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Communities accuse Blue Cross of hiding \$40 million in fees

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A dozen Michigan communities say they were overcharged \$40 million in hidden fees by Blue Cross Blue Shield of Michigan and are demanding that money back.

Lawsuits have been filed by several communities, and others are considering joining a class action suit against the state's largest insurer. Blue Cross has settled two cases related to the fees. Attorney William Horton said more than 1,000 government bodies may have unknowingly paid the fees since 1994, when he says Blue Cross changed its billing practices.

At that time, Horton, the attorney representing Oakland County, says the insurer began tacking on administrative fees, which the lawsuits charge were intentionally hidden from governmental clients.

"We have internal memos that say how to set up these plans," Horton says. "They were used for training their sales people to hide these fees."

Blue Cross spokeswoman Helen Stojic said the fees were not hidden and have enabled the communities to realize a savings through the Blues' hospital networks.

"The disputed fees were specifically referenced in each of these groups' contracts," she said in an e-mailed statement.

But Horton argues the contract language is so complex only a Blue Cross insider would know about the fees.

The legal action is just the latest punch to the nonprofit insurer under scrutiny for its rate increases, corporate bonuses and a reserve fund of \$2.3 billion.

The lawsuits followed last fall's settlement reached by Oakland County with Blue Cross just days before the case was to go to trial. The county had paid nearly \$17 million in unknown fees since 1994.

As result of the settlement, the county was paid \$650,000 in cash and will receive three years of free administration by the Blues, according to the agreement obtained by The Detroit News under the Freedom of Information Act. Oakland legal counsel Keith Lermينياux said the free administration of its plan for 5,000 employees and retirees is worth about \$8.5 million.

An Oakland County human resource employee discovered the fees while renewing the contract in 2006, Lermينياux said.

The Road Commission for Oakland County also filed suit and in January reached a settlement in which Blue Cross agreed to pay \$150,000 in cash, \$100,000 in credit and reduced rates on administration costs over three years.

Livingston County is the latest to file a lawsuit. Administrator Bob Block said roughly \$2 million was paid in unauthorized fees to Blue Cross. He said he never saw an invoice. The hospital claims were

listed in a summary.

"We never agreed to pay those fees, so we should be reimbursed those costs. We believe fraud is involved," Block said.

Livingston County, like other governments filing suit, is self-insured, meaning the county pays all direct costs for hospital care, capping its liability at \$50,000 per incident. It pays a fixed fee of \$2,200 per employee to Blue Cross, which processes and manages the claims.

Horton said what the Blue Cross contract never disclosed was the insurer-added access fees of 13.5 percent on each hospital claim.

"If (the bill) comes through from the hospital as a \$100 cost, (Blue Cross) reports it to you as \$113.50," he said. "(Blue Cross) pays the hospital \$100 and puts \$13.50 in their pocket."

Shaun Groden, St. Clair County administrator, said he learned about Oakland's case while looking for ways to save on health costs.

Groden pulled out the 88-page contract and discovered the same language. He estimated the county paid about \$3.5 million over a four-year period in undisclosed fees.

"We called Blue Cross and said, 'We have the same language as Oakland County. We want the same deal.' They said, 'no' and we said, 'OK, see you in court,'" Groden said.

"The further we get into this, it just seems apparent that they were hiding these fees," Groden said.

Kelli Scott, administrator for Calhoun County said the access fees added 50 percent more to the administrative costs it agreed to pay. She believes other insurers submitting bids over the years may have been less expensive if the fees were known.

Blue Cross' Stojic said that despite the legal action, all of the communities continue to do business with the insurer.

"While we sympathize with government bodies that are trying every possible way to add funds to their budgets because of challenging economic times. We are disappointed that they have chosen to participate in these lawsuits," Stojic said.

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