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## LOCAL COMMENT

### **Don't give Blues too big an advantage**

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BY PATRICK L. ANDERSON and CAROLINE M. SALLEE

The Michigan Senate is considering a package of bills that would further reduce the statutory burdens that Blue Cross Blue Shield of Michigan shoulders, while leaving intact its blanket exemption from state and local taxes.

Therefore, it is an appropriate time to compare the benefits and burdens that Blue Cross enjoys under the statutes it wishes to see changed.

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Anderson Economic Group was commissioned to perform an independent analysis of the special role played by Blue Cross in Michigan's health insurance market. The three-month effort involved sifting through tax records and regulatory filings. The findings are striking:

Over 20 years ago, Blue Cross was designated a "charitable and benevolent" organization and given a blanket exemption from state and local taxes. Since then, it has avoided the burden of paying business taxes, personal property taxes, real property taxes, sales taxes and use taxes.

In return for the tax exemption, Blue Cross was given the obligation of being the "insurer of last resort." This means insuring the sickest patients who often generate the largest medical bills.

Blue Cross occupies a dominant position: It accounts for about 70% of the commercial health insurance market and has profit reserves that have risen to \$2.8 billion.

The tax exemption relieves Blue Cross of more than \$112 million in annual tax burdens; it also enjoys a group conversion subsidy of another \$25 million. By comparison, we estimate the cost of being the insurer of last resort to be \$7.7 million.

Blue Cross has used its profit reserves to acquire other companies, including other insurers such as the Accident Fund of Michigan.

In addition to the costs of its statutory burden, Blue Cross supports health clinics and subsidizes certain health insurance coverage plans. It does this for both business development reasons and because of its social mission.

We recognize the many benefits Blue Cross brings to our state. However, other companies also support charitable and civic activities, without the benefit of a tax exemption. They also deserve fair treatment in the marketplace, and are burdened with rising health insurance costs.


The market for health insurance in Michigan is crying out for reform. However, increasing the dominance of one player, preserving its tax advantages and pushing more burdens onto tax-paying competitors is not the kind of "reform" that is likely to benefit Michigan's workers and employers.

We need a healthy debate about getting health insurance for more workers. That requires a much broader discussion about both a level playing field and more players on the field.

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