility to the respective Boards of Directors and Trustees (collectively, "Boards") for the management of the companies' operations and financial solvency.

3. CareFirst sells health insurance in Maryland through three carriers. CFMI and GHMSI operate as nonprofit health service plans and offer preferred provider organization ("PPO") insurance, and collectively insure 22,500 Maryland residents in the individual fully-insured Patient Protection and Affordable Care Act ("ACA") market as of September 2017. BlueChoice is a health maintenance organization ("HMO") and insures 145,300 Maryland residents in the individual fully-insured ACA market as of September 2017.

4. In Maryland in 2018, individuals who do not otherwise have employer sponsored coverage and are not eligible for Medicaid or other government-sponsored programs can only purchase health insurance from CareFirst or Kaiser Permanente. None of the for-profit commercial carriers remain in the Maryland individual health insurance market. Between CareFirst and Kaiser Permanente, CareFirst covers 75 percent of the individual ACA Maryland

health insurance market (based on 2018 rate filing documents), and is therefore the primary health insurer of Marylanders who purchase individual coverage.

5. On October 13, 2017, the U.S. Department of Justice made a court filing in which it asserted that federal cost-sharing reduction ("CSR") subsidies available under the ACA could not be legally appropriated and, as such, would cease immediately.

6. As of September 2017, CareFirst covers 40,100 members who receive CSR subsidies. CareFirst is required by law to offer CSR-compliant plans, and the rates charged to CareFirst members assume that the corresponding CSR subsidy will be paid. If the Administration stops paying CSRs, as it has proposed, CareFirst projects that it will lose approximately $9 million to $10 million for the remainder of 2017 alone.

7. In addition, CareFirst was required by the Maryland Insurance Administration to file individual ACA market rates for 2018 that assumed that CSR payments would be made by the federal government. Those rates have now been approved. If CSRs are not paid in 2018, and CareFirst is not permitted to adjust its rate filings, CareFirst projects that it would lose an additional $50 million in 2018 because of unpaid CSR subsidies. This is in addition to the extremely large losses that CareFirst already has incurred in the individual ACA market. CareFirst can only avoid this additional $50 million loss by increasing its premium rates to account for unpaid CSR subsidies, or by reducing its presence in the market.

8. Such losses are not sustainable. Carriers must be able to rely on the Administration's promises to pay to appropriately plan and manage access to affordable health coverage for their members.

9. If the Administration stops paying CSRs, as it has proposed, CareFirst's Boards may have to carefully review their fiduciary obligations and determine CareFirst's future

participation in the individual health insurance market. Although CFMI and GHMSI are legally required to remain in the individual insurance market in Maryland, BlueChoice is not. The CareFirst Boards may have to carefully consider whether BlueChoice should remain in the individual Maryland market or whether it should withdraw its non-grandfathered individual market plans to protect CareFirst's overall financial integrity. BlueChoice's withdrawal of non-grandfathered plans from the Maryland individual market would cause significant disruption, affecting 145,300 members, or roughly 65 percent of those who purchase individual ACA insurance plans in Maryland. Withdrawal of ACA compliant individual-market plans by BlueChoice would also significantly reduce consumer options, and would not be a step lightly taken by CareFirst. Kaiser Permanente does not offer coverage in all Maryland counties. In many counties, therefore, CareFirst provides the only option. The PPO coverage offered by GHMSI and CFMI is significantly more expensive than CareFirst BlueChoice.

10. Going forward, the loss of CSRs will continue to have significant impact on Marylanders, as CareFirst will be forced to increase rates to address the loss of the CSR subsidies to ensure that its rates are adequate. If CSRs were to permanently cease, premium rates in silver metal plans would likely increase approximately 20 percent at the outset and could increase more in 2018 and beyond.

11. CareFirst strives to provide affordable and accessible health insurance to Marylanders. It has been a nonprofit health service plan in Maryland since 1937. Eliminating CSRs will only serve to economically harm a company that has been committed to making health care available to Maryland residents for decades and will invariably increase premium rates for Marylanders who already are challenged in affording their health care.

Dated: October 17, 2017

Chester E. Burrell