

Beacon Hill Byline by Mary Rogeness

September 30, 1993

### **Legislators scrutinize Blue Cross/Blue Shield**

A look at recent events at Blue Cross Blue Shield of Massachusetts gives us an understanding of the needs to reform the national health care system. Individual subscribers have seen their costs rise drastically in the past year, and Medigap policyholders are facing increases as well. And now, in the midst of the news of extreme rate increases, Blue Cross Chairman Jon Larkin Thompson has retired, taking with him a retirement package that is worth \$3.8 million. What can the legislature do about these events?

Before answering that, here is a summary of the legal status of the Blues. Blue Cross Blue Shield was created by the legislature as a nonprofit corporation with tax-exempt status. In return for that tax-exempt status, the insurer agrees to provide insurance coverage for any and all applicants. Rates charged for that coverage must be approved by the Division of Insurance. Another aspect of the non-profit status grants the attorney general certain authority to regulate salaries at the company.

As a result of the generous retirement payout to Thompson, the attorney general is using that authority. He has asked Blue Cross to provide information about compensation packages for executives at other nonprofits to prove that they are carrying out the "duty of care" standard in the law. The law states that such organizations cannot waste funds. The state has emphasized that it is not charging any violation of the law but simply ascertaining that proper procedures were followed. A similar investigation of a payout to the founder of Students Against Drunk Driving prompted that organization to reduce the \$1.4 million package by \$1 million.

Dealing with rate increases is a more challenging task. Costs of nongroup insurance have risen over the past by 46 Percent. An individual policy costs \$3,170 per year, and the same coverage for a family costs \$6,660. Medigap policyholders are also facing a rate increase that is pending before the Division of Insurance. Nobody can afford such endlessly spiraling premiums. President Clinton introduced his long awaited national health plan last week, but even his optimistic projections for passage set a target date of 1996 for implementation. The way to deal with the inflationary spiral right now is structural reform to the system, changing the rules and inviting other insurance companies to provide service to the market. Both the attorney general and the governor have introduced laws to accomplish those goals and I support such reform.

The president identified many problems with our health care delivery system and we are addressing those problems every year. An important part of that system, Blue Cross Blue Shield must take in the monies to pay its claims but its special status must bar it from collecting an excess. It is in the interest of each one of us to balance the public interest in affordable health care with the functioning of that traditional supplier of insurance.