

# Blue Cross warns of mounting losses

## Exec: Insurer needs rate-hike power

By PATRICIA ANSTETT  
FREE PRESS MEDICAL WRITER

Blue Cross Blue Shield of Michigan said Monday it faces mounting losses that threaten its financial health unless the Legislature acts quickly to make it easier for it to raise rates.

The state's largest health insurer said it expects to lose \$166.5 million this year on policies sold to people who buy their own health insurance.

The deficit will grow to \$263.8 million next year, said Mark Bartlett, chief financial officer of Blue Cross. Bartlett blamed losses on growing enrollment in individual insur-



Mark Bartlett of Blue Cross Blue Shield

ance; the fact that state law allows commercial insurers to reject most applicants, sticking Blue Cross with costlier, sicker customers, and lengthy delays in getting rate hikes.

But Attorney General Mike Cox said Blue Cross, which insures 7 of every 10 people in the state who carry health insurance, continues to make money and that the legislation it seeks would hurt

See BLUE CROSS, 2B

## BLUE CROSS | Insurer warns of financial trouble

From Page 1B

seniors and others increasingly buying their own insurance.

If the legislation passes, Blue Cross could raise rates as much as 75.4% for seniors with supplemental Medicare coverage, and 37.7% to nonelderly people who buy health insurance, according to the Put Michigan People First coalition, representing seniors and the disabled community, in statements released Monday.

Helen Stojic, Blue Cross spokeswoman, said she could not confirm the numbers, saying "the opposition has thrown around different and inconsistent numbers throughout this debate." She said that rates eventually should be stabilized. Blue Cross, Michigan's nonprofit insurer of last resort, has spent 16 months in a costly lobbying campaign for the legislation.

It wants Michigan to allow it to sell insurance the way private insurers do. The bills would ban so-called cherry picking by private insurers that allow them to reject applicants considered too costly to cover because they have

health problems.

State Rep. Marc Corriveau, D-Northville, has drafted a compromise bill that a House-Senate conference committee may act on this week. Cox and two Blue Cross executives spoke in telephone briefings Monday.

The changes Blue Cross seeks come as more employers are dropping workplace coverage, including for retirees, and people are losing jobs, forcing more people to buy their own insurance.

By next year, Blue Cross individual policies will cover nearly one-half million Michiganders — 215,000 nonelderly people and 256,792 senior citizens, an increase of 74,567 members covered this year, Blue Cross said.

Blue Cross earned \$130 million as of Sept. 30, Bartlett said, and last year reported \$152.2 million in consolidated earnings for its parent and subsidiary companies, despite \$134 million in losses in the individual market.

A more serious issue, Bartlett said, is that Blue Cross' reserves required by state law and the insurance industry to cover risks of insuring people are declining and will near lev-

els considered unacceptable in the industry by 2011.

If that happens, Blue Cross could lose its ability to operate as a licensed franchise of the national Blue Cross Blue Shield Association, jeopardizing people who need coverage when they travel outside of Michigan, among other issues, Bartlett said.

Ann Arbor attorney Joe Aoun, who is suing in Ingham County Circuit Court to stop a Blue Cross rate hike, charged that Blue Cross finances are deteriorating because of high salaries and spending, bad management and stock market losses of 30-40% on more than \$600 million in investments.

Blue Cross also has not consistently collected a 1% Medicare subsidy from businesses with workplace insurance, as state law allows, some \$51.9 million in 2006, Aoun said, citing public documents Blue Cross filed with the state's insurance commissioner. Cox criticized Blue Cross for "waiting until the 11th hour" to release a barrage of complicated financial information Monday that he requested, saying the disclosure so late in a long debate "un-

determines their credibility that they have a financial problem."

Cox said he needs at least a week to review the more than 300 pages of documents and that the Legislature would benefit by studying what changes are needed. "There's no reason this can't be done in February, March or April and done the right way," Cox said.

Corriveau's office did not return a call requesting information about the bills Monday afternoon.

Sen. Tom George, R-Kalamazoo, a member of the conference committee and chair of the Senate House Policy Committee, said in a telephone interview Monday that he opposed the Corriveau compromise because it would diminish oversight of rate hikes by the state attorney general and allow Blue Cross to charge people more for insurance based on their age and county of residence.

"There is no study ... of what it would do to premiums and what effect it would have on the people of Michigan," George said.

Contact PATRICIA ANSTETT  
at [panstett@freepress.com](mailto:panstett@freepress.com).