

MIRS Capitol Capsule, Friday, February 7, 2008

Cox: What Problem Does Blues Bills Fix?

Attorney General Mike **COX** testified today that the Senate Health Policy Committee should not establish a high-risk pool for the hard-to-insure while keeping Blue Cross Blue Shield of Michigan (BCBSM) as the insurer of last resort.

Cox had harsh words for the nonprofit insurer whose social mission is established in Michigan's Constitution.

Cox said BCBSM has \$2.8 billion in reserves and the company says \$2.6 billion. The AG said that equates to about \$1 million in profits a day - the rate of return most businesses would "wish for, hope for, pray for." He noted BCBSM had bought several companies and wasn't using reserves to keep premiums down for consumers.

"This is just plain wrong," he said. "Their high reserves are more like a private equity firm than a nonprofit focused on keeping health care affordable."

Cox held a press conference last year against the package, **HB 5282, HB 5283, HB 5284** and **HB 5285**. Under the bills, a BCBSM subsidiary, The Accident Fund, would not be restricted to just selling worker's compensation insurance and private insurers would have to pay the Blues to oversee a risk pool.

"What's the problem we're fixing?" he asked the committee.

But the Blues argue that the market is changing and needs reform.

"To protect consumers, Michigan's health insurance industry needs reform that creates a level playing field, with fair and objective standards of accountability applied to all insurers," said BCBSM spokesman Andrew **HETZEL**.

"The bills before the Senate create a level playing field where

there is not one today. They include common-sense reforms like giving the Insurance Commissioner new powers to order refunds to protect people from being overcharged by insurance companies. These are positive changes to promote security for Michigan consumers."

Cox made several recommendations at the third Senate committee hearing, like preventing the other carriers from kicking in money to the risk pool until the Blues' burden exceeded its tax benefit, pegged between \$80 and \$130 million annually.

BCBSM argues its contributed \$391 million as part of its "social mission" to the community, five times what it gets in tax breaks (See "[Blue Cross-Paid Study: \\$391M In Giving, \\$80M Tax Breaks](#)," 1/30/08).

If a risk pool is established, he suggested it be overseen by an independent board and the Office of Financial and Insurance Services (OFIS).

He restated that the Attorney General needed to maintain oversight over the Blues, something he said would disappear with the individual market reform bills.

Cox urged legislators to hold workgroups or at least additional hearings to comb through all issues.

"Don't get me wrong," Cox said toward the end of his testimony. "I'm not here to bash Blue Cross."

OFIS officials also testified, explaining the department's regulatory role in terms of BCBSM, HMOs and private insurers. OFIS was not prepared to take a position on the bills, but Acting Commissioner Ken **ROSS** said officials would come back to testify at a later date. He acknowledged the department has some concerns with legislation.

Sen. Bruce **PATTERSON** (R-Canton) asked what the condition was of the individual health care market.

Chief Deputy Director Fran **WALLACE** replied: "I think it's healthy." She said after the small-group health care reform pushed by the Blues, private insurers didn't leave the state and actually increased their market share.

Committee Chair Tom **GEORGE** (R-Texas Twp.) asked if OFIS oversaw the Blues' charitable mission to provide health insurance to anyone. Wallace said the department's main concern was BCBSM's solvency.