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## Blue Cross raised execs' pay in 2008

Hikes came year before job cuts, hiring freeze

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A year before it announced a hiring freeze, the elimination of 1,000 jobs and losses of \$144 million, Blue Cross Blue Shield of Michigan gave pay hikes to its nine top executives, including large retirement packages to five former senior vice presidents, according to 2008 financial data filed by the insurer last week with the state.

- Dan Loepp, Blue Cross president and CEO, received nearly \$1.8 million in pay and bonuses, an 8.5% increase from \$1,657,555 compensation in 2007 and nearly double his \$990,351 in 2006.
- CFO Mark Bartlett -- Blue Cross point man on many legislative and financial issues -- received \$1,239,512, a 5.8% increase over his total compensation of \$1,171,194 in 2007. He was paid \$975,225 in 2006.

Five Blue Cross executives leaving the company received large retirement packages.

Departing Executive Vice President Les Viegas earned \$3.46 million, the most of the top nine Blue Cross executives.

Total compensations for the four other retiring Blue Cross executives were \$2,069,782 for William Smith; \$1,492,581 for John Austin; \$1,338,316 for Jann Cantelon, and Dale Robertson, \$1,000,554, all longtime workers for Blue Cross.

Other current executives receiving increases in 2008 included Darrell Middleton, senior vice president, business efficiency and performance, \$995,983, up from \$580,595, and Jean Carlson, senior vice president of subsidiary operations, \$960,701, up from \$707,654.

Blue Cross spokesman Andy Hetzel said compensation for executives and board is comparable to those in the industry and benchmarked against those with other large Blue Cross plans. All nine senior Blue Cross executives are taking pay cuts this year, and salaries have been frozen for those with vice president titles, such as him, he said.

Pay for members of the 35-member board, made of many auto, labor and health industry chiefs, was frozen last year and again this year. Those heading board committees or posts often received \$40,000 or more.

State law determines the size of the Blue Cross board, he said. "We're very confident our board compensation is in line with other Blue Cross systems," he said.

The figures are part of Blue Cross' 2008 finances filed last week with Michigan's Office of Financial and Insurance Regulation.

In January, Blue Cross announced it will cut 1,000 jobs, most expected through attrition, and will cut

spending on advertising and lobbying, along with other items, to help offset losses. It also laid off 100 workers last year.

Blue Cross on Jan. 30 filed a request with Michigan's Office of Financial and Insurance Regulation to raise rates on its individual health plans and supplemental Medicare policies.

The individual policies accounted for \$133.2 million of Blue Cross' losses last year -- a problem that could grow to \$1 billion by 2011 without rate increases, Blue Cross said, in its rate hike request.

Attorney General Mike Cox, who opposes rate hikes Blue Cross is seeking, criticized the raises. "Raising executive salaries while laying off workers and trying to increase rates on struggling consumers is unconscionable," Cox said in a statement.

## Additional Facts

Rate request on hold

Plans to raise individual rates for 400,000 Blue Cross Blue Shield of Michigan subscribers are on hold because Michigan's Office of Financial and Insurance Regulation has found the request incomplete.

Stephen Hiker, chief deputy commissioner, sent Blue Cross a letter last week saying the insurer's rate hike request "cannot be considered substantially and materially complete." He gave Blue Cross 10 days, or until Thursday, to submit more data.

On Jan. 30, Blue Cross filed a request with Michigan's Office of Financial and Insurance Regulation to raise rates on its individual health plans and supplemental Medicare policies. Average increases proposed are 56% for individual or nongroup plans bought by adults 64 or younger, 42% for group conversion plans for people who once had workplace coverage and 31% for senior citizens with Supplemental Medicare insurance.

Andy Hetzel, Blue Cross spokesman, called the letter a formality. " ... We are in the process of getting back to them with the information they've asked us to provide," he said.

*Patricia Anstett*

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