

An urgent message to Michigan's 5.1 million Blue Cross/Blue Shield subscribers.

The Executive Committee of your Blue Cross/Blue Shield Board of Directors unanimously adopted the following resolution because of its deep concern that pending legislation, if approved unchanged, will severely cripple our ability to serve our customers and subscribers.

The resolution was sent to the Governor, Attorney General and leaders of the Senate and House of Representatives, urging them to help us protect your interests.

We hope you will examine this resolution thoughtfully. The subject matter is of enormous significance. The resolution reads:

RESOLUTION ADOPTED BY EXECUTIVE COMMITTEE OF BLUE CROSS AND BLUE SHIELD OF MICHIGAN'S BOARD OF DIRECTORS

The 5.1 million subscribers of Blue Cross and Blue Shield of Michigan (BCBSM) face the worst crisis in the 41-year history of the corporation.

BCBSM is experiencing alarming underwriting losses and plunging reserves caused by inadequate rates and Michigan's severe economic recession. Subscriber security is threatened by pending legislation that may soon freeze into law burdens even greater than those imposed by a failing economy...burdens which will diminish this corporation's ability to serve its customers and subscribers.

The members of the Executive Committee of the Board of Directors appeal for your help to prevent further damage to a health care delivery system on which 53.7 percent of the state's population depends.

Since its founding, Blue Cross and Blue Shield has pledged to its subscribers the highest quality health care coverage for the lowest possible cost, and cost containment leadership and innovative approaches to improve the design, delivery and quality of health care.

That commitment is now in jeopardy.

There are provisions in H.B. 4555 and the Senate Substitute that, if adopted, will unnecessarily increase our regulatory burden, erode financial stability, hamper efficient Board operations, add millions of dollars to the costs our subscribers must pay, and impair our ability to offer benefit packages to subscribers in competition with large commercial insurers headquartered outside Michigan.

We urge you to recognize the danger of over-regulation because we know its consequences firsthand. For two and a half years we were denied a rate hearing by aggressive intervenors, thus forcing us to withdraw our filing and seek redress through the courts. Yet proposals in one Bill would perpetuate such delays by mandating a rate approval process open to intervention by any group, whether enrolled in our programs or not.

Inadequate rates, long tolerated, compound losses and lead only to instability for our 5.1 million subscribers. Instead of gradual adjustments for inflation, our customers and subscribers can again face sudden and large increases when new rates are approved after long delays.

The Bills now before the legislature contain many other provisions ominous to BCBSM's future, and consequently ominous to its subscribers.

We are concerned at the extent to which government would intrude into the policy-making functions of our Board and operations of our company at a time when American public policy has shifted decisively toward deregulation.

Both Bills establish by law the unprecedented doctrine of political appointments to the Board of a private corporation. Both Bills, though in contradictory formulas, mandate proportional representation. The Board itself is left with no discretion to adjust membership in light of changing business environment or the needs of its subscribers.

Both Bills require roll call votes on substantive issues, listing of the names in the minutes, and distribution of raw draft minutes to anyone on request—a prescription for intimidation, harassment and external pressure on directors, especially with respect to such unpopular issues as cost containment.

While advocating stringent cost containment measures, the Bills, as amended, mandate benefits that will add upwards of \$30 million a year in costs to our subscribers, and in some cases contravene collective bargaining agreements.

The requirement that we pay a psychologist for the same service provided by a physician adds a new BCBSM provider class—and would raise the cost to our subscribers by \$20 million annually.

The provision that we pay for care in state mental facilities adds an estimated \$10 million to our subscriber cost. Moreover, we would have no control over performance standards and rules.

The Bills would also force us to contract with free-standing surgical facilities without knowing whether they, in fact, save money or add to the total health care bill.

Many hundreds of thousands of dollars could be added to our subscribers' bills by the mandate that we offer prosthetic appliance benefits which are now optional.

Clearly, the "savings" envisioned by this legislation would be diminished by these costly provisions.

The health care benefit market in Michigan is extremely competitive.

