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Blue Cross-Paid Study: \$391M In Giving, \$80M Tax Breaks

Blue Cross Blue Shield of Michigan (BCBSM) hit back today against claims that its tax-exempt status puts it at an unfair advantage in the health insurance market by uncorking its own, showing its "social welfare" contributions outweigh the state taxes they would otherwise pay five to one.

The Avalere Health-conducted study shows BCBSM, the state's largest health insurer, contributed \$391 million as part of its "social mission" to the community, contrasted to the \$80 million in state and local tax exemptions BCBSM receives under state law.

Today's report refuted findings from economist Patrick **ANDERSON** which reported BCBSM enjoyed \$137 million in tax breaks and subsidies a year, but only had a \$7.7 million burden as the state's insurer of last resort in the individual market (See "[Blues Bills Spark Broader Debate](#)," 1/18/08).

The competing studies came as BCBSM pushed for a state law that would limit what insurers could charge in the growing individual health care market, create a BCBSM-run state-wide risk pool for the state's most unhealthy, and free up BCBSM subsidiary Accident Fund to other insurance markets.

BCBSM argued the changes would stabilize a market in which it has being forced, as the state's insurer of last resort, to take the state's most unhealthy clients while private insurers cherry pick the state's healthiest. Meanwhile, private insurers claimed BCBSM is only trying to expand its 62 percent market share by using its significant political push to change state law to its market advantage.

The public debate in recent days has swung to whether BCBSM should continue to be tax-exempt if it's going to run a statewide

risk pool, giving it a bigger stick in the marketplace.

But BCBSM officials pointed to today's study from "an independent and nationally renowned health policy consulting firm" to prove that state mandates as the insurer of last resort -- and the charity it extends back to the community -- are nothing to sneeze at.

Bob **ATLAS**, a senior vice president with Avalere, said roughly \$250 million of the \$391 million BCBSM gives as part of its social mission comes from obligations required either from state law or agreements with state entities.

For example, \$141.7 million is the mandated subsidization of Medicare, according to the study. The company is also asked to eat \$133.8 million in losses because of its "unique regulatory and rate-setting structure.

An agreement BCBSM keeps with the Department of Community Health (DCH) has the not-for-profit spending \$15.5 million covering 28,000 poor children under MI Child, among other programs.

The rest of the \$391 million figures comes from \$5 million in charitable giving, \$17.2 million in "knowledge dissemination" for health care quality program to the public at large, \$10.8 million in hospital charity care, and \$66.7 million to assist hospitals in covering "bad debt."

The study included only 75 percent of the hospital "bad debt" BCBSM eats a year on the assumption that not all bad debt can be attributed to serving the needs of low-income patients.

BCBSM and other insurers create discounts for themselves with hospitals in which they don't pay hospitals the full, advertised cost for a procedure. Atlas said financial benefits BCBSM has over other for-profit insurers through these agreements addressed a negotiated cost issue and was not factored into this study.

Atlas compared the charitable giving to Pennsylvania's not-for-

profit, Highmark, and found the giving per capita to be 38 percent higher, \$28.58 a person for Highmark and \$38.68 a person for BCBSM.

The Jan. 2008 study was a one-month brush up report to a six-month 2005 study Avalere Health did for BCBSM at the time. The cost of the study was not released.

"This study confirms that the state's investment of tax free status for BCBSM is returning significant dividends to the people of Michigan — perhaps far exceeding those delivered in any other state by an independent nonprofit Blues plan," said BCBSM Spokesman Andrew **HETZEL**.