



## Red light Blue Cross bills

Sunday, December 16, 2007

The Michigan Senate should throw up a stop sign on health insurance legislation that would significantly change and raise rates for people who pay for their own coverage. The House allowed the legislation to zoom through like a toboggan shoved down a Teflon hill.

Blue Cross/Blue Shield of Michigan -- the state's largest health insurer -- crafted the bills that rewrite rate-setting, oversight and coverage rules for individual health insurance plans. They conveniently also expand profit-making options for Blue Cross subsidiaries. Those are significant changes and need to be thoroughly vetted to determine what's best for the public. Two weeks after being introduced, the package of four bills (5282-5285) breezed through the House in October with scant opposition or opportunity for public scrutiny. The first two bills passed by votes of 89-17 and 90-16, respectively; the second two by 84-22 votes. West Michigan lawmakers supporting the bills included: Robert Dean, Kevin Green, Geoff Hansen, Dave Hildenbrand, Bill Huizenga, Michael Sak, Glenn Steil Jr., and Mary Valentine.

Area lawmakers wise enough to vote no included: David Agema, Tom Pearce, Arlan Meekhof, Fulton Sheen, Brian Calley and Judy Emmons.

Given the impact the legislation could have on consumers and competition in Michigan's insurance market, West Michigan's senators should see that these bills get the attention they deserve.

Blue Cross provides or manages coverage for 4.7 million people. That's about 70 percent of the health policies in the state. It's also the insurer of last resort -- required by state law to cover anyone who can pay the premiums. That's a provision relied upon by those who can't get coverage from other insurers. Blue Cross enjoys non-profit, tax-exempt status in Michigan for taking on that responsibility. Those tax breaks amounted to \$82 million last year.

The proposed legislation would let Blue Cross act more like its for-profit competitors, but retain its tax-exempt status. Michigan Attorney General Mike Cox and other opponents says Blue Cross should not be allowed to have it both ways. They are right.

Among other things, the bills would:

- Eliminate the state insurance commissioner's ability to set Blue Cross rates and end customers' and the attorney general's role in challenging rate hikes.
- Allow Blue Cross to drop its one-size-fits all rating policy and charge different rates in different parts of the state, taking age and illness into consideration.
- Allow Blue Cross to wait 12 months, instead of the current six, to provide coverage for people with pre-existing conditions.
- Create a guaranteed insurance pool -- run by Blue Cross -- but funded by all health insurance companies in Michigan. The money would help subsidize the expense of insuring high-risk individuals.
- Let the Accident Fund, a for-profit Blue Cross subsidiary that sells workers compensation insurance, also offer auto, property and casualty insurance.

Blue Cross' share of the state's individual policy market is not huge -- about 132,000 members -- but it is growing as more companies drop health coverage and job losses and buyouts force more people to buy their own health coverage. The self-insured market is expected to jump from 6 percent to as much as 25 percent of insurance policies in five to seven years.

Blue Cross says it lost \$100 million on individual health policies last year and needs to stop the losses. But it is by no means in a financial death spiral. On the contrary, the company has amassed a \$2.8 billion -- yes, that's billion -- surplus and has been buying up for-profit subsidiaries. It has spent \$365 million since 2005 to buy four insurance companies.

Blue Cross insists the bills are needed to level the playing field with commercial insurers. Critics contend the measures will allow Blue Cross to control the individual insurance market, force other insurers to help subsidize policies for people they don't cover and lead to rate hikes.

The substantive changes being pushed by Blue Cross warrant a lot more discussion, analysis, public input and due diligence on the part of lawmakers.

Senate Health Policy Committee chair Sen. Tom George's decision to take up the bills after the new year and hold several hearings is a good one. There is no responsible reason for a rush job on these proposals

Blue Cross is sitting on a pile of surplus cash. The non-profit company and "our" representatives in Lansing should consider proposals to give customers a refund or rate cut, before measures designed to increase profits. The lack of critical review of the Blue Cross bills by lawmakers in the House is astounding. The state's senators must give these bills the careful attention that was sorely lacking by their colleagues.