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Thursday, May 1, 2008

Mich. Senate OKs plan to reform health insurance for those who buy their own

Christina Rogers / The Detroit News

LANSING -- The state Senate on Thursday passed legislation that offers a compromise on health insurance reforms designed to make coverage more available and affordable for individuals who have to buy their own policies.

The consumer provisions in the two Senate bills, approved 23-13, include reducing from 12 months to six months the coverage waiting period for people with pre-existing health conditions; continued state oversight of Blue Cross Blue Shield of Michigan rate increases; and state power to order refunds if they determine a consumer was overcharged.

But in a major departure from State House reforms passed last fall at the urging of Blue Cross, the Senate legislation delays creation of a high-risk pool to provide health insurance for the sickest patients who otherwise can't get coverage. Instead, the bills require the state to conduct a study within the next year to determine if Michigan needs such a pool and how it would affect insurance rates.

The House version stipulated that the Blues and private insurers would pay into the pool based on their share of the individual market, and it would be administered by the Blues. Currently, the Blues are required to cover all customers as the state's insurer of last resort, whereas private insurers can reject customers.

The bills, which would affect more than 300,000 Michigan residents who hold individual health insurance policies, now go back to the House, where lawmakers can amend the legislation or send it to a House-Senate conference committee to iron out the differences between the two packages.

"These measures make what is otherwise a battle between insurance companies into something for the consumer," said Sen. Tom George, chairman of the Senate Health Policy committee, which has been conducting hearings on the legislation for the past several months.

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The Senate bills are a compromise on the four-bill House package, passed last October, that grew surprisingly controversial earlier this year, after Atty. Gen. Mike Cox, numerous consumer groups and Blue Cross rivals started complaining that the legislation favored the Blues and did little to help consumers.

Several other groups stood behind the Blues, arguing that reform of the market was needed, and that the Blues were bearing an unfair share of the burden. For its part, Blue Cross, the state's largest insurer, said the House reforms were needed to stem 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.

Blue Cross spokesman Andrew Hetzel said Thursday that the Senate package was a disappointment, not going far enough to reform a market that's expected to grow substantially over the next five to 10 years. "The major disappointment in what passed today is the lack of comprehensive reform," he said, adding that Blue Cross would continue to push for the original legislative package.

The House package not only created the high-risk pool, but also set rate bands so that premiums could fluctuate only up to 80 percent above or below an average premium; limited the amount that all insurers could raise rates at renewal; and allowed all insurers, including Blue Cross, to set initial rates depending on medical condition, age and geography. It also extended the period for which the Blues and HMOs could wait to cover preexisting conditions to 12 months, from six months; took away attorney general oversight and the ability of people to challenge proposed insurance rate hikes; and let a for-profit subsidiary of Blue Cross, the Accident Fund, sell insurance other than worker's compensation.

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Some opponents of the House bills, like Cox, had called for their outright defeat, noting the tax-supported Blues are doing fine financially. In addition to record-high reserves, Cox has said, the insurer has spent millions to purchase five new companies since 2005 -- acting more like a private company than a nonprofit.

Others have railed against particular points of the legislation, such as the high-risk pool, even though the Blues gets a tax break for providing such coverage.

Critics of the House package praised the Senate's vote.

"I think the bills are very pro-consumer and they represent a reasonable compromise to a very difficult issue," said Joseph Aoun, an Ann Arbor attorney for the Coalition for Access and Affordability in Michigan, which represents private insurers.

Aoun said the one-year feasibility study for the high-risk pool is in line what many other states have done. "Different states have had studies with different conclusions."

The alternative plan passed by the Senate Thursday merges elements of two substitute versions introduced by George and committee member Sen. Jason Allen, R- Traverse City.

It does not address the part of the House legislation that lets the Accident Fund sell other insurance. George said he intends for the Senate committee will take up that at a later date, after Cox finishes his inquiry into whether the Blues illegally used its non-profit reserves to buy for-profit subsidiaries. The Blues insists the transactions were legal.

The new version doesn't address another part of the legislation -- allowing the Blues' for-profit subsidiary The Accident Fund to sell other insurance besides workers compensation -- which is still in committee.

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