

Blue Cross' proposed 24 percent rate increase ruled too high

5/14/2008

By Jay Greene

An independent administrative hearing officer issued a finding Wednesday that the 24 percent overall rate increase for individuals proposed by Blue Cross Blue Shield of Michigan in October 2006 is too high.

Hearing Officer David Lick also found that Michigan's largest health insurer should use its \$2.6 billion surplus, which he deemed excessive, to reduce its rate increase request. He did not specify how much Blue Cross should cut its request.

Lick, who was appointed in March 2007 by State Insurance Commissioner Ken Ross, is an attorney with the Lansing office of Foster, Swift, Collins & Smith.

A spokesperson for Blue Cross said the company would issue a comment on the hearing officer's finding within 30 days to the state Office of Financial and Insurance Regulation.

"We are glad the hearing officer agreed that the annual medical (expense) trend of 10.9 percent is a major factor in determining rates," said Blue Cross spokesperson Helen Stojic.

After Commissioner Ross receives comments from Blue Cross and attorney Joe Aoun, who represents a Blue Cross subscriber who filed the rate challenge, he has until July 14 to make a final decision on the rate increase request. Ross could accept Lick's proposal, reject it or modify it.

Aoun, who praised Lick's recommendation, said it sent a clear message that Blue Cross should use more of its excess surplus to hold rate increases down.

"This is a huge victory for subscribers," said Aoun.

He said the decision also could be significant for small businesses that have faced double-digit premium increases in the group market over the last several years.

"To the extent that Blue Cross has excessive surpluses, this raises questions as to whether they should be raising rates double-digits to small employers," Aoun said.

The Blues' proposed rate increases are for three individual lines of business and 10 separate plans. It breaks down this way: a 42 percent increase for the high-benefit option; 24 percent hike for the moderate cost-sharing option; and zero percent for the value option.

In April 2007, OFIR approved an interim rate increase of 10 percent effective June 2007. Blue Cross' 24 percent rate increase proposal is on top of the 10 percent already approved. It would cost subscribers \$30.7 million in additional premiums.