

SCR

12

REPRESENTING ACUTE, LONG TERM AND OUTPATIENT FACILITIES

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President
Dennis L. DeWitt
Juneau

April 1, 1983

The Honorable Joe Josephson
Senator
Pouch V
Juneau, Alaska 99811

Subject: SCR 12.

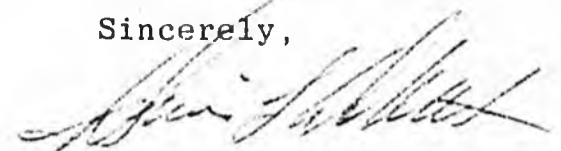
Dear Senator Josephson:

The Alaska State Hospital Association has reviewed SCR 12 and wishes to inform you of our support.

The "stay well" program proposed in this measure has the potential to draw the consumer back into a consideration of the economics of seeking health care services. This will, in our judgement begin to address the problem of ever increasing utilization in general and specifically such problems as inappropriate use of hospital emergency rooms. When the consumer feels no economic difference in the use of a physician's office or an emergency room, all too often the consumer opts for the one most likely available at the consumer's convenience, the emergency room. When insurance pays for either the physician or emergency room visit there is no effective difference to the consumer. The "stay well" program you suggest would offer some incentive, even if minor and indirect, it would be a great improvement.

While there are many facets to the cost of health care, the misuse and over use by the consumer is a major part of the problem. We believe that SCR12 begins to address that part of the problem. We are anxious to help secure its passage.

Sincerely,



Dennis L. DeWitt
President

DLD:hb



MARKETING INFORMATION

Introduction

From an agent's or insurance carrier's point of view, three areas exist that are of major concern in developing health care programs for clients:

- to retain business from year to year by offering a product that is competitive in the market
- to attract new clients with innovative new ideas
- to achieve and maintain lower loss ratios

Amerigard is an employee participation program in which the employee administers the deductible portion of the health care program.

Benefits

Such a program offers benefits to all of the parties concerned:

- Insurance agent - can offer an attractive alternative to conventional benefit packages
- Insurance carriers - have lower administrative costs since fewer small claims will be handled by the company
- Employers - can, in many cases, offer improved coverage at the same or lower cost
- Employees and employers - can receive cash back at the end of the year if account funds are used wisely
- Providers - are paid for services when they are received

Amerigard offers a program that is a simple "turn-key" package that takes advantage of existing institutions and rewards each of these participants.

Organization

With Amerigard, funds allocated by the employer for providing health care benefits are split. A portion is used to purchase a standard, high-deductible major medical policy. The balance is deposited into special individual checking accounts for each employee. The employee is given the responsibility for administering his or her account.

As a reward for wise use of this benefit, the employee receives a portion of the balance remaining in his or her Amerigard account at the end of each year. The employer determines what percentage is given to the employee when the program is designed. (Amerigard recommends at least 50%.) The balance is returned to the employer or may remain on deposit and be applied toward the next year's coverage.

Marketing Information - Page 2

Amerigard will establish the checking accounts for employees. Special Amerigard checks will be issued on these accounts (see attached sample). The employee will write checks from his or her account just like a personal account.

Amerigard does not handle benefit funds. Employers make deposits to the accounts directly, with one check at monthly, quarterly or semiannual intervals.

Amerigard representatives will meet with employees and employers to explain how the program works and at intervals to answer questions that participants might have.

Amerigard's fee is low. Initially, a \$10 per participant fee is charged. After that, an annual fee of \$10 per participant is assessed.

Summary

In summary, Amerigard is a simple, inexpensive, incentive-based employee participation program. It offers benefits to all who participate.

Amerigard is also easy to implement with our "turn-key" package. Amerigard can be in operation in as little as two weeks.

Attachments

- Operational Plan
- Sample check
- Brochure



520 SW YAMHILL ST., SUITE 424 PORTLAND, OREGON 97204 503/224-2555

BASIC AMERIGARD INFORMATION

OPERATIONAL

The following are operational responsibilities of the employer participant:

1. To start the Amerigard accounts, a list of the participating employees' names along with a check for the initial deposit should be sent to the Bank, to the attention of the Operations Manager. Sample calculation: $\$42.00 \times \# \text{ of participants} = \text{monthly deposit}$.
2. Accounts were established in the name of each participating employee with the signature cards. As soon as the Amerigard checks arrive, you will be given a list of the names and account numbers.
3. At the end of each subsequent month, you should receive a list of names and account numbers from the bank for verification.

TO ADD A NEW EMPLOYEE:

Add the employee's name to the list and include him in your calculation of the payment for the next monthly deposit. Accompany the list with a signature card for the new employee(s).

TO CLOSE AN EMPLOYEE'S ACCOUNT:

An account may be closed by drawing a line through the name on the list and subtracting that individual's portion from calculation of the monthly deposit. If an account is to be closed at an earlier time, you should contact the Bank.

4. Employees will be advised to contact you if they must write a check in excess of their account balance. If the bank receives an Amerigard check for payment which exceeds the account balance, they will notify you. In either case, a check should be sent to cover the excess. A suggestion that will simplify record-keeping: make all such extra deposits in increments of \$42.00. After 12 deposits of \$42.00 have been made to the account, no further deposits should be made.

