

# AG Cox challenges Blues on purchase

**Attorney general asks nonprofit insurer to prove it didn't break law in buying for-profit firm.**

**Christina Rogers / The Detroit News**

Michigan Attorney General Mike Cox is looking into whether Blue Cross Blue Shield of Michigan improperly used funds to "subsidize or infuse" capital into its for-profit subsidiary, the Accident [Fund](#), after testimony at a Senate subcommittee hearing last week sparked questions about the transaction.

In a letter to Blues President and CEO Daniel J. Loepp, dated Thursday, Cox asked the nonprofit organization to provide details about a 2007 transfer of \$125 million from the Blues to the Accident Fund and the subsequent purchase of another for-profit subsidiary for \$127 million.

The letter suggests that if the money was used by the Accident Fund to buy workers' compensation insurer CWI Holdings Inc., it could be a violation of the 1980 law that set up Blue Cross Blue Shield of Michigan.

"The similarity in amount between the \$125 million [capital](#) contribution and the \$127.4 million CWI purchase price creates a question of whether the Accident Fund used BCBSM's capital contribution to finance the majority of the CWI acquisition," Cox wrote in the letter.

According to Cox, state law prohibits the Blues from using its company or subscriber [funds](#) "to operate or subsidize in any way the (Accident Fund) including the use of such funds to subsidize contracts for goods and services."

Cox has been a vocal opponent of Blues-supported legislation under consideration in Lansing designed to reform the state's individual insurance market. Blue Cross has said that Cox is crusading against the organization.

In a statement released Friday, the Blues confirmed it received Cox's letter, but downplayed the inquiry as "an attempt to confirm a proper transaction and nothing more." The statement noted that the attorney general and the state's insurance commissioner were notified of the transactions when they happened, and no questions were raised.

The transactions were reported in advance to regulators in Michigan, Wisconsin, California and Washington, D.C., who "raised no concerns regarding their legality or any parties' authority," the statement said.

Cox's letter asks the Blues to provide, among other things, the date of the \$125 million contribution, why it was made, the source of the money and how it was used by the Accident Fund. More broadly, the letter requests the amount, date, purpose and use of any funds that flowed from the Blues to the Accident Fund since it was purchased by the Blues in 1993.

The Blues must make that information available by June 2, according to the letter.

Money flowing between the Blues and its Accident Fund has come under scrutiny in recent months as the Blues push for a piece of the reform legislation that would allow it to expand into other lines of insurance. The Blues argue the change is necessary to ensure its financial stability and help reduce health care premiums in the long run.

The legislation, which passed the House of Representatives last fall, has run into mounting opposition. Chief among its critics is Cox, who has called on lawmakers to defeat the bills because he claims they will only serve to increase profits for the state's largest insurer at the expense of higher rates for some consumers.