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Officials sue Michigan Blues plan over hospital contracts

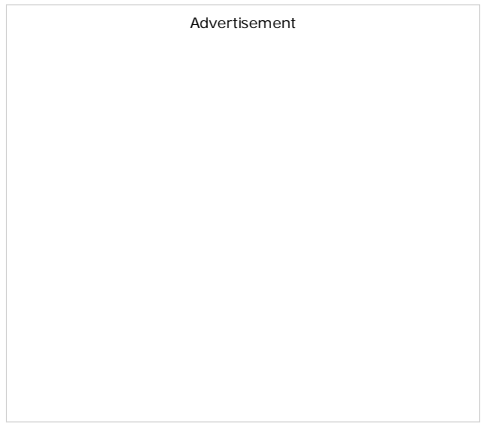


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DETROIT—Federal and state authorities sued Blue Cross & Blue Shield of Michigan on Monday, alleging the Detroit-based health insurer’s pricing agreements with various Michigan hospitals were designed to raise its rivals’ costs and resulted in higher premiums.



According to the civil antitrust lawsuit, filed jointly by the U.S. Department of Justice and Michigan authorities, since at least 2007 the Blues plan used its dominant market position to secure so-called Most Favored Nation agreements with numerous Michigan hospitals. The agreements varied but they frequently included requirements that the hospitals charged other insurers more for services than they charged Blue Cross, according to the suit.

For example, the Blues plan’s contract with Michigan’s largest hospital system, Ascension Health, requires that Ascension’s hospitals charge Blue Cross’ competitors at least 10% more than the hospitals charge Blue Cross, the suit alleges. In addition, the Blues plan agreed to pay Ascension higher rates than it had in the past for hospital services, resulting in Blue Cross paying an additional \$2.5 million annually, the suit notes.

“It is deeply disturbing that Blue Cross, a nonprofit created to help Michigan citizens, would strong-arm hospitals at the expense of hard-working families,” said Michigan Attorney General Mike Cox, in a statement.

The Blues plan, which has a 60% market share in Michigan, ramped up its practice in 2007, threatening to slash payments to 45 small, rural hospitals by up to 16% if the hospitals refused to agree to charge higher prices to other insurers, according to the complaint.

According to Blue Cross, the agreements protect the affordability of health insurance.

“This lawsuit is without merit, and we will vigorously defend our ability to negotiate the deepest possible discounts for our members and customers with Michigan hospitals,” a Blue Cross spokesman said.



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