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Blues told to lower some plan rate hikes

Mich. Health insurer to cut, resubmit 24.3% increases for 20,000 policies

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By Christina Rogers

The state's insurance commissioner on Friday told Blue Cross Blue Shield of Michigan to lower the premium increases it requested on several of its individual health insurance plans.

The ruling by Commissioner Ken Ross rejects the Blues' request to raise premiums on certain individual policies by an average of 24.3 percent, and instead orders the nonprofit insurer to recalculate the rates to a lower amount based on several findings outlined in the commissioner's decision. The Blues must then resubmit those recalculated rates to the commissioner for review and action.

It was unclear what size rate increase the commissioner would allow. Blue Cross said after reviewing the ruling that the recalculated rates would be about 23 percent.

"This decision reduces the rate increase," Ross said in a statement. "In tight economic times, every little bit helps."

The commissioner's office was unavailable Friday afternoon to elaborate on Ross' ruling.

According to Blue Cross, the rate increase request was for insurance plans used by just under 20,000 people not eligible for Medicare or group coverage.

In his statement, Ross said he also was denying an additional rate increase of at least 12 percent requested by Blue Cross to compensate for the nearly year and half it took for the state's review process.

Blue Cross filed for the rate increases in October 2006.

Blue Cross customer Ghada Abraham of Livonia challenged the hike several months later and requested a hearing, arguing that the Blues had excessive surpluses and didn't need the increases to cover costs on individual policies.

As the case played itself out, Blue Cross got approval for an interim increase of 10 percent in June 2007.

Finally, in December of last year, an independent officer conducted a three-and-a-half-day hearing, taking testimony from Abraham, the Blues and their witnesses.

He sent his recommendations to the commissioner in May, stating that Blue Cross surpluses were excessive and suggesting lower rate increases.

Ross's final decision disagrees with some points made by the hearing officer, but upholds others.

Blue Cross said in a statement Friday that the commissioner's decision supports their argument that its reserves remain below the maximum cap set by state law, a point that was challenged by an attorney opposing the rate hike.

Blue Cross said it needs the increases to keep its individual products self-sustaining and ensure that the premiums cover rising health care costs.

"Although Michigan Blues individuals will pay more, the premiums collected for these individual products remain significantly below the costs of medical services provided," Blue Cross said in the statement.

Neither Abraham nor her attorney could be reached for comment late Friday.

Ross' decision comes as Blue Cross is pushing legislation to give it more flexibility in setting rates for its individual insurance plans. That legislation has been sent to a House-Senate conference committee to work out differences.

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