If you should have questions about the Amerigard Accounts, please do not hesitate to call our office (224-2555).

If you have any questions regarding the insurance aspect of your plan, you should direct those inquiries to the Insurance Agency.



520 SW YAMHILL ST., SUITE 424 PORTLAND, OREGON 97204 503/224-2555

AGREEMENT

1. Term: One year
2. Conditions: Amerigard
 - A. Amerigard will assist in securing information needed for major medical policy coverage.
 - B. Amerigard will provide the details of establishing individual accounts for each employee participant.
 - C. Amerigard will provide assistance during period in liaison with the insurance carrier, the financial institution and the employer.
 - D. Amerigard will provide operational details for each participant as well as any material needed during the coverage period to insure the smooth operation of the plan.
3. Conditions: Employer/Financial Institution
 - A. Employer agrees to provide a list of employees participating in the plan to enable the insurance carrier to quote premiums and coverage detail for major medical coverage with a \$500 deductible clause and for the establishment of accounts for each participant.
 - B. Employer agrees to pay insurance premiums as established on a periodic basis as set out in the accepted policy.
 - C. Employer agrees to provide financial institution with monthly or quarterly payments for deposit to the participants' accounts along with a list of participant account numbers.
 - D. Employer agrees to notify the financial institution of terminations of participants on a monthly basis.
 - E. Employer agrees to indemnify the financial institution should the participant during the term of the agreement have need to use more money than that which has accumulated in the particular account up to an amount equal to \$500, \$500 per account being the maximum indemnified.
 - F. Employer agrees that any percentage amount of any amount previously agreed to remain in the participant's account at the anniversary date will become payable to the participant as an incentive to exercise control over the use of the money for health care.

- G. Employer may have the option of withdrawing the balance in accounts of participants at the anniversary date or may elect to leave the balance intact for coverage for the following year.
- H. Employer has the option of choosing monthly, quarterly, or annual payments into the accounts of the participants.

EMPLOYER: _____

AMERIGARD INC.

BY: _____

BY: _____

FINANCIAL INSTITUTION:

BY: _____



520 SW YAMHILL ST., SUITE 424 PORTLAND, OREGON 97204 503/224-2555

**AMERIGARD'S
"STAY WELL"
PROGRAM**

An alternative approach for
providing Health Care Benefits.

INTRODUCTION

The Amerigard STAY WELL program is one which puts the responsibility for the use and administration of health care funds back where it belongs -- with the employee.

By dividing the usual expenditures for health care benefits between special Amerigard accounts and premiums for a high deductible major medical policy, the cost to an organization for providing these benefits may be substantially reduced. This is accomplished by

- offering incentives to employees for staying well
- allowing employees to administer their own health care funds
- eliminating much of the paperwork required by traditional health insurance programs.

FACTS about the current situation

- Health insurance costs are exploding upward
- The associated administrative burden is also increasing
- Business and industry are caught between increasing employee demand for health care coverage and soaring costs

To cope with this situation, most organizations are pursuing one or more of the following options:

- Continuing "business as usual" and absorbing the added costs.
- Tightening controls on current programs by making staff cuts, etc.
- Deferring additional benefits and cutting existing programs.
- Seeking alternatives to traditional health care programs.

Amerigard's Stay Well program is NOW AVAILABLE and provides the alternative that many managers have been looking for. Amerigard is a not-so-traditional program whose features include:

- Sharing responsibility with employees for their own health care plan.
- Providing incentives to employees to stay well and on the job.
- Simplifying the administrative system so that paying for care received is as simple as writing a check.

The Bottom Line Results

- Reduces costs, administrative burden, and time away from work (as much as 40% in some cases).
- Provides an improved benefit plan with first dollar coverage.
- Boosts worker and organization productivity.
- Improves employee morale.

Why Does Amerigard Work?

Amerigard's STAY WELL program is NOT another insurance program. It invokes a different principle, that of Free Enterprise. Everyone benefits when costs are reduced and employees are kept on the job.

In traditional programs, the only way to get anything out of the benefit is to use it! The more you use it, the more you gain! With Amerigard's STAY WELL Program, participants have first dollar coverage when they need it and are given cash back when they do not.

Does Amerigard keep people from going to the doctor when they are sick? Newsweek doesn't think so. Nor does Larry Parcell, Vice President of Blue Shield of California, who holds that "(STAY WELL) is probably the most innovative concept since major medical insurance caught on in the 1950's." (Newsweek, August 25, 1980)

Savings accrue with the reduction of unnecessary doctor visits, which health economists agree is at least 50%.

The results with Amerigard are:

- Much less time lost due to "illness".
- Substantial savings to the organization.
- First dollar coverage when needed.
- Cash back to the participant for staying well.

How Amerigard Works

In traditional programs, all premiums paid are lost; all fees paid go directly to the insurance carriers. Such programs are usually accompanied by lots of forms, many restrictions and hassles in payments to the concerned parties.

