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Blues bills: Individual health changes require far more study before action

Our opinions

A package of bills to transform how individual health insurance policies are sold here is halfway through the Michigan Legislature.

And it's likely the lawmakers reviewing House Bills 5282-5285 don't understand even half of what's in them. That's not a knock on legislators. This is a big, honking, complex change in how Michigan regulates the insurance market - one that could have unforeseen effects and has engendered fierce debate and accusations from both sides.

Something this important, this contentious, shouldn't be made law in a matter of weeks.

The Michigan Senate, where the bills are now, should set aside at least half of this package of legislation. Instead of immediate votes, Michigan should form a task force of lawmakers, experts from the Office of Financial and Insurance Services and representatives of the insurance industry to study the need and recommend solutions.

Free Accident Fund to compete

The latter two bills of the package, HBs 5284-85, offer considerable interest to the Lansing area. These bills would give Lansing-based Accident Fund the opportunity to write insurance policies in areas now barred to it.

Lansing will profit with a stronger Accident Fund, and with a stronger insurance sector generally.

That doesn't mean the Legislature should give the Accident Fund any special advantages. Unlike its corporate parent, the Accident Fund is a for-profit firm that pays state taxes. The goal here should be a bigger, yet level, playing field for the firm that's become an anchor for downtown Lansing.

If legislators can reach that goal separate from the issues tied up in the other two bills, HBs 5282-83, they should do so.

State has time to study issues

All four measures were filed on Oct. 11 in the Michigan House - and were voted out by that chamber by Oct. 24.

Two weeks is just not enough time to study legislation of this import, much less adequately assess constituent views of them.

Worse, readers may recall that in mid-October the Legislature was still trying to slug through spending decisions for the 2008 budget. These bills, advanced by Blue Cross Blue Shield of Michigan, could not have received proper attention in the House.

Speed, though, has been deemed a positive thing on this legislation largely because BCBS seems to want it so. The nonprofit insurer's role in this process, however, is another argument for slowing down.

Under HBs 5282-83, BCBS's role as the "insurer of last resort" would change significantly. It would retain its nonprofit status - and the resulting exemption from state taxation - while gaining the assistance of for-profit competitors in subsidizing losses in a "guaranteed access plan."

BCBS argues that the creation of such a "high-risk pool" is necessary because of the losses it has sustained in the individual market - and the projected growth in the number of people buying individual health plans.

In fact, BCBS says it lost \$120 million in the individual market in 2006 alone, far exceeding the amount of taxes it is forgiven for serving as the last-resort insurer.

Yet, an analysis done by Crain's Detroit Business found that most of that \$120 million wasn't lost where BCBS would want you to think: From insuring working Michigianians.

Crain's found that \$93 million of the loss came in Medigap policies sold to senior citizens, and only \$6.5 million was lost on "comprehensive policies for individuals."

There's little debate about the need for Michigan to look at individual market choices and regulation. As more and more working citizens are finding employers unable or unwilling to offer work-based health insurance, the demand for individual coverage will grow.

But the question immediately at hand is whether HBs 5282-83 are the proper prescription. On that, there's not nearly enough clarity for lawmaking.

Before there is individual market reform, there should be far more study of individual market issues - study that includes the entire industry and the public.