

Blue Cross responds to rate-lowering recommendation

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By Jay Greene

Blue Cross Blue Shield of Michigan has asked state Insurance Commissioner Ken Ross to immediately approve a 25 percent average rate increase for individual policies — on top of a 10 percent average interim rate increase approved in 2007 — because of an 18-month delay caused by a subscriber lawsuit.

Blue Cross' rate increase request is part of a 33-page response to a recommendation last month by a state-appointed independent hearing officer who ruled that the Blue's 24.3 percent average rate request is too high.

Blue Cross filed its original rate increase in October 2006. In February 2007, Blue Cross subscriber Ghada Abraham, who is represented by attorney Joe Aoun of Ann Arbor, requested a hearing to block the rate increase.

In a May 14 decision, Hearing Officer David Lick found that Michigan's largest health insurer should use its \$2.64 billion surplus, which he deemed excessive, to reduce its rate increase request. He did not specify how much Blue Cross should cut its request.

At the time, Lick also denied Blue Cross' request to increase its original rate increase because of delays. Blue Cross had requested the 25 percent rate increase to be effective April 1.

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

In its June 12 response to Ross, Blue Cross said Lick's recommendation means that its proposed rate increase would only be cut by 4.2 percentage points to an average of 19.8 percent.

But Aoun said Blue Cross' calculations fail to account for Lick's recommendation that the insurer should use its surplus to reduce its rate increase request.

Aoun also said Blue Cross did not factor in two other expenses — reserves set aside for future claims and reserves to pay unanticipated future benefits — that Lick recommended should be cut and used by Ross to consider a further rate reduction.

"There should not be a rate increase approved and (Blue Cross) should refund the money collected under the interim 10 percent rate increase (granted in April 2007 by Ross)," Aoun said.

"Blue Cross had a surplus of \$3 billion in December 2007," he said. "They are asking for a \$30 million rate increase. They should take the rate increase out of the surplus, which would leave them with \$2.97 billion. Maybe people then would come out and buy the policies."

Helen Stojic, Blue Cross' media-relations director, said the company rejected Lick's comments that its reserves are excessive because they fall under the range established by the state Legislature.

"(Blue Cross) sympathizes with its individual enrollees who are sensitive to premium increases," Stojic said in a statement to Crain's.

"However, by law, (Blue Cross) is required to ensure that its individual products are self-sustaining over time, requiring that premiums should cover costs," she said. "We have to do that. (Blue Cross) members enrolled in these individual products already pay significantly less than the costs of their coverage."

Ross has 30 days or less to make a final determination on Blue Cross' rate increase request. Both parties then would have 60 days to file an appeal in Ingham County Circuit Court.

"I think that they are really trying to position themselves for a political win rather than on a win on the merits," Aoun said.

The Blues' proposed rate increases are for three individual lines of business and 10 separate plans.

It breaks down to 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.