

## MIRS Capitol Capsule, Wednesday, January 23, 2008

### **Senate To Take Time on Blues Bills**

There doesn't appear to be a rush job on the Blue Cross Blue Shield of Michigan (BCBSM) legislation before the Senate Health Policy Committee.

Chair Tom **GEORGE** (R-Texas Twp.) held the first hearing today on the so-called Individual Healthcare Market Reform package. He said a second hearing would be Jan. 30 with testimony on a "topic within the subject."

George said he has "no specific timetable" for **HB 5282**, **HB 5283**, **HB 5284** and **HB 5285**.

"My concern is that we find a solution that allows affordability and accessibility in health care," George said. "Now we have to try to do that."

The bills flew through the House in October after one hearing, with some legislators telling *MIRS* at the time they didn't know what they were voting on.

Sen. Alan **SANBORN** (R-Richmond) said at today's hearing he was "pleased to see the deliberative nature" of the committee. He took a potshot at the House for "taking two hours on this issue."

Players on both sides expect the committee will hold at least three or four hearings. That's good news for those against the bills, including the UAW, AARP and Coalition for Access and Affordability in Michigan (CAAM) composed of private insurers.

If the BCBSM bills hang around the committee until March, most insiders believe they'll fall victim to election year politicking and morass.

CAAM spokeswoman Denise **DeCOOK** said she was "very heartened the Senate was taking a deliberative view on this. These are very complicated issues."

The debate already has been heated (See "[Blues Bills Spark Broader Debate](#)," 1/18/08).

Interestingly, BCBSM has given via its political action committee (PAC) to every current lawmaker elected and serving at least once in their political career. About 86 percent of the state's 148 lawmakers received legal political donations this year alone (See "[Blue Cross PAC Touches Everyone](#)," 12/4/07).

But in addition to a heavy lobbying effort by the Blues, there's also the Consumers for Fair and Affordable Insurance Reform (CFAIR). Groups including several chambers of commerce, the Michigan Conference of Teamsters and the Small Business Association of Michigan are fighting alongside BCBSM. Today, the Michigan Agri-Business Association signed on.

The Blues bills would allow the BCBSM-owned Accident Fund to move into the individual health insurance market and make other changes to the state's health insurance regulations. Those with pre-existing conditions would have to wait 12 months for coverage with the Blues, as they do with private insurers, instead of six months.

The most controversial part would force competing commercial insurance companies to basically send money to BCBSM to help fund the state's high-risk pool. CAAM said that's unfair, especially since the Blues enjoy tax-exempt status.

Today's committee meeting was packed with at least 100 people. The theme was everything you ever wanted to know about insurance terminology, but were afraid to ask.

An overview of the individual health insurance market was provided by Rod **TURNER**, chief actuary of America's Health Insurance Plans (AHIP), which represents about 1,300 member companies.

Individual health insurance is for those who don't have employer-based insurance, so customers generally pay significantly more for coverage without splitting premium costs with their company.

The market is growing. Fewer employers are offering insurance.

In the underwriting process, insurers screen people out based on factors like age, smoking and chronic health conditions. They also can raise rates. BCBSM and its allies say it's not fair that private insurers can do this, but the Blues are the insurer of last resort. That's why they want a risk pool.

Turner said underwriting is mistakenly called "cherry-picking."

Sen. Jason **ALLEN** (R-Traverse City) jumped in, appropriately enough, to clarify the definition:

"As a representative of Traverse City, I can say it's a term to select the premium fruit."

The model Michigan has of having an insurer of last resort has fallen out of favor with most states, Turner testified. There are four right now. He said he sits on the board of risk pools in Iowa and New Hampshire.

More than 30 states have set up risk pools for the uninsured. They're for people who can afford to buy insurance, but are denied affordable coverage by private companies because of a pre-existing medical condition.

Turner did not know of any states that had an insurer of last resort and a risk pool, which would be the set-up under the Blues bills.

Typically, risk pools are set up by states as separate entities, usually nonprofits, with a volunteer board of directors. The benefits are comparable to the individual market. They can take on the form of HMOs, PPOs and health savings accounts.

"Risk pools can be very flexible," Turner said.

Risk pools operate at a guaranteed loss. Funding can come from insurance providers. Some states tack on an extra tax for hospital stays. There are some federal matching dollars available, but they're limited, Turner said.

After Turner's testimony, the pro- and anti-Blues forces claimed he boosted their case.

"Michigan consumers deserve the kinds of protections in place in most other states, where reform efforts have helped level the playing field for insurance carriers and promoted affordable coverage long-term for consumers," said Mark **COOK**, BCBSM vice president of governmental affairs.

"It's time we focused on the bills and how they help the people of Michigan," CFAIR spokesman John **TRUSCOTT** said. "Mr. Turner has shown that the changes proposed have worked in other states, and there is no reason to believe they won't work here."

But DeCook said Turner shined a light on problems with the legislation.

"Lawmakers should be examining what's happened in other states that have moved away from the insurer-of-last resort arrangement to high-risk pools," she said. "Ultimately, and most importantly, they should be working to make individual coverage more affordable — even if it means not giving the Blues everything they want."