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Kline: Blues want to expand their unfair advantage

The LSJ April 11 editorial, "Fund sale: Ideal deal - all sides would gain from independent Accident Fund," offers a suggestion in the right direction as part of the debate over the so-called Blue Cross Blue Shield of Michigan-backed reform measures.

Despite the rhetoric from Blue Cross Blue Shield that these bills would benefit the consumer, the opposite would occur. The Blues would further abuse its unfair tax advantage over tax-paying businesses by expanding its monopoly while significantly increasing its subscriber rates - its well-established pattern.

Today, all Blue Cross subsidiaries enjoy grossly unfair competitive advantages: access to the Blues' multi-billion dollar coffers, its team of lobbyists, lawyers, fraud investigators, contracts, networks and general monopoly leverage.

The package of bills introduced by the Blues would permit the Blues to purchase new businesses, almost without limitation, and extend those unfair advantages to additional companies to the detriment of tax-paying businesses everywhere.

The bills also would let the Blues' for-profit subsidiary, the Accident Fund, expand from workers compensation insurance into other lines such as home and auto insurance and even medical malpractice insurance using all of the unfair advantages its parent can bestow.

The idea proposed

by the LSJ to spin off the Lansing-based Accident Fund as an independent, for-profit venture in exchange for the right to expand into other markets is one answer to addressing concerns about such unfair competition.

Additional evidence of unfair advantage was underscored in 2007 when Blue Cross transferred $125 million from its tax-exempt coffers to the

Accident Fund, which then purchased CompWest Insurance Company California. Imagine how that directly affects other Lansing insurers like Auto-Owners or AP Assurance, who have to earn their surplus rather than receive a bequest from a tax-exempt charity.

There is no public good in allowing Blue Cross to expand its monopoly at the expense of tax-paying firms here in mid-Michigan. The LSJ is to be commended for recognizing one way to solve the anti-competitive problems arising from the Blues' ownership of the Accident Fund. Other ways to solve this issue include privatizing the Blues.

In California, Blue Cross was privatized for $3 billion - and privatizing Michigan's plan would provide approximately twice that to our struggling state treasury.

Michigan is the home of several great insurance companies that employ thousands of residents. These companies grew because they could compete in the marketplace without special breaks. They are growing today, adding jobs and paying taxes, yet Blue Cross is tempting the Legislature to pick winners and losers by, in effect, granting the benefits of affiliation with a monopolistic, tax-exempt charity - Blue Cross.

Each of these tax-paying job providers would find it increasingly difficult to maintain market share, provide jobs and pay taxes, if the legislature awards new business to a Blue Cross subsidiary.

Changing the law to allow Blue Cross to expand its monopoly is not real reform. Selling the Accident Fund and lowering its subscriber rates ... now that is real reform.