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## **Blue Cross undergoes examination**

**The health plan comes under fire during a state regulatory hearing. The company says members are well served.**

By Lisa Girion, Los Angeles Times Staff Writer

When an Indiana company bought Blue Cross of California in November 2003, it promised to maintain and improve the services and benefits of the state's largest health insurer.

Nearly three years later, state regulators say they have been besieged by complaints that patients are paying more and doctors are about to be paid less. Regulators held an unusual public hearing Tuesday in downtown Los Angeles to find out why.

Executives and supporters of Blue Cross were on hand to say the company is committed to California and that its policies represent a good deal for members.

Blue Cross said it only made sense that it would receive the most complaints because of its position as the state's No. 1 healthcare plan. The company said that on the whole its members were well served.

But the dominant message was just the opposite from a standing-room-only crowd of more than 200 patients, physicians and hospital operators at the daylong hearing.

"Something must be done now by the department," said Janet Stephens, a disabled nurse with a bladder condition who has watched her benefits decline while her Blue Cross premium has steadily risen in recent years to \$569 a month.

Protesters carrying signs reading "Blue Cross makes us sick" picketed outside the hearing room before the meeting began. They said the health plan provided an example of why healthcare reform was needed.

"Blue Cross promised to be a good citizen," said Anthony Wright, executive director of HealthAccess California, a consumer group based in Sacramento. "But right now it's clear they need to be put on probation."

Cindy Ehnes, director of the state Department of Managed Health Care, called the hearing to help the agency evaluate how well Blue Cross has served Californians since it was purchased by Indianapolis-based WellPoint Inc. nearly three years ago. The department said it had received more than 4,100 calls and complaints regarding Blue Cross since the merger.

Ehnes said in an interview that the department would use the testimony to help decide whether the health plan lived up to the promises it made to win state approval for the November 2004 acquisition. She said a decision should be forthcoming within three months.

The department listed some of its concerns, including a \$950-million dividend WellPoint took from Blue Cross of California this year. That was almost twice the amount it took in each of the previous two years, the department said.

"The dividend is significant because it is extracting large amounts of money at the same time it is saying the increasing costs of healthcare require premium increases and benefit reductions," Ehnes said. "That's the concern."

Blue Cross of California's top executive attended the hearing to state the insurer's case.

President Brian Sassi told the regulatory panel that the health plan was striving to bring innovative insurance packages to California members while balancing their desire for affordable coverage amid soaring medical costs.

Perhaps one of the best measures of its success, he said, is that membership in Blue Cross of California and its affiliate health plan, BC Life & Health, is up 42% since 2000 to 8.3 million people.

Sassi said that the 2007 dividend was not bounded by the merger agreement, was the result of earnings accumulated over several years and was in line with those of other health plans.

Several other witnesses also testified in favor of Blue Cross. The California Assn. of Realtors, for instance, sent representatives to praise Blue Cross for underwriting its association health plan after competitor Blue Shield of California dropped it this year.

And Linda Lockwood gave Blue Cross credit for getting the proper care for her 10-year-old grandson when he became seriously ill. "We would like to say, 'Thank you,'" said the Southern California woman, who brought her grandson to the hearing.

But a parade of others, including several hemophiliacs and the father of a severely disabled boy, said Blue Cross had raised premiums, had denied treatments their doctors said were medically necessary or had changed benefits in a way they feared would compromise their health.

Several doctors complained about pending cuts in the reimbursements Blue Cross pays for services, saying the changes may force them to relocate their practices outside

California .

"My concern is the outrageous profits coming at the expense of doctors and ultimately their patients," said Harriett Ringold, who manages her husband's South Bay endocrinology practice.

Ringold and others said Blue Cross told them the new rates were nonnegotiable.

Not so, said Blue Cross.

In fact, in response to the complaints, Blue Cross delayed the imposition of the new fees by three weeks to Aug. 30 and dropped its plan to cut reimbursements for newborn baby visits, as well as mammography and colonoscopy examinations. But the rest of the fee schedule, including reimbursement rates for hundreds of procedures, will take effect as planned, Blue Cross said.

"If physicians complain, we will look at" the fees, said Jeff Kamil, Blue Cross' medical director. "It's not like we're deaf-eared to what physicians think."

The Foundation for Consumer and Taxpayer Rights said it conducted an analysis of money Blue Cross has sent out of state to WellPoint and its affiliated companies since the acquisition, and the latest dividend was only the tip of the iceberg. The Santa Monica-based group, a frequent critic of the insurance industry, urged regulators to investigate as much as \$6.5 billion in transfers from Blue Cross to WellPoint and its affiliates out of state.

Shannon Troughton, a WellPoint spokeswoman, said the company had insufficient information about the group's analysis to comment but said she believed it was inaccurate.

Ehnes declined to detail what measures the Department of Managed Health Care could take if it determined Blue Cross was out of line. But her department issues Blue Cross' license to sell coverage in California , and it has the power to levy fines and take other actions.

[lisa.girion@latimes.com](mailto:lisa.girion@latimes.com)

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