

Forum: AARP opposes Blue Cross legislation

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BY ERIC SCHNEIDEWIND

AARP strongly opposes a package of legislation (House Bills 5282-5285) now before the state Senate after whirlwind passage by the House. We believe the bills constitute an attempt by executives of Blue Cross/Blue Shield of Michigan to convert this traditionally nonprofit, charitable and benevolent institution into a huge for-profit conglomerate.

Specifically, AARP opposes the Blue Cross package for these reasons:

It would end the community rating system and allow Blue Cross and HMOs to cherry-pick the customers based on health status, age and geography. We favor pure community ratings with a single premium for everyone rather than the age and medical condition discrimination this legislation would allow. If the package is enacted, older and sicker residents will be priced out of the insurance market.

The proposed profit margin of 30 percent is much too high. When it comes to providing affordable access to health care, having as much of 30 cents of every premium dollar siphoned off for profits is unconscionable. Other states set much lower profit margins and, unlike the proposed Blue Cross legislation, these states require inclusion of administrative costs and investment income in the calculation. Profit margins for a company that enjoys tax advantages of a nonprofit should be very low.

While we favor guaranteed issue, the proposed legislation offers guaranteed access only to a high-risk pool operated exclusively by Blue Cross. While the legislation guarantees that Blue Cross will profit from these products, there is no guarantee for consumers that the products will provide good coverage or that costs (premiums, deductibles and copays) will be affordable.

The bills would remove the attorney general's authority to intervene with the insurance commissioner in Blue Cross rate cases. The last A.G. intervention in early 2007 reduced a Blue Cross rate increase request from 50 percent to 19 percent, saving older Michigianians and the disabled about \$97.5 million in the first year and about \$70 million thereafter.

Finally, the package would allow B.C. to deny coverage for pre-existing illness for up to 12 months. Current law allows them to delay coverage for six months.

We believe the Blues should let well enough alone. They have amassed a surplus of \$2.8 billion under current laws and regulations. We urge the Senate Health Policy Committee and its chairman, Sen. Thomas George, M.D., to hold thorough hearings on this package and ultimately, to reject it.

About the author: Eric Schneidewind is AARP Michigan state president. He is an attorney in the Lansing firm Varnum, Riddering, Schmidt and Howlett and a former chairman of the Michigan Public Service Commission. He also served as Michigan's deputy insurance commissioner under both Democratic and Republican administrations.