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Monday, April 7, 2008

Insurance bills back to negotiation

New regulations sought by Blue Cross Blue Shield for individual policies under increased scrutiny.

Christina Rogers / The Detroit News

A legislative battle in the state's Capitol over new regulations for insurers selling individual policies will resume in mid-April, when members of the Senate Health Policy Committee hold another round of hearings and move to a final committee vote at the month's end.

On the table are several alternatives to a package of bills passed by the House of Representatives last fall. The proposed legislation would among other measures make it possible for the Blue Cross Blue Shield of Michigan, the state's insurer of last resort, to divvy up the financial load of paying for its sickest -- and most costly -- customers by requiring commercial insurers to pay into a high-risk pool.

Last month, the Senate committee's chairman, Sen. Tom George, R-Kalamazoo, pitched a series of substitutes to the Blues-backed legislation.

The counterproposal does away with the high-risk pool, but keeps limits on rate increases and allows the Blues to reward its policyholders for healthy behaviors, such as not smoking. It also would require the Blues to pay \$100 million into a state-run fund in exchange for rights to sell other types of insurance through its for-profit subsidiary and require the state to examine the need for individual market reform in a three-year study before setting up a high-risk fund.

"They say the system is broken. I don't agree. The evidence doesn't seem to support their claim," George said of the Blues' arguments for more dramatic reform of the individual insurance market.

The Blues have objected to George's plan. Andrew Hetzel, vice president of corporate communications for Blue Cross, said it doesn't go far enough in the way of reform, noting that "it includes some provisions that we don't see as being very good ideas."

The legislation has the potential to alter the way nearly 400,000 people without employer coverage

buy medical insurance. But first, the committee must agree on any amendments -- including whether to support George's substitute plans -- and send their version to the Senate floor for a vote.

Growing individual policies

Disagreement among the committee members already has cropped up, with at least one member, Sen. Jason Allen, R- Traverse City, planning to introduce a measure supporting the creation of a high-risk pool.

Allen's chief of staff, Norm Saari, told The Detroit News that while the senator opposes both the original bills and their substitutes, he does see a need for a high-risk pool and doesn't support the state waiting three years to establish such a fund at a time when many Michiganians are losing their health benefits.

George acknowledged his substitute proposal will likely stir debate come mid-April when the senate returns from spring break.

"We will start with my substitutes and there will be amendments," George said. "What we're going to see then is a potential debate about each amendment."

Along with the creation of a high-risk pool, the Blues are supporting legislation to change the way rates are determined by all insurers and allow the nonprofit to expand its for-profit workers compensation fund to selling other lines of insurance.


Blues officials argue it has incurred substantial losses from its individual policies and that reform is needed for the state's largest insurer to remain financially stable. The individual market, now at 6 percent of all policies, is poised for expansion in the next five to seven years, growing to as much as 25 percent of the overall insurance marketplace -- the result of widespread layoffs and buyouts by the state's employers, they say.

On the other side of the debate is a roster of industry stakeholders -- including other commercial insurers and the state's attorney general. They have rallied against the bills, saying they give the nonprofit Blue Cross Blue Shield a lucrative advantage over commercial competitors who don't share the same tax-exempt status.

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