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Editorial

State Senate adopts fair health insurance reforms

The Detroit News

The Michigan Senate has done a good job of winnowing bad ideas from proposed legislation designed to reform regulations governing health insurance for individuals. The House ought to follow the Senate's lead.

The House last year sent the Senate a package of bills backed by Blue Cross and Blue Shield of Michigan, the state's major health insurer. Senators, led by Tom George, R-Kalamazoo, and Jason Allen, R-Traverse City, asked tough questions and came up with compromise legislation that now goes to back to the House.

A key component of the House legislation would have created a high-risk pool for particularly sick patients to be covered by an assessment on all health insurance companies, whether Blue Cross or private commercial carriers. The assessment would inevitably be reflected in all customers' insurance rates.

At the same time, the House legislation would have allowed Blue Cross to retain its tax-exempt status, worth about \$75 million to \$100 million per year, and purchase any type of business.

The Senate legislation does not set up a high-risk pool, but asks for a one-year study of the market by the state's Office of Financial and Insurance Regulation.

It also does not accept the House language allowing Blue Cross to engage in any type of business. Nor does it require Blue Cross to make a \$100 million payment to subsidize individual health care policies, which was sought by George and was in our view unfairly confiscatory.

The legislation is pro-consumer in that it forbids insurers from demanding drastically higher premiums from consumers who become ill after they have already purchased policies, which tended to send them to Blue Cross, which is still the insurer of last resort for individuals.

The Senate bill is sympathetic to Blue Cross' wish for a shorter deadline for obtaining rulings for rate hike requests, and it allows Blue Cross to set rates for individuals based on their health behaviors, such as smoking or participation in wellness programs. We have long supported this type of reform; health insurers are now allowed to set rates based on smoking, for example, just as life insurance underwriters do.

It allows Blue Cross to continue to set rates based on geography, but George says the rating areas must include at least four counties.

The Senate legislation retains government oversight of Blue Cross by the state insurance office and the attorney general. It requires Blue Cross to file annual reports to show how it is meeting its mission as a state-created nonprofit organization to make insurance affordable, and it places two additional members, one appointed by the state House speaker and one by the Senate majority leader, on the Blue Cross board to strengthen public interest oversight.

This is all an improvement over the House package. Blue Cross, unsurprisingly, expressed disappointment with the Senate legislation, but George and Allen did a good job of compromising on some of their proposals and coming up with a deal that's fair to both insurers and consumers.

If the House is interested in good health insurance policy, it will support this legislation.

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