

SCR

23

HOUSE COMMITTEE REPORT

(11)

Date Referred: March 8, 1989

FURTHER REFERRALS:

Date of Committee Action: 3/8/89

The FINANCE Committee considered:

SCR 23

SENATE CONCURRENT RESOLUTION NO. 23

[HEALTH CARE COST CONTAINMENT TASK FORCE]

Relating to a Health Care Cost Containment Task Force.

RECOMMENDATIONS:

- [] be replaced with _____ [] the same title
- [] have attached amendment(s) [] a new title
- do pass
- [] do not pass
- [] no recommendation
- [] individual recommendations
- [] additional referral to the _____ Committee

ADOPTS: House Finance letter of intent

ATTACHES NEW FISCAL NOTE(s):
(Dept)

APPROVES PREVIOUS:

(Date/Dept)

- [] fiscal impact _____
- [] zero fiscal note _____
- [] zero with analysis _____

- [] fiscal note(s) 2/24/89 Sen. Finance
- [] zero fiscal note(s) _____
- [] zero fn/analysis _____

SIGNING DO PASS:

SIGNING:

(Check approp. column)

		Do Not Pass	No Rec	Amend
<u>[Signature]</u> HOFFMAN	<u>[Signature]</u> SHULTZ			
<u>[Signature]</u> LARSON	<u>[Signature]</u> N. R.		<input checked="" type="checkbox"/>	
<u>[Signature]</u> SWACKHAMMER	<u>[Signature]</u> WALLIS		<input checked="" type="checkbox"/>	
<u>[Signature]</u> BROWN				
<u>[Signature]</u> KOPONEN				
<u>[Signature]</u> ULMER				
<u>[Signature]</u> BARNES				
<u>[Signature]</u> RIEGER				

[Signature]
Chairman's signature

STATE OF ALASKA
1989 LEGISLATIVE SESSION

BILL VERSION: SCR 23
PUBLISH DATE: 2/24/89

FISCAL NOTE

REQUEST: _____

REVISION DATE: _____ AGENCY: Legislative Affairs Agency
TITLE: Relating to a Health Care BRU: Legislative Council
Cost Containment Task Force
SPONSOR: Senate Finance Committee COMPONENTS: Council & Subcommittees
REQUESTOR: _____

EXPENDITURES/REVENUES: (THOUSANDS OF DOLLARS)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERS. SERVICES	-0-	-0-	-0-	-0-	-0-	-0-
TRAVEL	-0-	-0-	-0-	-0-	-0-	-0-
CONTRACTUAL	3.0	3.5	-0-	-0-	-0-	-0-
SUPPLIES	-0-	-0-	-0-	-0-	-0-	-0-
EQUIPMENT	-0-	-0-	-0-	-0-	-0-	-0-
LAND/BUILD.	-0-	-0-	-0-	-0-	-0-	-0-
GRANTS/CLAIMS	-0-	-0-	-0-	-0-	-0-	-0-
MISCELLANEOUS	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	3.0	3.5	-0-	-0-	-0-	-0-
CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
REVENUE	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING: (THOUSANDS OF DOLLARS)

GENERAL FUNDS	3.0	3.5	-0-	-0-	-0-	-0-
FEDERAL FUNDS	-0-	-0-	-0-	-0-	-0-	-0-
OTHER	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	3.0	3.5	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME	-0-	-0-	-0-	-0-	-0-	-0-
TEMPORARY	-0-	-0-	-0-	-0-	-0-	-0-

ANALYSIS:

PREPARED BY: _____


SENATOR RICK UEHLING, CO-CHAIRMAN
SENATE FINANCE COMMITTEE

DATE: February 24, 1989

PHONE No.: 465-4821



Official Business

Alaska State Legislature

HOUSE OF REPRESENTATIVES

Committee on Finance

P.O. Box V
State Capitol
Juneau, Alaska 99811

HOUSE FINANCE COMMITTEE

LETTER OF INTENT

FOR

SCR 23

IT IS THE INTENT OF THE LEGISLATURE THAT THE HEALTH CARE COST
CONTAINMENT TASK FORCE PRESENT ITS INITIAL RECOMMENDATIONS TO
THE LEGISLATURE NO LATER THAN APRIL 10, 1989.

A handwritten signature in cursive script, reading "Ronald J. Larson".

CO-CHAIRMAN REP. RON LARSON

A handwritten signature in cursive script, reading "Lyman Hoffman".

