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Cox says he'll challenge Blue Cross rate hike plan

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Updated at 4:44 p.m.

Attorney General Mike Cox today said he will challenge a request by Blue Cross Blue Shield of Michigan to increase health insurance rates for 400,000 Michiganders by raising issues about excessive spending by the insurer and asking whether its \$2.25-billion reserve fund should be used to avoid rate hikes.

Cox made the request for details at a pre-hearing conference in Lansing today before Musette Michael, the administrative law judge hearing the case for the State Office of Administrative Hearing and Rules.

Blue Cross filed for the rate hikes on Jan. 30, citing losses in its individual market that could exceed \$1 billion through 2011.

On average, the average increases would be 56% for non-group plans bought by individuals without workplace coverage; 42% for group conversion plans that extend coverage people once had in a workplace, and 31% for senior citizens with supplemental Medicare policies.

Citing one example, Cox said the rate hikes would increase monthly premiums from \$454 to \$807 for some people with group conversion policies.

Blue Cross blames a broken state insurance market for the need to raise rates. It wants reforms that will lower its individual market losses by requiring commercial insurers to take all applicants, as Blue Cross must by state law, and by ordering all nonprofit insurers to pay into a state fund that would pay for the costliest health care cases.

"We are covering so many people with medical conditions rejected by other carriers who are driving rates up" at Blue Cross, said Andy Hetzel, Blue Cross spokesman. "If we can solve that problem... then we can soften rate increases for people who need it the most."

Cox asked for information about:

- Whether Blue Cross analyzed how many people will drop insurance if rates go up.
- The value of tax breaks Blue Cross receives as a nonprofit insurer. Blue Cross estimates it gets \$80 million a year in tax breaks.
- Money transferred by Blue Cross to its subsidiaries to buy other companies outside Michigan.
- Whether Blue Cross should use its reserve fund to offset rate hikes.
- Compensation for executives; bonuses paid to employees, and salaries paid to its board members.

- The total value of the insurer's art collection.

Michael is to make a decision by Oct. 1.

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