

Compromise nearing on Blue Cross' Accident Fund bills

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By Jay Greene

Senate Majority Leader Michael Bishop, R-Rochester, has asked officials from Blue Cross Blue Shield of Michigan and competing insurers to work out their differences on a compromise bill that could allow the Accident Fund Insurance Co. of America to enter other lines of insurance.

The bills — House Bill 5284 and 5285 and their Senate substitutes — have been stalled in the Michigan Senate since April after Attorney General Michael Cox said he would investigate whether Blue Cross broke state laws by using subscriber premiums to purchase several insurance companies for Accident Fund.

“We were called into the Senate majority leader’s office a couple weeks ago and asked if it was possible to have these bills amended in a way to pass them before summer recess (July 1),” said Kurt Gallinger, spokesperson for the Coalition for A Fair & Competitive Insurance Market, a group of insurers that oppose the Blue’s Accident Fund bills.

Gallinger said officials for Blue Cross said they were willing to “strike compromises on all the major issues.”

While Helen Stojic, Blue Cross’ media-relations director, declined comment, she issued a statement to Crain’s on the importance of the bills.

“The legislation is important to Michigan’s ability to grow jobs and keep health insurance costs down by removing unfair competitive burdens from Michigan-based companies seeking to grow Michigan jobs by succeeding against national competition,” Stojic said.

“Each passing day that these bills languish, is another day that we don’t grow Michigan jobs,” she said.

However, Gallinger said each side is working on language to resolve issues in three primary areas.

If agreed upon, the compromise would:

-- Prohibit Blue Cross from using its contracted hospital and physician network for the Accident Fund’s workers’ compensation business line.

-- Prohibit the Accident Fund and Blue Cross from bundling — or selling policies — that combine health insurance and property casualty products.

-- Require Blue Cross to pay a state tax on revenue that it transfers to Accident Fund to purchase additional insurance companies.

Both sides are discussing the amount of the tax, Gallinger said.

“We are trying to come up with a formula on that,” said Gallinger, who also is vice president and counsel of Amerisure Insurance Co., a Farmington Hills-based property and casualty insurer.

“The taxes that Blue Cross would be required would be designed to level the playing field with our industry,” he said.

Once the two sides agree on the tax formula, Gallinger said “the parties would meet with Sen. Bishop” and develop specific language for the compromise bill.

Through a spokesperson, Bishop declined to comment.

However, Sen. Tom George, R-Kalamazoo, chair of the Senate Health Policy Committee, said the compromise bills would need to come through his committee or be formally discharged to the full Senate.

“I still favor allowing the attorney general to complete his inquiry,” George said.

Last year, the Blues used \$125 million of their reserves to purchase CompWest Insurance Co. for Accident Fund, a for-profit subsidiary that sells workers' compensation insurance. Cox is investigating that transaction.

Earlier this month, Insurance Commissioner Ken Ross said that the Blues asset transfer to Accident Fund to purchase several insurance companies, including CompWest, was within state laws.

Gallinger said the insurance industry is concerned that the Office of Financial and Insurance Regulation already gives great latitude to Blue Cross under current laws.

"We are very skeptical how any law will be interpreted and enforced, but it is up to the legislature to write the bill," he said.