



Nonprofit Publisher  
of Consumer Reports

October 17, 2007

Honorable Virgil Smith  
Committee Chair, Insurance Committee  
House Office Building, Room, 519  
Lansing, Michigan 48909-7514

Re: **Oppose** HB 5282, 5283, 5284, 5285

Dear Honorable Virgil Smith:

Consumers Union is deeply concerned about the package of bills introduced, HB 5282, 5283, 5284 and 5285. For the reasons outlined below, we must stand in opposition to these bills.

Consumers Union, publisher of *Consumer Reports* magazine, is an independent, nonprofit testing and information organization serving only consumers. We are a comprehensive source for advice about products and services, personal finance, health and nutrition, and other consumer concerns. Since 1936, our mission has been to test products, inform the public, and protect consumers. Our income is derived solely from the sale of *Consumer Reports* and our other services, and from noncommercial contributions, grants, and fees. For more than 15 years, Consumers Union has monitored the conversions of Blue Cross Blue Shield Plans and hospitals from nonprofit organizations to for-profit corporations. Consumers Union has provided technical assistance, legal and public policy analysis to community groups, insurance commissioners, attorneys general, courts, and legislatures in more than 40 states. These efforts include consumer involvement during the review of proposed conversions and efforts to establish new health foundations with health care conversion charitable assets.

Consumers Union is deeply concerned that these bills would remove BCBSM's obligations as insurer of last resort, and this will increase the number of uninsured people in Michigan. Given the rise of the number of people uninsured in Michigan, and BCBSM's rising surplus, there is no rationale for excusing BCBSM from its long held community obligations. While Over \$1.2 million Michigan residents have no health insurance today, BCBSM's surplus has more than double over the past five years to reach \$2.84 billion. According to BCBSM's own financial statements, its surplus "belongs to the residents of the state of Michigan."

If BCBSM would like to be released of its community obligations, and become a for-profit corporation, the regulatory review should answer the question about whether such a conversion would be in the public interest. The process should be transparent, encourage public dialogue, engage diverse elements of the community, and foster consensus about community health improvement goals. Based on our experience in over 40 states, Consumers Union has developed a Model Conversion Act, which we have attached for your review.

BCBSM is part of a long history of Blue Cross Blue Shield Plans and a decision to allow BCBSM to convert should not be rushed. Blue Cross and Blue Shield plans across the country were created with the intention of providing affordable health care coverage in the nonprofit context with a community focus. Blue Cross plans were established to fill significant holes in the health care system. They

were created and promoted by the community, acting in the public benefit. Their history and involvement in creating an alternative health care coverage source -- the voluntary, nonprofit prepaid health plan -- and their subsequent participation in the development of the Medicare and Medicaid programs have helped ensure that more Americans obtain access to health care coverage. Blue Cross and Blue Shield of Michigan's own history mirrors this movement.

In addition to the issues of possible conversion and loss of charitable assets, the proposed legislation would remove essential consumer protections. Some of the key consumer protection concerns about the proposed legislation include the following:

- The ability for subscribers and the Attorney General to challenge rates will be eliminated;
- Elimination of the requirement that the Insurance Commissioner approve in advance any rates or increases
- Elimination of community rating; rates will be able to vary by 80% based on age and health status
- Minimum loss ratio of 70%, meaning that 30% of the premium dollar can be maintained for profit and administration. BCBSM's current rate filing assumes 10% for these items. If the actual loss ratio is less than 70%, there will be no refunds or rebates to consumers
- Expanding the duration of pre-existing condition limitation clauses from 6 months to 12 months
- Allowing BCBSM the ability to limit high risk patients to four unspecified "guaranteed access" health plans and no standards exist to ensure a reasonable level of coverage under those plans, such as coverage for prescriptions, office visits and preventive care.

Removing these protections, will create more obstacles for consumers trying to access affordable quality health care.

While we strongly oppose HB 5282, 5283, 5284 and 5285, we hope there is time for continued dialogue. We would be happy to share our experiences from other states, and how they have confronted the issue of conversion of their BCBS plan, and ensured that the public interest was protected.

Sincerely,



Laurie Sobel  
Senior Attorney Consumers Union