

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Attorney General



In the Matter of CareFirst BlueCross
BlueShield

SETTLEMENT AGREEMENT

The Attorney General for the District of Columbia, on behalf of the District of Columbia (“District”), and Respondents Group Hospitalization and Medical Services, Inc.; Service Benefit Plan Administrative Services Corporation; CareFirst of Maryland, Inc.; Trusted Health Plan (District of Columbia), Inc.; CareCo, LLC (together, “CareFirst”) (and with the District, the “Parties”), hereby enter into this Settlement Agreement, and agree as follows:

I. THE PARTIES

1. The Attorney General for the District of Columbia is the chief legal officer for the District of Columbia. The Attorney General has general charge and conduct of all legal business of the District and all suits initiated by and against the District and is responsible for upholding the public interest. The Attorney General is also charged with enforcing violations of the District’s wage laws, including the Wage Theft Prevention Amendment Act, pursuant to D.C. Code § 32-1306(a)(2)(A).

2. Group Hospitalization and Medical Services, Inc.; Service Benefit Plan Administrative Services Corporation; CareFirst of Maryland, Inc.; Trusted Health Plan (District of Columbia), Inc.; and CareCo, LLC operate under or are otherwise affiliated with the CareFirst

BlueCross BlueShield healthcare insurance entity and all employ workers in the District.

II. ALLEGATIONS

3. The District alleges CareFirst violated the Wage Payment and Collection Law in two ways. First, CareFirst failed to issue the final paychecks of employees within the statutorily required periods of (1) one working day following the employer's discharge of an employee or (2) for employees who resign or quit, the sooner of the next regular payday or within seven days from the date of separation. Second, if an employee was terminated involuntarily and owed money under CareFirst's Tuition Assistance Program, CareFirst, under their written policy provided to their employees and with written permission of employees who participated in the Tuition Assistance Program, deducted a portion or all their final paycheck and applied the funds to the money owed under the Tuition Assistance Program. The District alleges these practices violated D.C. Code §§ 32-1303(1)-(2). *See also id.* § 32-1305(a).

4. CareFirst Respondents deny that their final paycheck practices violated District law.

III. DEFINITIONS

5. “**Effective Date**” shall be the last date upon which any party executes the Settlement Agreement.

6. “**Eligible Employee**” is a former employee of CareFirst who worked in the District and has been terminated since January 1, 2018 and received their final paycheck later than the applicable statutorily required date.

IV. APPLICATION

7. The provisions of this Settlement Agreement shall apply to CareFirst and all persons or entities that they control or have the ability to control, including without limitation

their principals, officers, directors, employees, agents, successors, assignees, affiliates, merged or acquired entities, or wholly owned subsidiaries of CareFirst.

V. INJUNCTIVE TERMS

8. CareFirst shall comply with D.C. Code § 32-1303 to ensure that all employees receive their final paycheck within the statutorily required periods of (1) one working day following the employer's discharge of an employee or (2) the sooner of the next regular payday or within seven days from the effective date an employee quits or resigns.

VI. PAYMENT TERMS

9. CareFirst shall make payments totaling **\$412,041.82** to Eligible Employees. CareFirst shall be responsible for distribution of these payments and will manage the distribution as follows:

- a. *Creation of Claims Ledger.* Within 21 days after the Effective Date of this Settlement Agreement, CareFirst will prepare and submit to the District a ledger (the "Claims Ledger") in Excel spreadsheet format that identifies each Eligible Employee's (a) name; (b) available contact information, including phone, email, and address; and (c) amount owed (the "Claim Payment").
- b. *Reasonable efforts to identify Eligible Employee contact information.* CareFirst shall use an Eligible Employee's last-known contact information to create the Claims Ledger.
- c. *Calculation of Claim Payment.* Each Claim Payment shall consist of the payment amounts set forth for each Eligible Employee in **Appendix A**.
- d. *Reasonable efforts to contact Eligible Employees and distribute Claim Payments.* CareFirst shall begin making attempts to contact each Eligible Employee by phone, mail, or email regarding distribution of their Claim Payment within 30 days after the Effective Date of this Settlement Agreement. CareFirst must make at least two (2) attempts to contact all Eligible Employees by phone, mail, or email within 90 days after the Effective Date of this Settlement Agreement.
- e. *Distribution of Claim Payments.* Within 120 days after the effective date of this Settlement Agreement CareFirst will distribute Claim Payments to Eligible Employees via check. CareFirst will record the recipients, dates, and amounts of all Claim Payments distributed in the Claims Ledger. In addition, CareFirst will distribute the following documents alongside the Claim Payments.