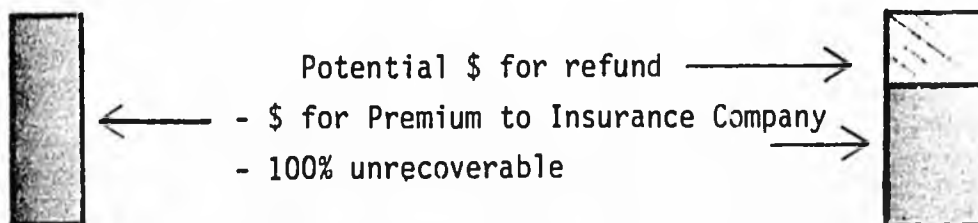
With the Amerigard Program, the usual expenditure is divided-- with a portion, the employer pays for a high deductible major medical policy which is less expensive. The balance is deposited into special accounts that have been established, by Amerigard, for each participant. Especially prepared checks, designed so that they can be used only for medically related expenses, are given to each participant. The participants "administer" THEIR OWN account just as they do their personal checking account.

- When services, such as doctors visits, medication, laboratory and x-ray procedures, are received, they are paid for by check from the Amerigard account. PAYMENT IS IMMEDIATE, WITHOUT FORMS.
- Should charges reach the deductible limit, the participant follows the procedure established by the major medical carrier.
- Cancelled checks and monthly statements provide proof of payment toward the deductible limit.
- Funds remaining in the Amerigard accounts at the end of the year are returned to the employer and employee in the manner determined when the program is established.

TYPICAL EXAMPLES

Traditional Program

Amerigard Program

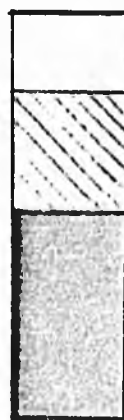




Example 1

No benefit used. Amerigard account balance is divided between employer and participant.

Major Medical Premium. Fixed cost; unrecoverable



Example 2

Balance in account after a portion of the account has been used. Divided and refunded.

Portion used for medical care. Unrecoverable.

Major Medical Premium. Fixed Cost; unrecoverable.



Example 3

Account balance entirely used; unrecoverable.

Major Medical Premium. Fixed Cost; unrecoverable.

What are the other benefits?

In addition to the benefits that were listed previously, consider the fact that:

- The local economy is stimulated. Amerigard account funds are deposited by the employer in local banks just as regular deposits are, thus increasing local capital reserve and allowing banks to be of greater service to businesses and individuals in the community.
- There is no reward for fraud. Participants who do not cheat get money back anyway!
- With no third party involvement, medical matters are private once more, between the physician and the patient.
- By keeping employees well and on the job, productivity gains may well surpass the premium savings realized.
- And remember, none of those time consuming forms are necessary!

Who likes Amerigard?

Employees like it because of the first dollar coverage; cash back if they stay well; they manage the program; medical matters are kept confidential.

Employers like it because it saves money; increases productivity by keeping people on the job; cuts down on administrative burden; it makes employees happy.

Doctors like Amerigard because bills are paid immediately (most spend one third of their money collecting the other two thirds); there are no forms so their administrative burden is reduced too; and, almost all patients they see are those who are really sick.

Does anyone Not like Amerigard?

So far, we have not heard of anyone who disapproves of the idea of saving money while providing improved benefits to their employees; or of a doctor who does not care to be paid promptly.

How much does the Amerigard service cost?

We charge an initial enrollment fee of \$10.00 per employee plus an annual fee of \$10.00 per participating employee thereafter. That is the total charge for our services.

Health care costs in America are going to be controlled. We believe strongly that control should come by way of the FREE ENTERPRISE system and WITHOUT GOVERNMENT INTERVENTION which is our only alternative.

APPENDIX

DAVID J. OR HELEN B. DOWNING
4321 MOUNTAIN DRIVE 825-4241
ANYWHERE, U.S.A. 80299

1034

19

92-3/1251

Pay to the
order of _____

\$

_____ Dollars

RM Rocky Mountain Bank Note
Your Bank Title and Address

RM
SAMPLE VOID

For _____

⑆ 10 20000000 ⑆

⑆ 23 ⑆ 4 56 ⑆ 7 ⑆

Rocky Mountain Bank Note ⑆

Exploding Cost of Health Care

There's the setup in sight to the spiraling cost of preventing and treating Americans' illnesses and injuries.

New government projections show that the per capita cost of medical care, estimated at \$1,078 this year, will almost triple to \$3,057 by 1990. From 4.5 percent of the nation's total output of goods and services in 1950, medical costs have grown to 9.5 percent today and could reach 11.5 percent a decade hence.

