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Cox testifies against BCBS-supported insurance bills

Sofia Kosmetatos / The Detroit News

Calling proposed legislation that would set new rules for insurers selling individual health policies "deeply flawed," Michigan Attorney General Mike Cox testified Wednesday that legislators should gather independent data on the insurance market, including a thorough audit of Blue Cross Blue Shield of Michigan, before enacting reforms.

Cox testified before the Senate Health Policy Committee in its third week of hearings about a package of bills pushed by Blue Cross to govern the small but fast-growing individual insurance market. It's not certain when the Senate could take up action on the bills, which the House approved with little fanfare last fall.

In recent months, however, Cox and numerous coalitions have come out in opposition to the bills, which they say favors the Blues and will raise rates for policyholders.

"I strongly urge the Senate to take your time; analyze the appropriate market size; order an audit of Blue Cross. These are the appropriate first steps to any comprehensive policy change," he testified. Blue Cross, meanwhile, called Cox's testimony a "crusade" against the organization. "We'd like him to engage in an active conversation about how to help consumers," said Andrew Hetzel, vice president of corporate communications for the insurer.

The insurer says the bills, which the House approved with little public discussion last fall, are needed to help stem huge losses in the market for individual policies.

The proposed legislation would create a risk pool funded in part by other insurers to provide coverage for people who can't afford traditional coverage through an insurance company.

But critics, including Cox and other insurers, say the Blues should absorb the cost because it is Michigan's insurer of last resort, a status which comes with tax exemptions of more than \$80 million a year.

Cox also called on committee members to require the state insurance regulator to create an annual "Affordability Index" to keep track of health care costs and measure the impact of any changes to Michigan's health care system.

He added that lawmakers should restore oversight by his office and state regulators of rate increases, which the bills would take away.

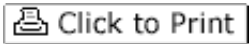
And he said legislators should rewrite laws to provide more guidance on the use of Blue Cross Blue Shield reserves. The Blues' reserves doubled to \$2.8 billion since 2001 while premium rates have been "dramatically escalating," Cox said.

(The Blues says their reserves have been increasing at the same rate as their revenues. Their accounting puts the amount at \$2.6 billion.)

Cox's testimony Wednesday followed that of representatives from the Office of Financial and Insurance Services, who testified about the range of their oversight and fielded questions from committee members about how regulation of individual insurers can or should be improved. The committee has not yet determined if it will continue studying the bills beyond another hearing scheduled next week.

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