

STATE OF MICHIGAN
DEPARTMENT OF ENERGY, LABOR & ECONOMIC GROWTH OFFICE OF
FINANCIAL AND INSURANCE REGULATION

Before the Commissioner of Financial and Insurance Regulation

In the matter of

**Medigap Rate Subsidies under
the Nonprofit Healthcare Corporation
Reform Act**

Order No. 10-002-BC

**Issued and entered
this 22nd day of January 2010
by Ken Ross
Commissioner**

**ORDER RESPECTING
MEDIGAP RATE FILINGS**

I.

BACKGROUND

On December 7, 2009, the Commissioner issued a Final Decision regarding Blue Cross Blue Shield of Michigan's Other Than Group Complementary Medicare (Medigap) rates (Case No. 09-746-BC). During the hearing in that matter, the parties addressed the issue of the size and distribution of a cost transfer for the benefit of senior citizens. This cost transfer, commonly referred to as the "Medigap subsidy" is authorized by section 609(5) of the Nonprofit Health Care Corporation Reform Act, MCL 550.1101, et seq. (Act 350) which provides:

Except for identified cost transfers, each line of business, over time, shall be self-sustaining. However, there may be cost transfers for the benefit of senior citizens and group conversion subscribers. Cost transfers for the benefit of senior citizens, in the aggregate, annually shall not exceed 1% of the earned subscription income of the health care corporation as reported in the most recent annual statement of the corporation. Group conversion subscribers are those who have maintained coverage with the health care corporation on an individual basis after leaving a subscriber group.

In the December 7 Final Decision, the Commissioner stated:

In enacting Act 350, the legislature intended to promote an appropriate distribution of health care services for all residents of this state. Act 350 authorizes the Commissioner to regulate entities operating under Act 350 “so as to secure for all of the people of this state . . . the opportunity for access to health care services at a fair and reasonable price.”

The legislature recognized that the availability of resources to fund health care services was not unlimited and that an “appropriate distribution” was required. Further, Act 350 does not mandate that senior citizens be provided equal access to subsidies, irrespective of income. As a charitable and benevolent institution, BCBSM rightly argues that the limited pool of dollars available to fund senior subsidies should be targeted to those of modest means.

If BCBSM desires to allocate the senior subsidy more equitably amongst its Medigap subscribers, it should submit a filing accordingly.

This order is issued as a guide to BCBSM should it choose to submit a Medigap filing which allocates a cost transfer on any basis other than an equal distribution among all Medigap subscribers. This order is also intended to allow the public to understand the process by which Medigap rates and subsidies are determined.

Including this more detailed data in the rate filing will provide increased transparency in the rate-setting process. Section 612 of Act 350, MCL 550.1612, permits affected individuals to request a hearing on BCBSM rate filings. This additional information will enhance the ability of the public to participate meaningfully in future rate hearings.

II.

COMPLETENESS REQUIRED IN RATE FILINGS

Section 610 of Act 350, MCL 550.1610, describes the process by which BCBSM must file its rates for approval. This section requires the Commissioner to determine when a rate filing is deemed complete. In the future, a rate filing which includes an income or needs based subsidy will not be deemed complete unless it includes the information specified by this order.

III.

ORDER

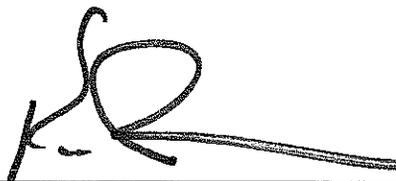
Based upon the foregoing considerations, it is ORDERED that, if BCBSM elects to submit a Medigap rate filing that includes an income or needs based subsidy, it shall not secure a determination that its filing is complete unless it includes in Section IV, Table 10 of its filing the following information:

1. Premium fees and reimbursements in total, and separately for insured and ASC plans.

2. Net premium income in total, and separately for:

- a. Medicare supplement
- b. Dental only
- c. Vision only
- d. Federal employees health benefit plans
- e. Title XVIII Medicare
- f. Title XIX Medicaid
- g. MICHild program
- h. Medicare Advantage
- i. Medicare prescription drug
- j. Out-of-state subscribers

3. In a filing which employs an income or needs based subsidy, BCBSM shall specify the method by which the aggregate subsidy will be distributed among eligible members. To the extent that the distribution may vary with different levels of aggregate subsidy, BCBSM shall provide a description of each method of distribution.



Ken Ross
Commissioner