Crippling our efforts to meet the aggressive challenge of large commercial insurers is a double standard of regulation. We are not granted the same freedom as our competitors to design benefits and implement appropriate rates.

Just when we face the strongest competitive pressure in our history, the proposed bills would explicitly forbid us to market the kind of health-life-disability benefit "packages" now being demanded by many of our customers, who speak for millions of our group subscribers.

Equally important, such provisions would deprive Michigan employers of Blue Cross and Blue Shield as a source of such benefits, regardless of the efficiencies and service advantages we can offer their employees.

Blue Cross and Blue Shield of Michigan has never opposed reasonable and equitable regulation. But the Bills now before the legislature go far beyond the "reasonable" and "equitable" philosophy. In fact, neutral observers in the legislature and the media, as well as reputable and independent consultants whose views are on record, have concluded that some sections are punitive, and reflect pressures unrelated to the issues.

The fundamental issue is whether Blue Cross and Blue Shield survives as an efficient and effective system so vital to the health care of the citizens of Michigan. This, in turn, directly impacts the jobs of 5,500 BCBSM employees in Michigan and potentially has adverse ramifications on other Michigan jobs both within and without the health care field.

An impotent BCBSM...its policy distorted by disruptive influence, its market share greatly reduced, its capacity to control costs undermined by fiscal instability...would ill serve Michigan's labor and business communities, and the hundreds of thousands of individual subscribers who have depended on this company for 41 years to provide the best quality health care at the lowest cost.

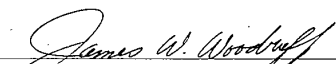
We urgently ask your consideration, support and influence to reject attempts to further weaken a Blue Cross and Blue Shield already burdened by inequitable regulation, underwriting losses and Michigan's economic recession.

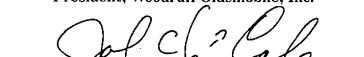
We stand ready to work cooperatively with the House-Senate Conference Committee. We believe that our knowledge and experience coupled with the wisdom of responsible political leadership can build a health care system all of us want: effective, efficient and managed in the best interest of those we serve.

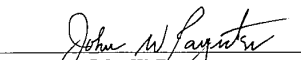
You have been fully apprised by BCBSM management during the past year and a half of its concerns with the pending legislation, and the Executive Committee fully concurs with those management efforts.

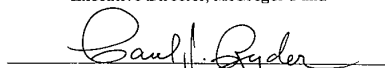
Therefore, be it—

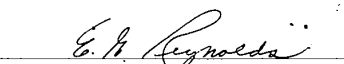
RESOLVED That we, the undersigned members of the Executive Committee of Blue Cross and Blue Shield of Michigan, strongly support this appeal to the executive and legislative leadership of Michigan.

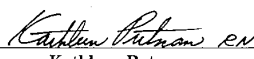

James W. Woodruff, Ed.D.
Chairman of the Board, BCBSM and
President, Woodruff Oldsmobile, Inc.

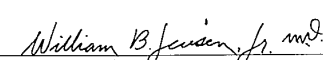

John C. McCabe
President, Blue Cross and Blue Shield of Michigan

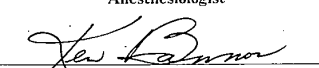

John W. Paynter
Vice Chairman of the Board, BCBSM and
Executive Director, McGregor Fund


Paul J. Ryder
Director, Hourly Benefits Planning & Administration
Ford Motor Company

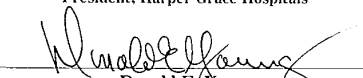

Ellsworth G. Reynolds
President, American Natural Service Company

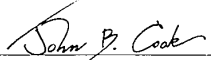

Kathleen Putnam
R.N., Administrator
Leelanau Memorial Hospital

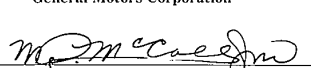

William B. Jensen, Jr., M.D.
Vice Chairman of the Board, BCBSM and
Anesthesiologist


Kenneth F. Bannon
Vice President, United Auto Workers (Ret.)


George E. Cartmill
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Executive Vice President, Burroughs Corporation


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