

December 2007
COMMUNITY CONSENSUS STATEMENT

Regarding Affordable Health Care Coverage in Michigan, and Preserving Public Oversight of Rate Increases and Public Participation in Rate Hearings

We, the undersigned organizations, are deeply troubled by recent developments that would threaten consumers' access to affordable health care coverage, and lead to more people becoming uninsured in Michigan.

1. The Office of Financial and Insurance Services (OFIS) Must Reject BCBSM's Request for a Rate Increase in the Individual Insurance Market

Under Michigan's Public Act 350, BCBSM is required to offer coverage to all residents of the state at a **"fair and reasonable price."**

The nonprofit Blue Cross Blue Shield of Michigan (BCBSM) is seeking an extraordinary rate increase of 24.3% for individuals who buy their own coverage, at a time when its surplus reserves have ballooned to \$2.84 billion. (The rate increase is stated as an overall average, and may actually be as much as 41.9% for certain individuals.) The proposed increase is even more incredible in the context of the recent sharp rate increases in prior years (15% each in 2005 and 2006).

Michigan residents need *affordable* individual health insurance policies. The number of people in Michigan who do not have health insurance is growing. The number of uninsured in Michigan has grown from 980,318 in 2001 to 1.25 million in 2007.¹ (During the 2003-2005 period, an average of 162,668 children in Michigan were uninsured.

We call on the Office of Financial and Insurance Services to:

- **Reject BCBSM's request for a rate increase;**
- **Require BCBSM to use its capital base to subsidize premiums in the individual market;**
- **Direct BCBSM to establish a new insurance product that is affordable to low-income individuals in Michigan;**
- **Require BCBSM to continue and increase funding for safety net clinics that serve former Blue Cross customers.**

[continued]

2. The Legislature Must Reject the Proposed Legislation that would reduce accessible and affordable health insurance options in Michigan.

BCBSM has recently suggested a legislative scheme (HB Nos. 5282, 5283, 5284, 5285) that would reduce accessible and affordable health insurance options. The bills propose to:

- Eliminate public oversight and accountability of BCBSM by changing the rate filing system to “file and use.” *This would eliminate the ability of the Office of Financial and Insurance Services (OFIS) to hold hearings on BCBSM rate insurance requests, which is currently mandated by law*
- Eliminate the ability for subscribers and the Attorney General to challenge rates, thus foreclosing actions like the consumer challenge to the current rate increase request, and the one brought earlier in the year by the Attorney General regarding Medicare Supplement rate hikes (BCBSM proposed a whopping 50.3% increase, which was later reduced after Attorney General intervention to 19%).
- Eliminate community rating, where risks are spread across the entire marketplace; shift to experience rating, where insurance rates will be able to vary by 80% based on age and health status. *Under this proposal, older and sicker consumers will be charged much higher rates.*
- Increase BCBSM’s minimum “loss ratio” to 70%, meaning that fully 30% of the premium dollar can be used for profit and administration. The Blues' current rate filing assumes 10% for these items.
- Expand the duration of pre-existing condition limitation clauses from 6 months to 12 months, leaving sick consumers uninsured for longer periods;
- Allow BCBSM the ability to limit high risk consumers to four unspecified "guaranteed access" health plans, despite the fact that no standards exist to ensure a reasonable level of coverage under those plans, such as coverage for prescriptions, office visits and preventive care.

We call on the Legislature to:

- **Reject BCBSM’s unwise and unworkable legislative scheme;**
- **Hold public hearings to examine a broader range of options for stabilizing the individual market, and ensuring enhanced access to affordable insurance;**
- **Review BCBSM’s extraordinarily high financial surplus in the context of the high number of uninsured Michigan residents;**
- **Hold BCBSM accountable to its nonprofit mission as the insurer of last resort; and**
- **Provide a legislative solution to provide affordable, quality health insurance to all residents of Michigan.**

[continued]

We support the above Consensus Statement of Principles regarding Affordable Health Care Coverage in Michigan and Preserving Public Oversight of Rate Increases and Public Participation in Rate Hearings.

Organizational Endorsers

Consumers Union

The Arc Michigan

Area Agencies on Aging Association of Michigan

Capital Area Center for Independent Living

The Michigan Coalition of Deaf and Hard of Hearing People

Gray Panthers of Metro Detroit

Michigan Disability Rights Coalition

Michigan Legal Services

Michigan Paralyzed Veterans of America

Michigan Universal Health Care Access Network (MichUHCAN)

Public Interest Research Group in Michigan (PIRGIM)

National Multiple Sclerosis Society, Michigan Chapter

Sign Language Services of Michigan, LLC

[list in formation]

Individual Endorsers:

Fr. Jude Bell, O.S.B., St. Gregory's Abbey, Three Rivers, MI

Gary Benjamin, Staff Attorney, Michigan Legal Services

Dawn Flanigan, CEO & President, Sign Language Services of Michigan, LLC

Nelson Grit, Housing Coordinator, Michigan Disability Rights Coalition (MDRC)

Patricia Hanley, Capital Area Center for Independent Living

Sara Kristal-Brandon, Executive Director, Disability Network of Mid-Michigan

Marie A. Mitchell, St Claire Shores, MI

Suzanne Ogbu, Capital Area Center for Independent Living

Paula Rehner, Capital Area Center for Independent Living

Kathleen Russell, MSW, CSW, Parkinson's Action Network, SE Michigan Congressional Coordinator

David Stickles, Huntington's Disease Society Of America Michigan Chapter

Ellen Weaver, Executive Director, Capital Area Center for Independent Living

Tom Wylie, Area Agency on Aging 1-B

REPLY FORM

_____ **YES!! We endorse the Community Consensus Statement Regarding Affordable Health Care Coverage in Michigan and Preserving Oversight of Rate Increases and Public Participation in Rate Hearings**

_____ **This is an ORGANIZATIONAL Endorsement**

_____ **This is an INDIVIDUAL endorsement**

_____ **List organization for identification purposes only**

_____ **Do not list organization**

Contact Person: _____

Organization: _____

Address: _____

City: _____ **State:** _____ **ZIP:** _____

Phone: _____ **Fax:** _____

E-Mail: _____

**Fax to Chuck Bell c/o Consumers Union at 914-378-2928
or email name and endorsement information to cbell@consumer.org**

THANK YOU!