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Blue Cross opposes alternate legislation

Senate's individual health care proposals are debated

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Blue Cross Blue Shield of Michigan said Wednesday it is strongly opposed to alternatives being proposed by the chairman of the state's Senate Health Policy Committee to overhaul individual health insurance affecting 322,000 people.

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The issue is shaping up as one of the top state legislative battles of the year while the number of consumers shopping for health insurance grows as employers drop health benefits.

The bills as written "will benefit consumers struggling today" to pay for insurance and provide a "long-term way of sustaining health insurance coverage for individuals," said R. Andrew Hetzel, vice president of corporate communications for Blue Cross.

The nonprofit insurer is supporting legislation to let it price and structure its money-losing individual policies more like commercial insurers. It wants to be able to immediately raise rates, subject to subsequent review by Michigan's Office of Financial and Insurance Services, with no challenges by consumers and Michigan's Attorney General.

The legislation affects people under age 64. In 2006, the latest year for which figures are available, 256,000 people purchased their own health insurance in Michigan and another 66,000 had so-called group conversion policies that extend workplace coverage they once had, according to the insurance bureau.

The individual market, now 6% of all insurance sold in the state, will grow to 25% of all insurance policies in the next 5-7 years, according to Blue Cross estimates. Using those projections, the individual market could affect as many as 2.5 million Michiganders, said Sen. Tom George, R-Portage, chairman of the Senate committee.

The bills quickly passed the House in October by overwhelming margins.

The Blues had hoped to win quick Senate approval. But George conducted five hearings on the bills and then recently introduced his own alternative measures designed to reward Michiganders for pursuing healthier behaviors.

Legislative leaders allowed George to extend hearings on his alternative plan in exchange for promising his committee would vote on the bills by the end of April, George told the Free Press on Wednesday. He now plans to build bipartisan legislative and consumer support for his alternative.

"This proposal is an attempt to turn what is otherwise a fight between insurance companies into something to benefit the people of Michigan," George said. "The goal of the Legislature should be to have a Michigan that is healthy and insurance that is affordable. We need incentives to do that and can use the law as a tool." As the state's major insurer, covering 4.6 million people, or 70% of those with health insurance, "Blue Cross is the key to making people in Michigan healthier," George said.

He said Blue Cross hasn't made a convincing case for many changes it has proposed. He called the insurer's \$2.4 billion in reserves excessive for a nonprofit company created to keep insurance affordable. He favors using some of that surplus for tax breaks for people buying their own insurance.

His proposals also would:


- Prohibit commercial insurers from raising rates or dropping people who develop health problems.
- Allow Blue Cross to charge higher rates to people with unhealthy behaviors, such as smoking.
- Require Blue Cross to report to the Legislature an accounting of what it spends on entertainment, advertising and lobbying. The first report would be due April 1, 2009, and every second year afterwards.
- Require Blue Cross to place excessive surpluses into a state fund administered by the Treasury Department. Blue Cross would have to contribute money to the fund whenever its surplus was above 600% of the capital it needs to stay financially viable. Blue Cross reserves now stand at 688% of that risk-based-capital formula, well within nationally recommended limits.
- Allow Blue Cross' for-profit Accident Fund, now limited to workers' compensation insurance, to sell other types of insurance, in exchange for a one-time contribution to the Treasury fund of \$100 million.

Hetzel called "just a bad idea" requirements that the Accident Fund contribute to a Treasury Department fund. George "is suggesting that the state take \$100 million from a private, tax-paying company to finance a government program," Hetzel said.

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