

 Click to Print[SAVE THIS](#) | [EMAIL THIS](#) | [Close](#)

LOCAL COMMENT

A better way to treat the Blues

BY STATE SEN. TOM GEORGE • April 4, 2008

-
-
- [Print this page](#)
- [E-mail this article](#)
- Share this article:
 - [Del.icio.us](#)
 - [Facebook](#)
 - [Digg](#)
 - [Reddit](#)
 - [Newsvine](#)
 - [What's this?](#)

After conducting many hearings and several months of review, I am now ready to propose an alternative to the individual health insurance reform bills sent to the Michigan Senate. These bills promoted by Blue Cross Blue Shield of Michigan (BCBSM) passed the state House after only one hearing last fall. They would impose an assessment on all individual insurance policies to fund a Blue Cross-run pool for individuals who are difficult to insure due to pre-existing health conditions.

ADVERTISEMENT

BCBSM currently covers these individuals as the state designated health insurance "carrier of last resort." In return, BCBSM is exempt from paying state taxes. The bills would lessen the oversight of the Blues by the attorney general and the OFIS commissioner of the state Office of Financial and Insurance Services. They would allow the Blues to expand into other lines of business, all while preserving their state tax exemption.

In our hearings, the Senate Health Policy Committee learned that many states have created such high-risk pools, but when they do, their Blue Cross plans no longer need to fill their special role. They are either converted to for-profit companies, with their surplus being captured in some fashion by the state, or they retain their nonprofit status but begin paying taxes. An expert from a national association to which BCBSM belongs called their plan "redundant."

BCBSM argues that the individual insurance market is set to grow to 25% of the insurance market within the next five years. This would represent an increase of more than 400% from its current level. The

evidence presented to the Senate does not support this claim. U.S. Census Bureau statistics and data from the Kaiser Family Foundation both show a decline in the number of subscribers in Michigan's individual market in recent years.

The OFIS commissioner testified that the market is presently "healthy." This was confirmed by information supplied by the association of health insurance plans, which showed that average premiums in Michigan's individual market are the fourth lowest in the country.

BCBSM has testified and spent millions of dollars in advertising touting the need for consumer protections in the individual market. They argue that commercial carriers capriciously increase premiums on healthy subscribers when they get sick. The committee found that this practice, though rare, is not currently prevented by Michigan law. It is one area that does need fixing.

A second area that needs attention is Blue Cross' rating methodology. While the current law protects people with health conditions by requiring BCBSM to use "community rating," it does the state a disservice by preventing the Blues from considering an individual's behavior, such as smoking or completing a recommended health screening, when selling a policy. Since poor health behavior is a driving factor in high health care costs and utilization, the Blues should be allowed to reward individuals who take better care of themselves with better insurance rates.

Blue Cross' claims of financial hardship and its plea for less oversight are just not supported by the facts: Its surplus has swollen to more than \$2 billion; it continues to accrue subsidiaries using resources accumulated via their tax advantage, and it seems to have no shortage of lobbyists, vice-presidents or money to buy advertising.

The committee learned how the OFIS commissioner's regulatory authority primarily involves assuring the solvency of the Blues, but not assuring how they meet their mission to make health care affordable and accessible to the people of Michigan. We learned how some other states have put their Blue Cross surplus to work to address health needs or decrease the number of uninsured. In Pennsylvania, Gov. Edward Rendell signed an agreement with their Blues companies to have \$100 million per year from surplus transferred to the state to expand health care for the uninsured.

In reviewing the data and testimony, I have reached the following conclusions:

- No high risk pool or assessment on policies is indicated at this time.
- The Blues should retain their role as carrier of last resort and their state tax exemption.
- The Blues should be given the latitude to consider health behaviors, but not health conditions when setting prices.
- Consumer protections such as prohibiting reunderwriting by commercial carriers are needed.
- Continued oversight by the attorney general and the OFIS commissioner is needed, but the rate-setting process should be expedited by shortening the time allowed for hearing appeals.
- Excessive surplus accumulated by the Blues should be placed in a fund to help the uninsured purchase insurance in the individual market, create tax credits for health savings accounts, or to otherwise promote

the health of the people of Michigan.


- The Blues board should be expanded to include appointments by the speaker of the House and the Senate majority leader to help insure the Blues do not drift from the mission the Legislature has given them.

As a legislator, I am interested in finding ways to make Michigan healthier and to make health insurance as affordable and as accessible as possible. This proposal is an attempt to turn what is otherwise a fight between insurance companies into something that will benefit the people of Michigan.

STATE SEN. TOM GEORGE, R-Kalamazoo, is an anesthesiologist who chairs the Senate Health Policy Committee, which will resume hearings on the Blues legislation later this month. Contact him at 517-373-0793 or at SenTGeorge@senate.michigan.gov.

Find this article at:

<http://www.freep.com/apps/pbcs.dll/article?AID=/20080404/OPINION02/804040335>

 Click to Print

[SAVE THIS](#) | [EMAIL THIS](#) | [Close](#)

Check the box to include the list of links referenced in the article.