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Detroit Free Press EDITORIAL

Did Blues use their muscle unfairly?

<http://www.freep.com/article/20101020/OPINION01/10200407/1069/Did-Blues-use-their-muscle-unfairly?#ixzz13ThDT4Qa>

It's always bad news when Blue Cross Blue Shield of Michigan finds itself under the legal microscope. The company has had a huge and nearly essential role in health care for this state over many, many years.

Yet it has no right to remain essential -- and big -- by employing dubious practices, let alone by outright cheating. It will be important to have a quick, clear resolution of the charges lodged this week against the company by the U.S. Department of Justice and Michigan Attorney General Mike Cox.

The charges suggest the Blues have gone quite above and beyond legitimate business practices in defending their market share.

As the state's largest insurer, the Blues certainly should be expected to demand a volume discount from hospitals, which is where the case is focused. They certainly have the market power to demand the lowest price available.

But they're on way shakier ground if they're telling hospitals much else about what they charge other insurers.

Yet the Justice Department and the attorney general claim the Blues demanded not just the lowest price, but also that no other insurers could get the same rate. On top of that, according to the charges, Blue Cross sometimes demanded a specific percentage increase for rates charged for other health insurance customers.

That sounds an awful lot like price-fixing; thus the charges by federal and state officials.

Blue Cross responds that this is a misunderstanding of the way it negotiates discounts, and that the volume the company offers can go hand-in-hand with arriving at a lower price -- sometimes by a specific percentage -- than anyone else's. Many companies, and even the federal government, operate this way, Blue Cross officials say.

Blue Cross Blue Shield of Michigan gets special consideration under state law because it serves as insurer of last resort here; it can turn no customer away. It has worked with the state on many programs that have improved Michiganders' health.

But even a bias toward keeping Blue Cross strong doesn't equate to letting it run roughshod over competitors. If the charges against the company are true, serious penalties are in order.

Either way, the charges need to be settled in a way everyone can understand, and that Michigan can move on with its most important insurer.