Understanding the Relationship Between BCBSM and BCBSA

An Association of Independent
Blue Cross and Blue Shield Plans

A nonprofit corporation and independent licensee
of the Blue Cross and Blue Shield Association

ABOUT THE ASSOCIATION

- Before making any changes to PA 350, policymakers should understand the relationship between BCBSM and the Blue Cross and Blue Shield Association.

- BCBSA is a national alliance of 39 Blue Cross and Blue Shield independent and locally operated private companies.

- Similar to a franchise arrangement:
  - BCBSM has the rights to use the Blue Cross and Blue Shield brand
  - In return, we pay a membership fee and follow specific guidelines.

ADVANTAGES OF ASSOCIATION

- The BlueCard®
  - Enables Michigan Blues members to obtain health care while traveling or living throughout the country.
  - Enables BCBSM to better serve national employers such as the Big Three and Meijer, which are headquartered in Michigan.

- The use, protection and promotion of the Blue Cross and Blue Shield brand--the most recognized brand in the health insurance industry.

- BCBSA is an agent for Blues plans when dealing with the federal government.
  - Contracts with the Office of Personnel Management so that Blue Cross and Blue Shield companies are eligible to offer health insurance to federal employees.
  - Facilitates conversations between Blues Plans and the Centers for Medicare and Medicaid Services.
  - Both programs allow BCBSM to provide more jobs in Michigan.

ASSOCIATION REQUIREMENTS

The following are some of the BCBSA requirements of a Blue Cross Blue Shield plan:

- **Blues Brand:** Each Blues plan is given the right to market and sell the Blue brand in an "exclusive service area."
- **Reserves:** RBC level of 375 percent or less will require the BCBSA to begin monitoring our plan.
- **Liquidity:** Must have at least one month of underwritten claims and administrative expenses for two consecutive quarters.
- **Financial Ratings and Audit:** Must obtain annual financial strength rating from independent rating agency as well as actuarial certification and audited financial statements.
- **Customer Service:** Must meet certain standards of customer service through Service Performance Scorecard Measures.
- **Board Membership:** Board must have a majority of public, independent members with no controlling faction.

QUESTIONS?