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latimes.com/business/la-fi-blueshield15-2009oct15,0,3875854.story

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Blue Shield is ousted from California's high-risk health insurance pool

Its premiums were substantially higher than those of the other two insurers in the Major Risk Medical Insurance Program, state officials say. Blue Shield coverage will remain in effect until Jan. 1.

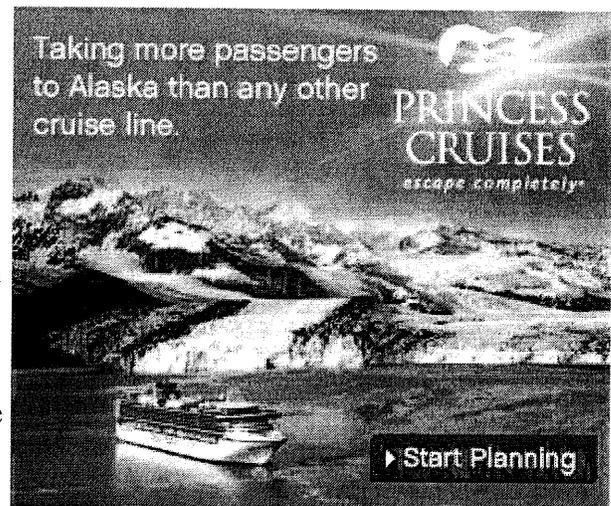
By Lisa Girion

October 15, 2009

California has ousted Blue Shield, the state's second-largest not-for-profit health plan, from the state's high-risk medical insurance pool because its premiums were too high.

The pool, known as the Major Risk Medical Insurance Program, or MRMIP, insures more than 6,700 Californians who have been shut out of the private health insurance market because of pre-existing conditions.

Through MRMIP, such people are able to buy coverage from private insurers at premiums that are supposed to be 25% higher than the market rate for a comparable policy. The state reimburses the insurers for any losses they incur.



Despite the state's backing, Blue Shield's premiums have been substantially higher than those of the other two private insurers in the program, Kaiser Permanente and Anthem Blue Cross of California.

High-risk pool officials said they put Blue Shield on notice last year over concerns about its high premiums. And the insurer's participation slipped to about 80 enrollees this year.

Blue Shield's "rates continue to be at a level far higher than the other plans' rates," PriceWaterhouseCoopers said in a recent report to the MRMIP board. For single subscribers, the report said, Blue Shield's 2010 proposed rates would have been "1.5 to nearly 3 times higher than those of the other plans."

Blue Shield declined to discuss its ouster. The insurer issued a statement: "In our many years of participation in the MRMIP program, we have always set rates in compliance with state laws and regulations. This year we reduced our rates at the request of the [MRMIP] board, but they chose not to renew our contract."

Janette Lopez, chief deputy director of the high-risk pool, said Blue Shield's final offer wasn't a good

deal.

"One of our top priorities is making sure that uninsurable Californians have affordable choices in MRMIP, the insurance program designed to help them," she said. "At the end of the day, Blue Shield was not able to provide good value for our subscribers, so we were unable to renew their contract."

Enrollees in Blue Shield "will be able to stay in the MRMIP program with other insurers," she said, "and we are confident they will get the care they need at an affordable price."

Blue Shield coverage will remain until new policies take effect Jan. 1.

Blue Shield's high MRMIP rates also adversely affected policyholders in another type of safety-net coverage available through the Health Insurance Portability and Accountability Act. Insurers are required by law to sell that coverage, known as HIPAA insurance, to individuals whose COBRA benefits have run out.

Typically such individuals have pre-existing conditions, are more costly to cover than average consumers, and would not otherwise be able to buy insurance in the private market.

State law caps HIPAA premiums at the average of premiums paid for MRMIP policies. For several years, Blue Shield charged premiums for its HIPAA policies that were substantially higher than its competitors, including Anthem Blue Cross, Health Net and Aetna. That is because Blue Shield gave more weight to its high MRMIP rates than its competitors.

Blue Shield's higher HIPAA rates, reported in a Feb. 18 Times article, are the subject of an investigation by the state Department of Managed Health Care. Among other things, the department is trying to determine whether it can require Blue Shield to make refunds, said spokeswoman Lynne Randolph.

Blue Shield has agreed to bring its HIPAA premiums in line with its competitors for the coming year.

Consumer advocates said Blue Shield's exit from the state's high-risk pool raises questions about the not-for-profit insurer's commitment to state programs aimed at insuring people with pre-existing conditions.

MRMIP, the high-risk pool, is capped at 7,100 enrollees and is often closed. But, as of its last count, the program had room for about 200 new enrollees.

lisa.girion@latimes.com

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