- i. *Notice Form.* CareFirst will provide the Notice Form attached as Appendix B to Eligible Employees. The Notice Form will include information for Eligible Employees summarizing this settlement, and the reason Eligible Employees are receiving a Claim Payment.
 - ii. *Receipt & Release Form.* CareFirst will also provide the Receipt & Release Form to Eligible Employees attached as Appendix C. The Receipt & Release Form shall allow the Eligible Employee to document receipt of the Claim Payment and release CareFirst from liability in a manner consistent with the release in this Settlement Agreement.
- f. *Recordkeeping.* CareFirst will keep and maintain records of all Claim Payments, Notice Forms, and Receipt & Release Forms distributed to Eligible Employees for at least three (3) years after the Effective Date of this Settlement. The District shall have the right to inspect such records, and CareFirst shall furnish such records to the District upon request.
- g. *Reporting.* Within 150 days after the Effective Date of this Settlement, CareFirst shall provide a report to the District documenting (a) disbursements made during to Eligible Employees; (b) for all Eligible Employees to whom no payment was made, efforts made to contact Eligible Employees; and (c) the amount of the undistributed payments to Eligible Employees (“Undistributed Funds”).
- h. *Payment of Undistributed Funds to the District.* Within 30 days after providing the report required by paragraph g above, CareFirst shall make a payment to the District in the amount of the Undistributed Funds, in accordance with the payment instructions provided by the District in ¶11. Payments made to the District pursuant to this term may be used for any lawful purpose, including, but not limited to: deposit to the District’s litigation support fund or restitution fund; defrayal of the costs of the inquiry leading hereto; defrayal of the costs of administration or distribution, or for other uses permitted by District law, at the sole discretion of the Attorney General for the District of Columbia.
10. CareFirst shall also pay **\$50,000** to the District as a civil penalty, within 30 days of the Effective Date of this Settlement Agreement. The District will provide CareFirst with payment instructions.

VII. RELEASE

11. The Parties have agreed to the terms of this Settlement Agreement to resolve the District’s allegations against CareFirst concerning CareFirst’s final paycheck payments between January 1, 2018 and October 21, 2021. In exchange for the performance of CareFirst’s

obligations under this Settlement Agreement, the District hereby releases CareFirst from any and all claims that the Attorney General could have asserted with respect to D.C. Code § 32-1303 on behalf of the District of Columbia and the former CareFirst employees listed on Exhibit A of the Settlement Agreement during this time period.

VIII. ADDITIONAL TERMS

12. Though CareFirst disputes the District's contention that its current practices violate D.C. Code §§ 32-1303(1)-(2); § 32-1305(a) in any way, CareFirst on a voluntary basis will agree that if CareFirst involuntarily discharges an employee who owes CareFirst money under the Tuition Assistance Program, CareFirst will not apply the employee's final paycheck to the amount owed. If the employee's involuntary discharge involves severance payments, CareFirst may deduct the amount owed from those severance payments so long as there is no deduction from the final wages owed to an employee.

13. This Settlement Agreement shall be considered effective and fully executed on the Effective Date. This Settlement Agreement may be executed in counterparts, and a facsimile or .pdf signature shall be deemed to be, and shall have the same force and effect, as an original signature. Copies of signature pages transmitted electronically shall have the same effect as originals of those signature pages.

14. CareFirst shall not knowingly permit third parties authorized by CareFirst to act on its behalf to engage in practices that would be violative of this Settlement Agreement.

15. This Settlement Agreement represents the full and complete terms of the settlement entered by the Parties. In any action undertaken by the Parties, neither prior versions of this Settlement Agreement nor prior versions of any of its terms may be introduced for any purpose whatsoever.

16. In entering into this Settlement Agreement, the parties are neither extinguishing any rights otherwise available to CareFirst's employees or former employees, except with respect to the claims released, nor creating any right not otherwise available under the laws of the District of Columbia.

17. All notices sent pursuant to this Settlement Agreement shall be provided to the following address via first class and electronic mail, unless a different address is specified in writing by the party changing such address:

Graham Lake
Chief, Workers' Rights and Antifraud Section
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Counsel for the District of Columbia

Robert E. Glaze
Senior Assistant General Counsel
CareFirst BlueCross BlueShield
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Baltimore, Maryland 21224
Robert.Glaze@CareFirst.com

Counsel for CareFirst

18. Any failure by any party to this Settlement Agreement to insist upon the strict performance by any other party of any of the provisions of this Settlement Agreement shall not be deemed a waiver of any of the provisions of this Settlement Agreement, and such party, notwithstanding such failure, shall have the right thereafter to insist upon the specific performance of any and all of the provisions of this Settlement Agreement.

19. If any clause, provision or section of this Settlement Agreement shall, for any reason, be held illegal, invalid or unenforceable, such illegality, invalidity or unenforceability shall


not affect any other clause, provision or section of this Settlement Agreement and this Settlement Agreement shall be construed and enforced as if such illegal, invalid or unenforceable clause, section or other provision had not been contained herein.

20. Nothing in this Settlement Agreement shall be construed as relieving CareFirst of the obligation to comply with all state and federal laws, regulations or rules, nor shall any of the provisions of this Settlement Agreement be deemed to be permission to engage in any acts or practices prohibited by such laws, regulations, or rules.

21. CareFirst shall provide a copy of this Settlement Agreement to each of its current and future principals, officers, directors, and managers having decision-making authority with respect to the subject matter of this Settlement Agreement.

22. CareFirst shall not form a separate entity or corporation for the purpose of engaging in acts or practices in whole or in part that are prohibited in this Settlement Agreement.

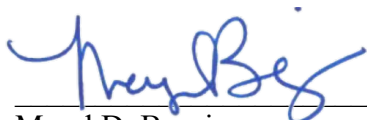
KARL A. RACINE
Attorney General for the District of Columbia



Graham Lake
Chief, Workers' Rights and Antifraud Section
Office of the Attorney General
400 6th St., NW, 10th Floor
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Date: August 15, 2022

Counsel for the District of Columbia



Meryl D. Burgin

Executive Vice President, General Counsel & Corporate Secretary
1501 S. Clinton Street
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Baltimore, Maryland 21224
CareFirst Signatory

Date: August 10, 2022