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Blues PAC spends \$445K on lobbying

Firm seeks the right to raise rates, spread cost of covering sickest patients; some question priorities.

Christina Rogers / The Detroit News

In the same month that Blue Cross Blue Shield of Michigan was laying off more than 100 workers across Metro Detroit, the nonprofit insurer's employee-funded political action committee was found to have spent nearly half a million dollars lobbying legislators to give Blue Cross more flexibility in adjusting their premium rates for the self-insured.

The money was in the form of campaign contributions to lawmakers who will consider an ambitious legislative package that aims to overhaul the state's insurance market for individuals and give Michigan's largest insurer more leeway in setting rates. Political action committees are private groups formed to raise and contribute money to lawmakers and their campaigns. Blue Cross's PAC raises its money through donations made voluntarily from its employees.

A tally of those contributions, which totaled \$444,993, was released by the state in October, the same month Blue Cross announced a round of layoffs that Blue Cross officials attributed to a softening economy, efforts to restructure costs and mounting losses in its individual insurance market, which provides coverage to the self-insured.

The insurer says it expects losses on its self-insured policies to increase to \$264 million by 2009, \$60 million more than it expected earlier this year, as more people are dropped from their employer-backed insurance and turn to Blue Cross for medical coverage, Blue Cross Chief Financial Officer Mark Bartlett said. As the state's insurer of last resort, Blue Cross is required to cover all Michigan residents, whereas private insurers can reject customers.

Those losses, if continued, could put the insurer's financial stability in jeopardy, Bartlett said, which is why Blue Cross is pushing for legislation that would help spread the cost of covering for the state's oldest and sickest consumers to private health insurers.

"The problem with the system is that it has caused Blue Cross' insurance pool to become so

expensive financially it is becoming unsustainable," Bartlett said.

Hardship questioned

The new legislation, introduced last year, would affect more than 300,000 Michigan residents who hold individual health insurance policies.

But critics of the insurance giant, which claims about 70 percent of the market share, say Blue Cross should re-examine its spending priorities. They point to the thousands of dollars in campaign contributions and a \$1.4 million TV advertising blitz aired earlier this year to support the bills as evidence that the insurer is misstating its financial hardship.

"It's difficult to explain to our members that Blue Cross is struggling financially when they're able to contribute campaign contributions to the level they have, in addition to having billions of dollars in reserves," said Felicia Wasson, a government affairs director for AARP Michigan, one of several consumer groups opposing the legislation.

In recent months, Blue Cross' efforts to push the package of bills to a vote have intensified as the state's Legislature nears the end of its two-year cycle and lawmakers work to hash out a compromise between two versions of the bill -- one passed by House and another by the Senate in the spring -- before the session ends in December.

Blue Cross has been meeting with lawmakers in Lansing to make them aware of its deteriorating financial standing and to urge lawmakers to take swift action, said Tom George, a Kalamazoo Republican who is chairman of the Senate Health Policy Committee, which held public hearings in the spring to better understand the bill's impact.

Package controversial

The House version, which was passed overwhelmingly last fall, aims to better spread the cost of covering state's costliest consumers, requiring that the Blues and private insurers pay into a pool that would be administered by the Blues and used to cover the self-insured.

The Senate bills are a compromise on the House package, which grew surprisingly controversial earlier this year after Attorney General Mike Cox, consumer groups and Blue Cross rivals started complaining that the legislation favored the Blues and did little to help consumers. The compromise version doesn't include a shared risk pool, but has other consumer protections, such as barring private insurers from rejecting consumers because of their health, which Blue Cross favors.

The two versions sit in a conference committee as lawmakers try to iron out the differences. George said a reworked version of the bills is being circulated among lawmakers that would require private insurers to pay a tax for rejecting self-insured customers. Opponents, however, fear the legislation will be rewritten behind closed doors and ramrodded through the Legislature in a lame duck session.

"This is the worst time to address any substantive legislation," said Rick Murdock, executive director of the Michigan Association of Health Plans, which represents a number of HMOs and opposes the legislation. "You don't have transparency, and folks don't know what they're voting on. We don't

know any reason why this can't be addressed in the next legislative session."

Some say reform needed

To be sure, the Michigan Association of Health Plans has spent \$79,958 in campaign contributions this year, according to state records. The organization also is among several groups that oppose the bill and have assembled a team of lobbyists and public relations consultants to stall their passage in what has become among the biggest legislative battles this session.

In response to Blue Cross' latest claims, they've questioned the way the insurer is calculating its losses in the individual market, saying they aren't as large as the insurer claims and that Blue Cross is exaggerating its financial hardship to put pressure on lawmakers to pass the bills.

Blue Cross, however, rejects their criticism as nothing more than diversionary tactics, saying they fail to get to the root of the problem that this legislation aims to change -- the number of people buying individual policies is rising rapidly.

Several other groups have stood behind the Blues, arguing that reform of the market is needed and that the Blues are bearing an unfair share of the burden for caring for the self-insured.

Blue Cross favors the House reforms, arguing they are needed to stem the huge losses it bears from individual policies, to protect consumers from huge rate hikes by other commercial carriers and to help the Blues stay financially healthy and continue its nonprofit mission as insurer of last resort.

The campaign contributions are one way of ensuring Blue Cross' survival financially, Bartlett said, adding: "We have to spend money to get appropriate market reform."

Andrew Hetzel, a Blue Cross spokesman, rejected claims that the insurer was trying to rush the bills to a vote, noting that the legislative package has undergone intense scrutiny for more than a year.

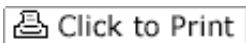
It's been through several alterations and discussions during numerous public hearings, giving interest groups opportunity to air their concerns.

"The Legislature has worked very long and very hard on this legislative reform," Hetzel said. "Michigan should expect the Legislature to finish the job."

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