

## **Attorney General Cox sues Blue Cross Blue Shield of Michigan**

*Attorney General Mike Cox is suing Blue Cross Blue Shield of Michigan for how it purchased a for-profit subsidiary.*

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**By Gary Gosselin**

"Michigan law is clear. It prohibits Blue Cross from purchasing CompWest Insurance Co. And the law prohibits Blue Cross from using subscriber funds 'to operate or subsidize in any way' the Accident Fund, unless it is a loan that's paid back in full," Cox said in a statement.

"We strongly disagree and, in fact, Accident Fund obtained prior regulatory approval for the transaction," BCBSM responded in a statement. "The transaction was fully disclosed last year when Accident Fund filed a disclosure form with our regulator, the Office of Financial and Insurance Regulation. In addition to the regulatory approval, the insurance commissioner recently conveyed to the Michigan Legislature that the transaction was proper. The Attorney General's office also was notified in advance of the transaction last year and no concerns were expressed."

The lawsuit stems from issues that arose while individual insurance market reform was being debated in the Michigan State Senate Health Policy Committee.

The three count charges BCBSM with violating the terms of Public Act 350 of 1980, improper contributions to an insurance company, and breaching the terms of the purchase agreement that enabled BCBSM to acquire the Accident Fund.

Cox filed the suit in Circuit Court for the 30th Judicial Circuit in Ingham County.

"Subscriber funds were used so Blue Cross could purchase a for-profit company. And consumers, the sick and the elderly have paid higher premiums because funds that could have been used to lower their costs were diverted for this purchase."

Cox said his investigation showed that BCBSM transferred \$125 million to the Accident Fund in November, 2007. The Accident Fund purchased CompWest Insurance Co. of California for \$127 million in November, 2007.

Cox is asking the court to force BCBSM to divest itself of CompWest and that BCBSM recover the \$125 million of subscriber funds it transferred to the Accident Fund.

BCBSM's surplus has more than doubled in value from 2001 to 2006, increasing from \$1.3 billion to \$2.8 billion.

At the same time, BCBSM's individual premium rates have increased by 79 percent from 2003 to 2007, while Group conversion premium rates rose by 92 percent from 2003 through 2007, according to Cox.

"Our subsidiaries are a stabilizing influence on BCBSM health insurance rates for our more than 4.6 million members," the BCBSM statement said. "Our subsidiaries help BCBSM operate on a financial margin of one-tenth of one percent on its health care business. Accident Fund's national growth has returned hundreds of new jobs and economic growth to Michigan. The reason why we are able to subsidize care for seniors, low income children and others in need of access is because of the strength of our subsidiaries."

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