

Premera Conversion Hearing



As part of his review of the Premera conversion, the Insurance Commissioner is holding a formal hearing, in which he acts as a judge. At the end of the hearing, the Insurance Commissioner will issue a ruling on the proposed transaction. Among other requirements, the Insurance Commissioner must consider whether the transaction is fair and reasonable to Premera's subscribers, whether the transaction is in the public interest and whether it is likely to be hazardous or prejudicial to the insurance-buying public.

The Insurance Commissioner may permit persons with a "significant interest" in the transaction to participate in the hearing as "intervenor." Intervenors may present evidence, examine and cross-examine witnesses and offer oral and written arguments, and may conduct discovery (obtain additional information from Premera and the OIC). The Insurance Commissioner determines whether an individual has a "significant interest" in order to participate in the formal hearing.

Who is seeking intervenor status?

The following groups and individual petitioned the Insurance Commissioner to be intervenors in the Premera conversion hearing:

- Washington Citizen Action
- Welfare Rights Organizing Coalition
- American Lung Association of Washington
- Northwest Federation of Community Organizations
- Northwest Health Law Advocates
- Service Employees International Union Washington State Council
- The Children's Alliance
- Washington Academy of Family Physicians
- Washington Association of Churches
- Washington Protection and Advocacy System
- Washington State NOW
- Washington State Medical Association
- Washington State Hospital Association
- Association of Washington Public Hospital Districts
- Washington Association of Community and Migrant Health Centers
- University of Washington School of Medicine
- United Way of Anchorage
- Anchorage Neighborhood Health Center
- John Garner
- University of Alaska

Have consumer groups intervened in other states where there have been conversion proceedings?

In other state conversion proceedings, consumer groups have been allowed to intervene. In Colorado, when Blue Cross and Blue Shield of Colorado was purchased by a for-profit corporation, a coalition of consumer groups intervened to protect the public interest and public health assets. Similarly, the involvement of consumer groups in the conversion of Blue Cross and Blue Shield of Missouri has been credited with making state regulators aware of the impact the corporate changes had on the preservation of the companies charitable trust assets.

Consumer groups have been involved in conversion transactions in California, Colorado, Connecticut, Delaware, Georgia, Indiana, Kansas, Kentucky, Maine, Maryland, Missouri, Nevada, New Mexico, New Hampshire, New York, North Carolina, Ohio, Oregon, Texas, Virginia, Washington DC, and Wisconsin. Consumer groups have been involved in formal proceedings conducted by the Insurance Commissioner in Colorado, Georgia, Kansas, Maine, Pennsylvania, New Hampshire, Wisconsin and New Mexico.

What are the next steps in the review process?

The Office of the Insurance Commissioner staff and Premera filed their responses to the petitions on December 11, 2002.

- The OIC staff supported the participation of all the groups, provided that they were combined into two parties, one representing the Premera Watch Coalition and other consumers, and the other representing the remaining health care provider interests.
- Premera opposed the participation of each and every group, arguing that none of the groups had a significant interest in the Premera conversion.

The Hospital Association, University of Washington, Washington State Medical Association, and the Alaska Petitioners filed additional briefs about their participation in the hearing on December 19, 2002.

The Insurance Commissioner stated that he will make a determination regarding the petitions to intervene as soon as reasonably possible. He has not yet ruled on the status of the proposed Intervenors.

Recent Events in the Proposed Premera conversion:

On January 14, 2003, the OIC staff issued its second status report. As of that date:

- Premera had not yet submitted responses to several data requests that were presented on October 22, 2002.
- Premera had not yet responded to the OIC's deficiency letter of November 19, 2002.
- Premera had not yet responded to four questions submitted by the OIC consultants on December 13, 2002.

On January 21, 2003, Premera filed a Petition for Judicial Review in the Thurston County Superior Court appealing the Insurance Commissioner's order establishing a timeline for conducting the administrative hearing. In its complaint, Premera alleges the following:

- The Insurance Commissioner's scheduling order is incorrect because it does not require that the Commissioner make a decision on Premera's proposed conversion within 60 days from when the company filed its initial Form A statement;
- Premera's reorganization is "time-sensitive" and the Insurance Commissioner's timeline prejudices Premera.

On January 23, 2003, the Washington State Hospital Association, the Association of Washington Public Hospital Districts, MultiCare Health System, and St. Joseph Medical Center filed a lawsuit in King County Superior Court. The lawsuit has the following claims:

- The proposed conversion of Premera is an unlawful abandonment of its nonprofit purposes
- The proposed conversion of Premera violates the Nonprofit Corporations Act because it does not preserve the full value of the nonprofit's assets and fails to dedicate the assets to the same or similar purposes
- The hospitals allege that they had an agreement with Premera that, upon dissolution, the surplus and reserves of the nonprofit Premera would be distributed to contracting nonprofit hospitals. The hospitals claim that Premera's proposed conversion violates their agreement.

Under Superior Court rules, Premera has twenty days to respond to the Hospitals' claims.

The Premera Watch Coalition is reviewing all of these recent developments and determining its next steps. The Coalition opposes the Premera conversion, and agrees with the Hospitals' first two arguments. However, the Coalition maintains that the funds from a conversion must be dedicated to unmet health care needs of Washington residents, and does not belong to any individual hospital or association of hospitals.