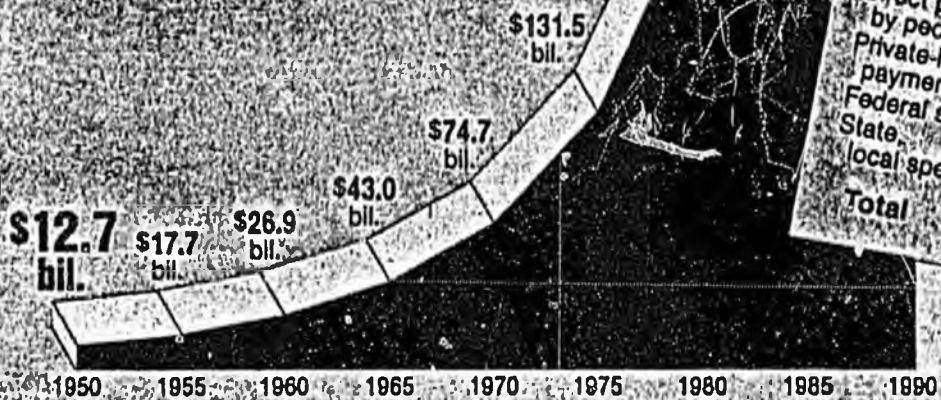
This rapid growth in costs is reflected in medical-care prices. Whereas consumer prices have risen 162 percent since 1965, the cost of a typical hospital room has skyrocketed 444 percent and physicians' fees have jumped 205 percent.

Beyond that, population growth, insistence on higher quality care and use of such expensive innovations as coronary-care units and computerized X-ray scanners have contributed to the cost runup.

Most Americans have escaped the direct impact of these soaring medical bills. Insurance companies and the federal government pay an ever larger share of medical expenses.

In the end, however, it all comes back to the consumer through higher insurance rates and bigger tax bites.

In 40 Years, A 50-Fold Jump In Medical Costs



Today's Medical Bill	
Hospital care	\$97.3 bil.
Physicians' services	\$45.0 bil.
Dental, other professional services	\$23.6 bil.
Nursing-home care	\$21.6 bil.
Drugs and sundries	\$18.1 bil.
Insurance, administrative costs	\$11.6 bil.
Research, construction	\$10.5 bil.
Public-health activities	\$7.0 bil.
Eyeglasses	\$4.7 bil.
Other health services	\$5.2 bil.
Total	\$244.6 bil. (nat.)
And Who Pays It	
Direct payments by people	\$68.4 bil.
Private-insurance payments	\$75.7 bil.
Federal spending	\$70.4 bil.
State, local spending	\$30.1 bil.
Total	\$244.6 bil. (est.)

Medical costs account for an increasingly large share of the economy—almost \$1 of every \$10 spent today, compared with \$1 of every \$20 in 1960—and that share is expected to keep expanding.

USPHS chart—Basic data: U.S. Dept. of Health & Human Services

- As the originators of MasterCharge, electronic calculators, and Xerox can tell you, even the best ideas meet some resistance. "Stay Well" is so simple, it's hard to understand, and people may have to hear it several times before the light comes on.
- Blue Cross, Blue Shield, and major insurance companies are trying to hold down health costs by attempting to influence the provider side of the equation by reducing the length of hospital stays, encouraging the pooling of expensive medical equipment, and providing health-related literature to their members.
- Amerigard applauds their efforts on the provider side but sees real benefit from influencing the demand side as well by seeking to reduce unnecessary lost time due to illness at the source, and by greatly simplifying the administrative system.
- Currently, Blue Shield, several major insurance companies, and even Crocker Bank of San Francisco are experimenting with variations of a "Stay Well" idea. They are learning what Amerigard knows--"Stay Well" works.

Making Good Health Pay Off—in Cash

The more people go to doctors, the higher the health-insurance premiums their employers must pay. Until last year health insurance ranked second only to salaries in the budget of the Mendocino County, Calif., Office of Education. But a new "stay well" plan that provides a cash incentive to avoid unnecessary doctor bills might help trim the exorbitant cost of health care.

Under the plan, employees are paid to stay away from doctors. The California agency used to spend \$105 a month for each of its 218 employees for insurance to cover nearly all medical expenses. The new plan eliminates this coverage and instead provides a \$500-deductible Blue Shield policy that costs the county \$65 for each employee. In addition, another \$40 a month is set aside to provide a pool to cover the first \$500 of the employee's bills. If the employee spends less than \$500 in any year, he can collect the difference in cash when he leaves his job. A worker who spent only \$100 annually for two years would collect \$800. "It's so simple that it's screwy nobody ever thought of it before," says Assistant Superintendent Ed Nickerman.

The idea seems to be working. After eleven months, nearly 100 employees had incurred no medical bills, 47 had spent less than \$200 and only 22 had exceeded their \$500 limit. "Before, I kind of overdid it," says teacher Dan Raner. "Now I feel I have an investment in my own health." Partly as a result of the plan, the county doesn't face a premium increase this year. "I think this is probably the most innovative concept since major-medical insurance caught on in the 1950s," says Larry Parcell, vice president of Blue Shield of California.

The stay-well plan promises to spread throughout California. Other school districts, the state administration and private businesses all are considering versions. The Bank of America, for example, soon hopes to start a pilot program among some of its 63,000 employees, who now contribute from \$10 to \$25 out of their own paychecks for health insurance. Under the bank's plan, employees who file no health-insurance claims during one year would get free coverage the next. None of the plans, experts seem to agree, would discourage anyone who is really sick from going to the doctor. But, health economists say, at least half of all physician visits are unnecessary.

MAY 17, 1981

Health insurance plan rewards well patients

A Beaverton doctor who sees "about 10,000 patients a year" has come up with a new health care insurance plan that "pays people not to be sick."

