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Michigan AG sues Blue Cross over for-profit deal

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LANSING, Mich. (AP) — Attorney General Mike Cox on Wednesday sued Blue Cross Blue Shield of Michigan and accused the state's largest health insurer of breaking the law when it shifted \$125 million to help buy a workers' compensation insurance company.

The lawsuit filed in Ingham County alleges that nonprofit Blue Cross, based in Detroit, illegally helped the Accident Fund, its for-profit subsidiary in Lansing, purchase a California insurance company in November.

"This is not what a charitable and benevolent institution was set up to do," Cox said during a news conference, referring to Blue Cross' unique role in Michigan's health system. It's exempt from state taxes in exchange for being the insurer of last resort, meaning Blue Cross can't deny any customer health insurance as long as the customer pays for it.

Cox said people are paying higher health premiums because Blue Cross diverted money to the Accident Fund — a claim denied by Blue Cross officials who said having a profitable workers' compensation business keeps costs in check for its health insurance customers.

Blue Cross said its actions were legal and cited a recent letter from the state insurance commissioner to back its case. After questions were raised, Ken Ross wrote a May 22 letter to state lawmakers saying the \$125 million money transfer to buy Santa Ana-based CompWest Insurance Co. was legal.

"We think the attorney general is wrong and we look forward to defeating his lawsuit resoundingly in court because we think we have the facts and law squarely on our side," Blue Cross spokesman Andy Hetzel said.

Cox said the insurance commissioner's interpretation of the law is "dead wrong." Office of Financial and Insurance Regulation spokesman Jason Moon responded that since Blue Cross bought the Accident Fund from the state in 1994, insurance commissioners have consistently interpreted the law broadly to let Blue Cross engage in routine financial transactions with its subsidiary.

Cox wants a judge to force Blue Cross to divest itself of CompWest and two other companies bought earlier by the Accident Fund. United Wisconsin Insurance Co. was purchased for \$96 million in 2005 and Third Coast Insurance Co. of Illinois was bought for \$12 million in 2007.

Cox's office sued the same day Blue Cross officials unveiled more details of a planned new Accident Fund headquarters in downtown Lansing. Blue Cross President and CEO Daniel Loepf, who was at the event, said there is "uncertainty" stemming from the suit that could "jeopardize this project moving forward in a timely manner."

Labor unions who stand to benefit from working on the project were more blunt and accused the Republican attorney general of grandstanding for political purposes while putting at risk up to 500 jobs expected to be added at the new headquarters. The Accident Fund now employs about 1,000 workers.

Cox, though, said the bottom line is Blue Cross broke the law. Blue Cross only can subsidize its for-profit subsidiaries in the form of a loan, not a gift, he said.

Blue Cross is "losing its way" by increasingly venturing into for-profit activities, Cox said.

"We believe for-profit subsidiaries are essential to keeping the cost of health care in reach, particularly for people who are vulnerable," Hetzel countered.

The Blues' for-profit ventures have been debated in the Legislature recently.

House-passed bills would let the Accident Fund expand beyond its current worker's compensation insurance into other lines such as home and auto insurance. Senate-passed bills don't address the issue.

Lawmakers also are debating broader rules to guide the health insurance market for individuals not covered by their employers, including whether there should be a high-risk pool to cover people who get turned down for coverage elsewhere.

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