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Health insurance bills backed by Blue Cross will wait for new Legislature

By [Jay Greene](#)

Legislation sought by **Blue Cross Blue Shield of Michigan** to modify the individual health insurance market is dead for the year.

Unable to reach a compromise in a contentious battle to modify the market on behalf of Blue Cross, the Michigan Legislature failed to vote on the two bills in a marathon session that lasted into early Friday.

Andrew Hetzel, Blue Cross' vice president for corporate communications, said Senate Majority Leader Michael Bishop, R-Rochester, allowed a handful of Republican senators to stop the bills from coming to a vote on the floor late Thursday night.

"With majorities of House and Senate members supportive of getting health insurance reform done this year ... the Senate Republican leader stepped aside and allowed a small group of Republican members to dictate the agenda and doom the legislation," Hetzel said in a statement.

Two well-known Republicans who pressed hard for defeat of the bills, House Bills 5282 and 5283, were Sen. Tom George, R-Kalamazoo, chair of the Senate health policy committee, and Attorney General Michael Cox, who recently filed preliminary papers to set up a campaign to run for governor.

"The winners today are Michigan's families, and this victory could not come at a better time," said Cox in a statement. "Blue Cross' plan to allow automatic price increases of up to 75.4 percent has been defeated. Michigan residents will continue to receive protection from my office and the governor when Blue Cross tries to raise their rates during this economic crisis."

Through a spokesman, Bishop said he intends to convene a bipartisan work group early next year to craft a new set of bills to reform the individual market and possibly give the Blues' **Accident Fund Insurance Co. of America** to right to purchase other insurers.

Bills not passed by the end of the year must be reintroduced once the new Legislature convenes in January. The 110-member House will have 46 new members. The Senate will have the same 38 members.

Many of the bills' opponents, including Cox and George, supported many of the consumer protections in the package. But several provisions that would have reduced oversight of the attorney general and allowed Blue Cross to offer modified community-rated products were highly contentious.

Three opposition groups, the **Coalition for Access and Affordability in Michigan**, **Put Michigan People First** and the **Michigan Association of Health Plans**, issued a joint statement praising the defeat of the bills.

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"Attorney General Mike Cox and Senate Majority Leader Mike Bishop have shown tremendous courage in leading the fight to stop action on bills that would have made enormous changes in Michigan health care coverage," said RoAnne Chaney, project manager for the **Michigan Disability Rights Coalition**.

The Put Michigan First coalition includes the **Consumers Union, AARP, Area Agencies on Aging Association of Michigan, the National Multiple Sclerosis Society-Michigan Chapter** and the **Paralyzed Veterans of America**.

Debbie Lantzy-Talpos, president of CAAM and head of **Aetna** in Michigan, said George and Bishop were heroic in standing up to intense lobbying by the Blues.

"We look forward to Blue Cross joining consumers, health plans, and others at the table early next year," Lantzy-Talpos said. "We also want to make sure that we integrate Michigan's next steps with the national health care plans that are going to be considered in Washington."

Hetzel said the failure of the legislature to pass the bills will result in Blue Cross losing an estimated \$166 million this year on individual health policies and another \$264 million in 2009.

"We hope the Legislature revisits reform next year, but you can't run a business based on hope," he said.

"The inaction of the Senate forces our hand, and company management now has an obligation to make hard business decisions to sustain Blue Cross financially as we wait for the Michigan Legislature to find the will to create a modern, fair and sustainable regulatory structure like most other states have accomplished," Hetzel said.

In previous interviews with *Crain's*, Hetzel said Blue Cross likely will seek steady premium rate increases over the next several years to eventually erase projected financial losses.

While still profitable as an overall company through 2008, Blue Cross' net income and profit margins are dropping while its total revenue is increasing.

In 2007, Blue Cross reported comprehensive income of \$177.3 million on total premium and fee revenue of \$9.8 billion, a 1.8 percent profit margin, compared with comprehensive income in 2006 of \$243 million on revenue of \$8.6 billion, a 2.8 percent margin.

The financial data includes all Blue Cross operations and subsidiaries, including the Accident Fund and **Blue Care Network of Michigan**.

For the first nine months of 2008, Blue Cross reported consolidated pretax income of \$216.7 million compared with \$272.9 million for the same period in 2007.

Total revenue for the same period in 2008 was \$7.3 billion and \$6.7 billion in 2007. The pretax profit margins for the first nine months of 2008 were 2.9 percent and 4 percent in 2007.

At the Accident Fund, pretax profits for the first nine months of 2008 totaled \$55.8 million compared with \$58.5 million in the same period in 2007, according to Blue Cross reports and based on statutory accounting principles.

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