"My office is loaded with people who come in and the company says they are sick and have to see a doctor before they can come back to work," Dr. Charles K. Chapman said in an interview. "Individuals take sick leave and use their medical insurance at a cost to both the individual and the company. It costs the individual sick-leave time and the company the loss of the employee's services for a day."

Noting that most health insurance is prepaid, Chapman said: "The only way to derive benefit from the prepaid plan is to use the benefits, whether needed or not. It's paid for, so I may as well use it' seems to be the all too-human response."

Chapman has a program called the *Americare Plan, which "rewards you for being well." Basically, the plan returns a part of the premium to the individual for not using the insurance.

Using \$1,000 in premiums as an example, Chapman explained that it is divided into two \$500 parts. The first part of the premium is used to purchase a \$500 deductible major medical plan from any major insurance program. "This functions as any standard insurance plan would," he said, "covering costs in excess of \$500."

The remaining \$500 is deposited in a local bank as a "pool." This, according to Chapman, is the key to the plan because "the consumption or maintenance of these monies is in the hands of the patient." If the insured does not use any of the "pool" fund, he receives \$250 back in cash the first of December, the anniversary date of the plan.

"Thus, his self-restraint is rewarded in the most tangible form that Americans understand — cash payment," the doctor said.

If the insured used \$120 for health expenses, he would be returned \$190 in cash or 50 percent of the \$360 unused in the pool fund.



DR. CHARLES K. CHAPMAN

Money in the pool is used first. When that is exhausted, the major-medical part is tapped. If the pool is used completely, the insured does not receive any "reward."

Each participant is issued a credit card that is used when there are medical expenses.

"Charges at the doctor's office, lab costs and other expenses are charged against the account and the doctor is paid immediately," he said. "No forms. No hassles."

The company realizes productivity gains, he said. "With up to 50 percent less lost time due to illness, the potential impact to worker and organization productivity is staggering. The premium savings could be a drop in the bucket compared with the money made here."

It also represents a boost to the local economy because the program funds are held in local banks.

*Prior to July 1981, Amerigard Inc. was known as Americare Inc.

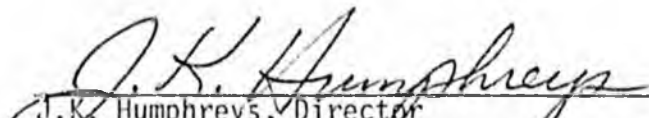
Position Paper

Senate Concurrent Resolution No. 12

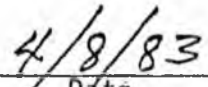
The Department of Administration is aware of so-called "stay well" programs and has already done some preliminary research on the feasibility of similar plans for the State of Alaska. We believe that SCR 12 might be fruitful if it were amended.

First, rather than establishing a task force to perform the original research work and develop alternatives, we suggest that this department develop the report which then could be circulated among and discussed with all concerned parties. Second, it is important that the scope of the report be broadened to include other possible cost containment alternatives such as modifying our existing cafeteria style Supplemental Benefits System. The approach should be well integrated and take into account possibilities such as federal taxation of employer-paid health insurance premiums and consider the tax consequences of any cash distributions under the program.

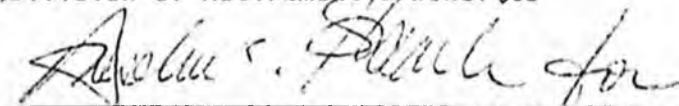
The department could support such an amended resolution but cannot support the existing version. Technical groundwork must be laid before informed decisions on alternatives can be made.



J.K. Humphreys, Director
Division of Retirement & Benefits



Date



Lisa Rudd, Commissioner of Administration



Date

Mike Coughlin

Introduced: 3/21/83
Referred: Health, Education and
Social Services and
Finance

1 IN THE SENATE BY JOSEPHSON
2 SENATE CONCURRENT RESOLUTION NO. 12
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 THIRTEENTH LEGISLATURE - FIRST SESSION

*Request Governor
to direct DOA to
investigate ??*

5 ^{DOA} Requesting the ~~governor~~ to ~~establish a~~
6 ~~task force to investigate the feasibility~~
7 ~~of instituting a "stay well" health~~
8 *in the* insurance plans for state employees.

9 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 WHEREAS the cost of health care services is escalating more rapidly
11 than the cost of other human services; and

12 WHEREAS the quality of life of all state residents is a primary con-
13 cern of the legislature; and

14 WHEREAS the state is a major employer of state residents and is there-
15 fore a major provider of health insurance coverage; and

16 WHEREAS it is in the interests of the state, as an employer, and of
17 state employees, that incentives be provided to state employees to avoid
18 unnecessary health care service usage and health care service costs; ^{and} as long
19 ~~as current levels of health insurance coverage are maintained; and~~

20 WHEREAS incentives, such as making an annual payment to state
21 employees who use less than a specified level of health care services, ^{may} ~~will~~
22 have the additional effect of making the health care delivery system in the
23 state more efficient and accessible to all state residents;

24 BE IT RESOLVED by the Alaska State Legislature that the ^{DOA} ~~governor~~ is
25 ~~respectfully requested to establish a task force composed of the commis-~~
26 ~~sioner of the Department of Administration, the director of the division of~~
27 ~~personnel, and representatives of collective bargaining units to investi-~~
28 ~~gate the feasibility of instituting a "stay well" health insurance plan for~~
29 state employees; and be it

*various cost containment alternatives and design
modifications in the state health insurance plans including*

omit {
1 FURTHER RESOLVED that the health insurance plan studied by the task
2 force should include a provision for an annual payment to participating
3 state employees who use less than a specified amount of health care
4 services, to provide an incentive for limiting the over of health care
5 services; and be it

6 FURTHER RESOLVED that the ^{DOA} ~~task force be directed to~~ report its find-
7 ings to the governor and the legislature before January 16, 1984.

