

Good RX for Reform

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The state Senate has sent its colleagues in the House a good blueprint of what insurance reforms in the individual market should entail. The legislation includes no whiplash-inducing changes like those in a package of bills backed by Blue Cross Blue Shield of Michigan -- and hurriedly approved in the House last year.

Sens. Tom George, R-Kalamazoo, and Jason Allen, R-Traverse City, nursed the recently approved Senate legislation that now goes back the House. The legislation contains compromises that protect consumers and take into account some of Blue Cross' concerns about leveling the playing field with its for-profit competitors.

Blue Cross wants to revamp state laws governing oversight and coverage rules for individual health insurance plans and expand profit-making options for Blue Cross subsidiaries. While some reform is needed, Blue Cross would benefit too much and consumers too little from the sweeping legislation offered by the House.

Blue Cross, the state's largest insurer, is also the insurer of last resort for those who cannot find insurance elsewhere. The company enjoys tax-exempt, nonprofit status for taking on that responsibility. About 400,000 Michigan residents pay for their own insurance coverage.

The Senate nixed a House provision allowing Blue Cross to keep its tax-exempt status, worth about \$75 million to \$100 million a year, but create a risk pool to subsidize the expense of insuring high-risk individuals. The pool would be funded by all health insurance companies in Michigan. Such an assessment would undoubtedly be passed on to all customers, raising everyone's insurance rates. The insurance commissioner, however, must do a one-year study to determine if such a risk pool is warranted.

The Senate addresses a chief Blue Cross complaint that its competitors cherry-pick younger, healthier customers by charging them lower prices, leaving older, sicker customers for the Blues, and its one-size rating policy. The legislation prohibits insurers from jacking up insurance rates or renewal premiums of individuals stricken with an illness and lets Blue Cross set rates based on individual behavior, such as smoking or participation in wellness programs.

The Senate retains rate-setting oversight of Blue Cross by the attorney general and requires the company to file annual reports showing how it is meeting its mission to make insurance affordable. It also shortens deadlines for obtaining rulings on rate hike requests.

The Senate legislation calls for two additional members on the Blue Cross board to strengthen public oversight. One would be appointed by the state House speaker and another by the Senate majority leader. Whether that's a good idea is debatable. The board is already unwieldy with 35 members.

A House provision allowing Blue Cross to expand into other lines of insurance is not part of the Senate's bill. Neither is a proposal by Sen. George to give Blue Cross that option -- for a \$100 million fee. Sen. George has suggested the state could use the \$100 million to create a charitable fund that would provide subsidies to people who buy individual health coverage. It is an interesting proposal that warrants further review.

The Senate has crafted a thoughtful counter proposal that deserves serious discussion by House lawmakers who rushed through the job the first time.