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Michigan insurance commissioner rejects BCBS Medigap rate increase

*CHRISTINA ROGERS**The Detroit News*

The state's insurance commissioner on Monday rejected a request by Blue Cross Blue Shield of Michigan to raise its rates for Medigap coverage by 31 percent.

Commissioner Ken Ross instead ruled Blue Cross can raise rates for its Medigap coverage by no more than 3.8 percent or about \$4 more a month, affirming an earlier decision by an administrative judge. About 210,000 Michigan seniors subscribe to Medigap plans.

Medigap covers basic gaps between what Medicare pays for and the amount charged by health providers.

The rate increase is well below the \$400 annually, or \$33 a month, the insurer sought and lower than a 4.7 percent interim increase approved in August.

Blue Cross will have to adjust bills to make up for the difference between the approved rate and payments already made under the interim increase. The ruling doesn't affect Blue Cross's Medicare Advantage plans, which provide a fuller range of benefits than Medigap at a higher price.

The commissioner said Blue Cross should apply the full amount of a 1 percent subsidy collected from its group members to offset the need for rate increases on its Medigap plans.

State regulators had previously said Blue Cross is collecting only a portion of that now -- \$113 million -- and should collect the fully allotted amount of 1 percent under state law. The full 1 percent subsidy would amount to an estimated \$182 million a year, according to Blue Cross.

Ross also found Blue Cross's calculations for health care cost trends were too high.

Blue Cross spokesman Andrew Hetzel said the insurer was "obviously disappointed" in the ruling. He said the state's action makes clear the nonprofit insurer is being forced to absorb losses on money-losing insurance plans that are far more than its \$90 million tax exemption. Since 2003, Blue Cross claims it has lost \$358.9 million on its Medigap policies, even after applying money collected by the subsidy fee.

By law, state-regulated Blue Cross must gain the insurance commissioner's approval to raise rates on certain plans, such as its Medigap policies.

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