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**Daniel Howes**

# Blues battle perception for changes

Health care giants struggle with change, too, and lobby hard for help managing it.

Blue Cross Blue Shield of Michigan, the $20 billion corporate behemoth loved by some and hated by others, is pushing a bill in the Legislature that would reform the way rates are set for individual health insurance coverage, the fastest growing sector in their business.

The move, under consideration in the state Senate, is one piece of a complex transition the Blues are engineering as Michigan's health insurance market shifts amid the restructuring of Detroit's automakers, an aging population, a decline in small business-funded insurance and exploding growth in individual health care policies.

Michigan Attorney General Mike Cox doesn't like the Blues bill, denouncing the proposal as "dramatic over-reaching" that puts "profits over people," would fatten executive salaries and reduce state (namely, his) oversight. AARP doesn't like it. Folks who've felt the sting of rising premiums or seen their employers cut coverage don't like it.

The non-profit Blues aren't exactly hurting. A study by the Anderson Economic Group estimates the insurer will avoid paying $112 million in state taxes this year, a figure the Blues say should be offset by $307 million in "social mission" expenses it pays for uncompensated care, children and charitable giving.

Still, with cash reserves hovering around $2.8 billion, or 15 percent of total annual revenue, even the Blues' president and CEO concedes his company doesn't make a very convincing case of poor-mouthing.

**Moving to stanch losses**

All of which explains why Blues boss Dan Loepp, a onetime spokesman for the legendary state attorney general Frank Kelley, is conducting a lobbying campaign of his own. His is a company -- the fifth-largest Michigan-based company, measured by revenue -- in transition, and winning the right to better compete for individual policy holders is a key step in that transition.

The Blues, Loepp says, will lose $150 million on individual insurance plans this year in a segment expected to grow to as much as 20 percent of the health insurance business over the next 10 years, from 6 percent today. He wants the reform to allow them to compete fairly with for-profit insurers for individual business.

"You can't sustain" those losses, he told me in an interview from his office overlooking the Detroit River. "For every $100 we collect, we're paying out $127 in claims in the individual market. That's a fact."

But that's not the only challenge facing the Blues, which employ nearly 10,000 across the state, insure 4.7 million Michiganians and have another million card-carrying clients across the country.

The insurer of first resort for Detroit's automakers and, by extension, the United Auto Workers, is facing a crucial transition from a model anchored by mega companies to one tied to shrunken automakers, fewer small business clients, more individual policies and the chance to compete for a new mega-deal -- the Big Three-funded retiree health care programs, called "VEBAs," to be controlled by the union by in 2010.

**'It's a very unique time'**

"I view it as a huge opportunity to bid on business and keep business," Loepp says, downplaying the potential influence of the UAW officials who sit on the Blues board. "We've had to go toe-to-toe with every major player in America and this gives us a chance to do it again. We're going to have to perform."

Good. Because with health-care liabilities measuring in the tens of billions, the UAW's VEBA business is likely to draw intense interest from big-money insurers looking for big contracts to manage. "There are an awful lot of people," Loepp jokes, "who found out where Solidarity House is and who didn't know about it before."

Yep. Few things focus business minds more than a pile of cash ready to be managed.

Adds CFO Mark Barlett: "It's a very unique time. Population aging. Baby boomers just entering retirement. It's never been more competitive. The amount of spending on health care is only going to go up."

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