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Pay raises for Blues' execs undermine case for relief

When will corporate executives start to get it?

You can't run around poor-mouthing in front of the government, asking for legislative relief or loans or bailouts for your business, then turn around and hand pay raises the size of most customers' salaries to your leadership team.

It's unseemly. It's self-endangering. And, at the end of the day, it's just wrong.

The latest local offender is Blue Cross Blue Shield of Michigan, which spent most of 2007 and '08 trying to convince state lawmakers that without major reforms to the market for individual health plans, its business model was headed for decertification by the affiliation of national Blue Cross insurers, and possibly insolvency further down the road.

Legislators dickered and dallied and never got meaningful, sensible reform passed. And some of the Blues' critics -- including Attorney General Mike Cox -- doubted that their financials looked so bad. Cox, in particular, argued strenuously that many of the Blues' losses in the individual market -- which is growing as Michiganders lose company-subsidized coverage to unemployment or cutbacks -- were overstated, and often offset by overall company profits.

Cox may be 100% wrong. But the Blues made his case look a lot stronger by continuing with plans to reward top executives with pay increases most people can only dream about, even as the company was saying it needed serious help.

CEO Daniel Loepp got an overall 8.5% hike in salary and bonus above his 2007 pay, which translated to a six-figure increase. CFO Mark Bartlett got a 5.8% increase in 2008, a \$50,000 boost.

In normal economic times, those might not be eye-popping numbers. But in 2008? Given the company's circumstances, and the overall testiness of the economy, why wouldn't those planned pay increases have been restructured? At a minimum, it would have kept the company's behavior consistent with the narrative it has been spinning to any audience that will hear.

The good news is that the Blues are starting off 2009 on a better foot. Executives will take pay cuts (in some cases not quite equal to last year's raises, but still a good move) and forgo raises this year.

Of course, the Blues will also lay off about 1,000 workers and are seeking a rate increase, spreading the pain more evenly than the profits were last year.

But at least it's a start. Good luck to the company, though, in making the case for its economic woes in Lansing this year.