8 COPIES of this resolution shall be sent to the commissioner of the
9 Department of Administration and the Office of Management and Budget.

Introduced: 3/21/83
Referred: Health, Education and
Social Services and
Finance

1 IN THE SENATE

BY JOSEPHSON

2

SENATE CONCURRENT RESOLUTION NO. 12

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

THIRTEENTH LEGISLATURE - FIRST SESSION

5

Requesting the governor to establish a

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16 WHEREAS it is in the interests of the state, as an employer, and of

17 state employees, that incentives be provided to state employees to avoid

18 unnecessary health care service usage and health care service costs as long

19 as current levels of health insurance coverage are maintained; and

20 WHEREAS incentives, such as making an annual payment to state

21 employees who use less than a specified level of health care services, will

22 have the additional effect of making the health care delivery system in the

23 state more efficient and accessible to all state residents;

24 BE IT RESOLVED by the Alaska State Legislature that the governor is

25 respectfully requested to ^{directly that the study be conducted by} establish a task force composed of ~~the commis-~~

26 ~~sioner of the Department of Administration, the director of the division of~~

27 ~~personnel, and representatives of collective bargaining units~~ to investi-

28 gate the feasibility of instituting a "stay well" health insurance plan for

29 state employees ^{and other} and be it

*Amey anticipated
tax consequences
of a stay well health
insurance plans as
possible*

1 FURTHER RESOLVED that the health insurance plan studied ~~by the task~~
2 ~~force~~ should include a provision for an annual payment to participating
3 state employees who use less than a specified amount of health care
4 services, to provide an incentive for limiting the overuse of health care
5 services; *and include a report* and be it

Department

6 FURTHER RESOLVED that the ~~task force~~ be directed to report its find-
7 ings to the governor and the legislature before January 16, 1984.

8 COPIES of this resolution shall be sent to the commissioner of the
9 Department of Administration and the Office of Management and Budget.

*alternatives to
the staywell plan*

*to investigate cost
containment
measures
including a stay well
plan*

April 8, 1983

Joe, Vic, Paul

SCR 12

Task force on "stay well" health insurance

Dennis D. Witt - Hosp. Assoc.

Support

addresses utilization which affects health care costs.

John Borneo - Amerigard, Inc.

involved in "stay well" concept.

plan conceived to have individual take care of own insurance.

Major medical costs taken care of; but individual responsible for taking care of 1st dollar coverage.

Overall cost starts at same level of cost of current insurance.

Policy put in place, deductible (usually \$500) set up in bank account for each individual. Employer deposits money in each account — individual then responsible for payout of account. Limits insurance paperwork; have total coverage and first dollar coverage; incentive to individual to carefully use funds.

Current insurance plan a benefit only if USED

Plans set up so that money left at year end split between Employer and Employee.

Employer does different things

1) Lower cost on following yr coverage

- 2) provide a pool for employees to get annual physicals
- 3) establish exercise programs in the workplace.

Incentives

Employee - Control over medical care
- participate in cost sharing

Employer - Cap cost of insurance.
- morale factors - absenteeism
cut at work!

Insur. Co. - not involved in processing
small claims

also helps in bank activities, keeps money
in communities.

Joe reaction of unions?

Same news, no real reaction - anything to
control costs of interest to all.

Joe Charges of Amerigard?

Only one to develop plan in toto; can't patent a
concept.

Minor charge to set up plan \$10/participant/year.
Annual contract.

Vic other features to make money?

have at times gotten fees from banks on consultant basis. Savings to employer greater than any annual amount charged.

Vic Copyright?

only the name, not the concept.

started in Mendocino, Calif with sch. dist. → many of the same features.

free up physician's time from unnecessary visits
Employees in MD's office hired only to fill out forms.

Joe Admin position paper

- do in house
- look at other issues
- Fed's having insurance

questions have been raised about taxing cash return
just so new, little info

Ken Humphries - Dir. Dir of Ret. & Pensions

POSITION PAPER

Vic good Position paper

Have been aware of "stay well" plans. We are examining other options. Revolutionary good impetus to complete plan. Have reviewed Amerigard proposal. State on experience rated basis

50 DEDUCTIBLE - may want to increase that

If Fed's tax value of premium, we need to lower premium cost by raising deductible

SBS - "cafeteria benefits" in lieu of social security

- annuity / disability / death / survivor / health

(4)

designed as an individual contributory plan if none are chosen; it goes into annuity plan (tax sheltered).

Make sure that alternatives looked at are feasible for state.

