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CURE FOR THE BLUES: Lansing must balance public interest, Blues' long-term health

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When Blue Cross Blue Shield of Michigan tried to ram through insurance reform during the Michigan Legislature's lame-duck session last year, lawmakers were right to send the Blues packing.

But it's a new year, with a new Legislature and a just-begun legislative session. The Blues still have legitimate issues that need addressing, ones that must be handled in a more sophisticated and open way than the company approached them in the last legislative term.

So it's a little surprising, and somewhat disappointing, that Lansing has been quiet on this issue so far. What gives? Does it make any sense to push insurance reform into the late months of another session, and again force a hurried, and perhaps dark-of-night, solution? To date, there's no bill introduced in either chamber of the Legislature to address the Blues' troubles.

For their part, the Blues are still pressing forward. The company has requested a rate increase for individual insurance plans — the troubled, growing sector of the business — of 56 percent. That's to account for all of the individual health plans the Blues are picking up these days, as people continue to lose jobs and their employer-paid insurance.

Other insurance carriers are also seeing growth in the individual market, but the Blues in Michigan have special not-for-profit status as the insurer of last resort. They've got to take whoever comes along, regardless of their health. So the Blues wind up with nearly every high-risk or already ill customer in the state, raising its costs to an untenable level.

How untenable those costs are is a matter of some debate in Lansing, where Attorney General Mike Cox and some legislators say the Blues exaggerate badly and are not in a position that justifies radical changes to the current system.

Certainly, what the Blues tried to accomplish last year was unreasonable. The company's proposed changes — which passed the state House after only one quick hearing — would have increased its power in the market but would have done little to enhance consumer protections or control customer costs. Among the more controversial proposals, the Blues wanted to continue buying up for-profit subsidiaries to accompany their workers compensation business, the Accident Fund, and proposed a high-risk "pool" that would share the burden for the sickest customers with for-profit insurers.

The for-profit end of the Blues' business certainly is helping their bottom line, but there are questions about whether the money they're spending on other companies might better be used to lower premiums, and whether more for-profit ventures are even appropriate for a nonprofit insurer.

The risk pool is a great idea on paper, but it hasn't worked to expectations in other states, and it's unclear whether private insurers in Michigan would even agree to participate in a pool with a not-for-profit company.

But beyond the controversial first proposals, it's also clear that the Blues deserve some relief from the current system, and that if they don't get relief, they risk equity shortages that could endanger their

license with national Blue Cross/Blue Shield, which in turn threatens their important role as insurer of last resort here in Michigan.

So the Legislature needs to take up the subject again in earnest, and soon. This is far too important an issue to leave to last-minute politicking and emergency legislating. The Blues are too valuable a part of the state insurance system to let them languish under a system that won't ensure their long-term survival.
