



Michigan Consumers  
for Healthcare

# What you need to know about the BCBSM Deal

## Consumers Explain What's REALLY Going On

So how does SB 1293 and SB 1294 dealing with the sale of Blue Cross Blue Shield of Michigan (BCBSM) impact consumers, taxpayers and the business community? Michigan Consumers for Healthcare explains:

### **This deal deregulates a monopoly putting consumers and small businesses at risk**

BCBSM is a functional monopoly controlling 70% of the commercial insurance market yet this bill would remove all Attorney General rate-setting oversight. Rather than “level the playing field” by requiring all insurers undergo rate review, this bill allows all premium rate increases to automatically go into effect under what are called “file and use” rules.

### **This deal robs BCBSM policyholders of their property rights**

These bills would deny BCBSM policyholders of their property rights by stripping them of all rights to dividends or any value policyholders contribute to the new company going forward.

### **This deal transforms BCBSM into a Mutual/For-Profit hybrid**

These bills provide no limits on the creation of stock subsidiaries or the amount of business BCBSM Mutual could place in for-profit subsidiaries. This means the new company can function as a Mutual/For-Profit hybrid immediately issuing stock through subsidiaries and creating lucrative stock options for executives.

### **This deal needlessly asks taxpayers to defer fair market value compensation**

As the current language allows BCBSM Mutual to function as a de facto for-profit entity through its subsidiaries, there is no reason for taxpayers to defer compensation until a later resale. Fair compensation based on an exchange of guarantee stock would allow taxpayers immediate compensation while providing BCBSM Mutual the capital to operate.

### **This deal's “look back” approach guarantees lawsuits and a loss of billions for taxpayers**

The change in ownership and mission at BCBSM is occurring now so a fair market valuation should take place now. As MCH has demonstrated, in every previous instance where a state attempted to do an after-the-fact “look back” valuation, that state has had to litigate and settle for pennies-on-the-dollar.

### **This deal gives BCBSM billions in “free capital” to drive competitors out of the marketplace**

BCBSM is already a functional monopoly and by handing the company billions of dollars in “free capital” (ie...legislatively forfeited taxpayer assets), BCBSM Mutual will have the war chest to drive any competitor out of any market of its choosing. This denies consumers the pricing competition they need and destabilizes the insurance market.

**This deal could compensate taxpayers less than \$500 million, or nothing at all**

As the Center for Insurance Research demonstrated, taxpayers could be compensated with less than \$500 million in today's dollars for a public, charitable asset worth between \$6 billion and \$10 billion. The language in the bill is also so unenforceable in its use of terms like "up to" and "best efforts" that BCBSM Mutual could legally walk away from payments at any time.

**This deal will result in BCBSM Mutual paying little or no state taxes**

These bills characterize BCBSM Mutual purchase payments as "contributions" meaning the company could then write off the cost of purchasing BCBSM. Under this deal, taxpayers may have to wait at least 18 years (when proposed payments end) before they see the boost in state tax revenue promised in the initial press releases.

**There is no such thing as a "non-profit mutual"**

Michigan law recognizes only three categories of insurer ownership — non-profit, owned by the community; mutual, owned by policyholders; and for-profit, owned by shareholders. BCBSM Mutual will be a mutual owned by policyholders. The conflation of the words "non-profit" and "mutual" (which have entirely different meaning) is merely a pretense to obscure from the public the true nature of this transaction.

**"Any Action" by BCBSM in the promotion of this deal is unlawful**

As a charitable public entity, Michigan Public Act 350, 550.1218, Sec 218 expressly forbids BCBSM from taking "any action" to promote a conversion to a mutual or for-profit insurance company.

You may read the Center for Insurance Research's opinion analysis of SB 1293 and SB 1294 at: <http://consumersforhealthcare.org/blog/center-insurance-research-slams-blue-cross-blue-shield-bills-latest-comments>

You may read Michigan Consumers for Healthcare's letter to the Michigan Senate opposing the fast-tracking of SB 1293 and SB 1294 at: <http://consumersforhealthcare.org/blog/mch-letter-lawmakers-urging-careful-deliberate-blue-cross-blue-shield-michigan-conversion>