Joe Gov. direct study done by Dept of Admin - also look at investigate cost-contain. measures for State of Alaska, including a "grey will" plan.

STATE HAS BENEFIT CONSULTANT WHO COULD DO WORK

V.c. \$25,000?

only an estimate of cost on comprehensive job

V.c. Can't you absorb cost?

Not to do a comprehensive study as we intend



520 SW YAMHILL ST., SUITE 424 PORTLAND, OREGON 97204 503/224-2555

March 14, 1983

Ms. Nancy Dietrich
c/o Senator Josephson
Pouch V
State Capitol Building
Juneau, AK 99811

Dear Nancy:

This information concerning Amerigard is that which we are using in making presentations to clients. As you can see, we work in concert with insurance agents as well as employers.

Also, Nancy, is included some detail on the operational procedures and you can see how simple the plan is to administer.

At present we are operating in Oregon and Washington. To operate in Alaska we will apply for authorization. I have secured the necessary forms and will be processing them promptly.

As we proceed, we will be available to meet with anyone to further explain the program.

Thanks for this interest in Amerigard.

Sincerely,


John Bonney

JB:lp
Enc.

State of Alaska

Fiscal Note

CSSCR 12

IV Analysis: The \$25.0 expenditure is for benefit consultation and research.



Alaska State Legislature

Official Business

Pouch V
State Capitol
Juneau, Alaska 99811

June 21, 1983

John Bonney
400 SW 6th Ave. #904
Portland, Oregon 97204

Dear John,

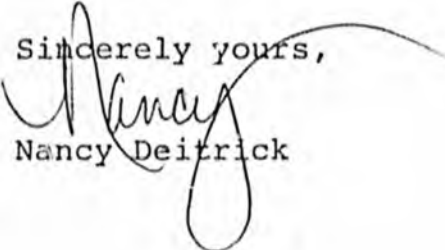
As hard as it is to believe, we are still here in Juneau working on the budget as we rapidly approach the end of the fiscal year.

SCR 12 made it to the House Finance Committee where it will probably languish until January when this fine madness begins again.

I thought you might be interested in the attached article which was recently printed in the Los Angeles Daily Journal.

Happy Solstice!

Sincerely yours,


Nancy Deitrick

The Stay Well Plan: How a Law Firm Can Save on Health Insurance

By BILL BARNES

ANCHORAGE, Alaska — The term "insurance" as applied to medical insurance plans is a misnomer. "Insurance" indicates a spreading of risk through large numbers. There is no spreading of risk in health insurance because the money paid to the insurance organization in premiums is paid out by the insurance people in 90 days to pay health claims. The difference between premiums and claims is known as the "retention rate" and generally is about 8 percent to 15 percent of the premiums paid.

If the premiums don't equal the claims plus the other expenses, then the insurance company will raise the rates or terminate the coverage. Any case of over 100 participants will ultimately be self funded. That is to say the carrier will relate the premiums directly to experience when setting the charges.

Small groups of less than 100 have their premiums set by participation in a Multiple Employer Trust (MET). The claims of a large number of small groups are pooled and the rates are determined by this average experience. There may be considerable variation between rates in METs because of the different composition of the experience pool.

Because of pooling of experience one group in a MET may have to pay an increase in rates even though they have had no claims. They are paying other peoples' claims.

Shopping around for good "rates" is a waste of time. Here are the facts:

- "Rates" are not set by an insurance company. They are set by experience in claims. The charges will be related to actual and anticipated experience.

- "Rates" will change all the time because experience changes.

- The average time that an insurance company or Blue Cross organization retains a case of 100 lives or more is about two years. Group health insurance is like a game of musical chairs.

- Insurance companies will come in and deliberately bid low to get the business. Then when it doesn't work out they will try to get more money.

- Benefit managers of large companies sometimes have the idea that they can get a

discount if it is a big case. In other words if we have 5,000 employees we should be able to get cheaper "rates" than if we had 50 employees, or 500. This isn't so. The reason is that premiums reflect claims experience which can't be discounted. Claims processing per individual is not cheaper just because there are more people in the case.

There is no use repeating the litany of facts relating to the \$162 billion we in the U.S. paid for health care in 1982. Like the weather everybody talks about it but nobody does anything about it.

The one thing which will check these costs is raising the deductible to make the people participating in the plan pay more of the expenses themselves.

This isn't going to be popular or easy. In the case of Chrysler, Lee Iacocca says that health insurance costs \$300 per car and he wants to raise the deductible on the UAW Health plan. The head of the UAW says "never" and threatens to strike. Chrysler could pay these costs so long as they were competing with GM and Ford that had similar UAW contracts. But they can't pay these

health insurance premium and compete with Datsun, Toyota, and Honda.

Management will have to bite the bullet and raise deductibles. Here is how it can be done without causing a strike or widespread dissatisfaction in the work force. These figures were developed in working with an Alaskan law firm and the principles will hold good regardless of whether there are 57 in the plan, 570 or 5,700.

This law firm has 14 male employees, 21 female employees, eight male dependents and 14 female dependents. It is a prosperous organization able to pay group health insurance costs of about \$6,000 per month. In 1981 it had two large health claims and the life insurance company said it would require a substantial increase in premiums. This is a fully insured plan of conventional design. The deductible is \$100 and the insurance company will pay 80 percent of the claims up to \$5,000. After \$5,000 100 percent of the costs will be paid with an upper limit of \$2,000,000.

