

## Healthcare Law Blog

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### Blue Shield Will Cap Profits

*By Eric Klein and Lynsey Mitchel*

The CEO of Blue Shield of California, Bruce Bodaken, announced on June 7, 2011, that Blue Shield, a non-profit corporation, will cap its annual net income at 2% citing “a new commitment to help our customers get the health care they need at a price they can better afford.” The announcement was made in an opinion piece in the San Francisco Chronicle. The policy will be implemented for 2010, the year national health care reform was enacted. Blue Shield’s net income exceeded the 2% cap by \$180 million last year. Policyholders will be credited \$167 million, physicians and hospitals will receive \$10 million to support new ways to coordinate care through accountable care organizations and \$3 million will go to the Blue Shield of California Foundation.

Blue Shield is one of the few remaining large nonprofit health plans in California, so this approach may not directly impact other nonprofit health plans in California. We will be watching for two other effects, though: (1) will this maximum level of profits be used by California legislators or regulators to determine what are "excessive" profits for California for-profit plans, and (2) what will this limitation mean for many of the other insurance markets in the United States, where Blue Cross Blue Shield nonprofit plans have significant or leading market share?

On a related note, the California Assembly passed Assembly Bill 52 last week. AB 52 would prohibit excessive premium increases without the prior approval of the Department of Insurance or the Department of Managed Health Care.

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