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Fund sale: Ideal deal - All sides would gain from independent Accident Fund A Lansing State Journal editorial

After racing through the Michigan House last year, bills backed by Blue Cross Blue Shield are stuck in the Michigan Senate. There are major differences among the Blues, their competitors and consumer groups over what constitutes wise individual insurance reform.

When such impasses occur, it's best to seek out smaller areas of agreement. And a good way to break the Blues logjam is to strike a deal involving its Accident Fund subsidiary.

Here's a suggestion: In exchange for legislative approval for Lansing-based Accident Fund to sell insurance beyond its workers compensation line, the Blues would agree to spin off Accident Fund as an independent, for-profit venture.

This isn't exactly what anyone wants. But it does offer advantages to all concerned.

Of most interest to those in mid-Michigan, an independent Accident Fund would gain the ability to grow its business nationally. Accident Fund, which at one time was owned by the state of Michigan, already employs about 650 people, with more than half of those working on accounts outside Michigan.

Blue Cross argues that an Accident Fund free to write insurance beyond workers compensation would be able to add to that 350 people. That would be excellent news for greater Lansing.

However, other insurance companies argue that they provide more than 3,000 jobs in mid-Michigan - and letting a Blues-backed Accident Fund storm into their business creates an unfair advantage.

While Accident Fund pays taxes, its mother firm does not. The Blues get a state tax exemption in exchange for being the insurer of last resort. The firm is the dominant health insurer in Michigan, has huge cash reserves and is a potent political force in Lansing.

The legislation that the Blues pushed through the House freed up Accident Fund without any real caveats. And that idea has been going nowhere.

Sen. Tom George, R-Kalamazoo, has put forth alternative ideas for his committee reviewing the Blues bills, among them the freeing of Accident Fund to compete, as long as the Blues drop \$100 million into the state treasury to subsidize health coverage.

The Blues have said they won't sell off Accident Fund, and they oppose George's \$100 million idea.

It would benefit the insurer to find a way to say yes, namely by agreeing to an Accident Fund sale in order to let the firm compete.

The other insurance firms thereby lose their complaint about Blues' financial and political muscle. The Legislature finds something to agree upon, thereby allowing more consideration of the broader, more complex reforms sought by the Blues.

And insurance consumers in Michigan and elsewhere get more competition, which should be beneficial for services and pricing.

Insurance has become a major source of jobs for mid-Michigan; good jobs that pay well. The best policy for the state isn't to give a politically well-connected nonprofit everything it wants, but to create a marketplace where solid for-profit firms can succeed on their own merits.