We developed quotations from various insurance organizations. The larger the amount of risk assumed by the Alaskan law

firm, the lower the payments to the insurance company.

The annual premium with a \$100 deductible would have been \$59,820. But the annual premium with a \$250 deductible would have been only \$44,028, a savings of \$13,792. With this savings we developed a "stay well plan."

With 57 participants we can set up a separate savings account for each person and deposit \$150 into it. The account can be captioned "Medical Reserve Account of John Lawyer." The participant can draw out the money anytime that he wants to do so.

There are no restrictions, but he/she must pay the \$250 deductible. This will require \$8,550 for 57 deposits of \$150. Even if you consider this item pure expense, the Alaskan law firm will save \$7,242 as compared to the fully insured \$100 deductible plan.

This plan is similar to that installed by the Mendocino County School District of California that created a substantial drop in health insurance costs.

This plan rewards those who stay well and don't make claims.

If Silence is Golden, I've Been Demonetized

Somewhere there must be a judge who would welcome this case. Somewhere there must be a class act lawyer looking for a class action suit.

I need relief and it isn't spelled Roll Aids. My ears, the avenues to my inner skull, are under constant invasion.

I go to the beach and skaters dance to the blast of their electronic packs.

I get on the elevator and there is canned music for the rise and descent of the people dumbwaller.

I have been on buses that spewed commercials with their carbon exhausts.

But grow bold along with me the worst is yet to be.

IT IS THE TELEPHONEY.

I go starker mad when I am put on terminal hold in the course of returning a call and made captive to the scratchy tweet of a looping tape which sounds like Satan backmasked.

If I must wait for the average idiot call,

Professor Kramer is of counsel to the firm of Fisher and Moest, Century City. He is not a recognized poet.

Ex Post Facto



Prof. William Kramer

why not a moment for silent meditation or the freedom in sweet quietude to look over the madness on my own desk.

"Put you on hold for a minute, sir" suddenly gives some flunky the right to have me earbound to listen to some musical primal screams.

And when a machine answers and Benny

and Bea do a 60-second singing off key commercial about "we're out, don't pout, cause that's what life is all about. Leave your number, before we slumber, we'll return your call, that's all. Love and Kisses from Benny and the Mrs. Hall to thee from Benny and Bea."

I feel like doing my own silent jingle:

O counselor pro bono,
I'm frenetic from the phone, O

It hits me like a howitzer,
to rhyme perhaps with Polliczer!

If you think there is a case here I'd like to know. Don't call me. I'll call you. Actually I won't because your hold button may sing; and that's my problem.

HAVE AN OPINION?

SHARE IT WITH 100,000 OTHER READERS.

Open Forum — The Los Angeles Daily Journal
P.O. Box 84026, Los Angeles, CA 90054

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and is for the sole
used in any man-
to legal redress.

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

I. REQUEST

Bill/Resolution No.: CSSCR 12
 Title: Health Insurance Task Force
 Sponsor: Josephson
 Requestor: _____
 Date of Request: _____

II. FISCAL DETAIL

Agency Affected: Administration
 Program Category Affected: Cent Adm Svc
 BRU, Program of Subprogram(s) Affected: Retirement & Benefits

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL	25.0					
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC						
TOTAL OPERATING	25.0					
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND	25.0					
FEDERAL FUNDS						
OTHER (Specify Source)						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						
TOTAL						

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

IV. ANALYSIS: Attach a separate page for any Analysis

Prepared By: J.K. Humphreys, Director *J.K. Humphreys* Phone: 465-4460
 Division: Retirement & Benefits Date: 11-9-83

Approved by Commissioner: Lisa Rudd Date: _____
 Department: Commissioner

Original Submission:

Distribution:

- Original to Legislative Finance
- Copy to Office of Management & Budget (for legislature intro. bills)
- Copy to Department (for Governor intro. bills)
- Copy to Sponsor
- Copy to Requestor (if different from Sponsor)

State of Alaska

Fiscal Note

CSSCR 12

IV Analysis: The \$25.0 expenditure is for benefit consultation
and research.

**AMERICA'S NEWEST
HEALTHCARE PLAN**

AMERIGARD



**For additional
information,
write or call:**

It's your plan.

**AMERIGARD, INC.
520 SW Yamhill
Suite 424
Portland, OR 97204
(503) 224-2555**

★ AMERIGARD

The stay well plan that rewards good health.

★ YOU determine how your health care dollar is spent, from the beginning, with "first dollar coverage"

★ YOU are paid for good health: the plan pays cash back for staying well

★ YOU decide the schedule of benefits:

- no schedule of surgical fees
- you and your doctor make the decisions

★ YOU choose your own doctor:

- free choice of doctor or hospital
- you may pay for care from any licensed practitioner

★ Stay well provision lets YOU make the health care decisions:

- preventive care
- well baby care
- routine examinations
- coverage to \$1,000,000

★ NO:

- insurance forms
- exclusions
- waiting for payment
- third party approval