CO-CHAIRMAN REP. LYMAN HOFFMAN

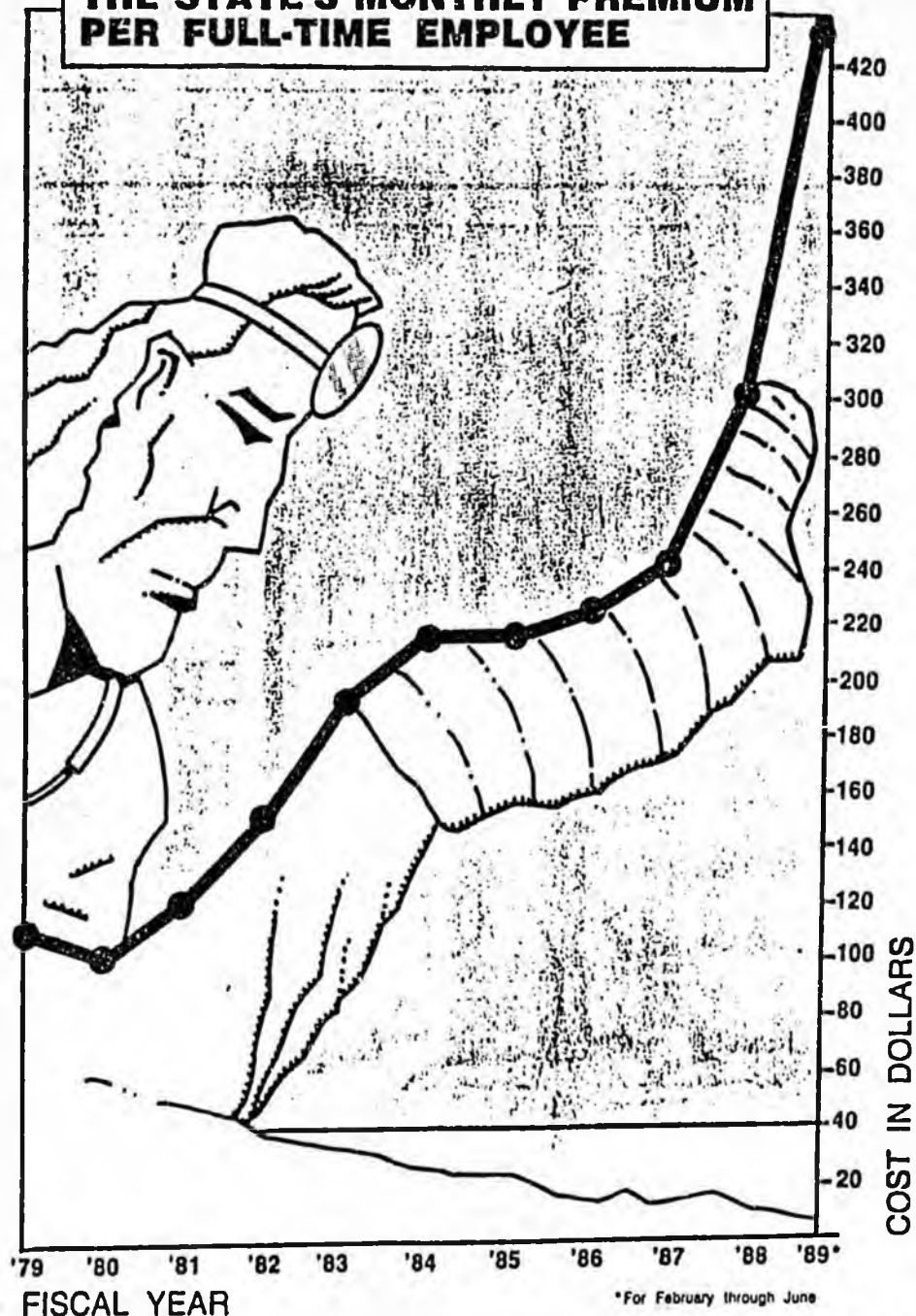
1 FURTHER RESOLVED that members of the task force shall consist of two
2 members of the Senate, appointed by the President of the Senate, two mem-
3 bers of the House of Representatives, appointed by the Speaker of the House
4 of Representatives, three members representing the executive branch, ap-
5 pointed by the Governor, three members representing unions; one appointed
6 by the President of the Senate, one appointed by the Speaker of the House
7 of Representatives, and one appointed by the Governor; the members of the
8 task force shall select a person to act as chair; and be it

9 FURTHER RESOLVED that the terms of the task force members shall begin
10 immediately, that the task force may meet between sessions of the legisla-
11 ture, and that the task force terminates on January 31, 1990; and be it

12 FURTHER RESOLVED that the task force shall submit a report of its
13 findings and proposed legislation to the Governor and the Legislature by
14 January 31, 1990.

1 IN THE SENATE BY THE FINANCE COMMITTEE
2 SENATE CONCURRENT RESOLUTION NO. 23
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 SIXTEENTH LEGISLATURE - FIRST SESSION
5 Relating to a Health Care Cost Contain-
6 ment Task Force.
7 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:
8 WHEREAS the state is experiencing rapidly increasing costs for group
9 health insurance coverage; and
10 WHEREAS providing comprehensive group health care at a reasonable cost
11 to state employees is an important concern of the state; and
12 WHEREAS a complete review of the costs of providing group health care
13 insurance is necessary in order to contain or reduce the cost to the state
14 in an era of declining revenues; and
15 WHEREAS after reviewing applicable statutes, and practices of the
16 insurance industry, legislation may be necessary to implement long-range
17 methods to contain or reduce the cost of group health insurance for the
18 state and its political subdivisions;
19 BE IT RESOLVED by the Alaska State Legislature that a Health Care Cost
20 Containment Task Force is established to study state statutes, practices of
21 health insurers, and to determine ways of containing or reducing the cost
22 of group health insurance to the state and its political subdivisions; and
23 be it
24 FURTHER RESOLVED that the task force shall first determine and recom-
25 mend immediate measures necessary to contain or reduce group health care
26 costs in fiscal years 1989 and 1990; and be it
27 FURTHER RESOLVED that the task force will also determine any changes
28 to the statutes appropriate and necessary to contain or reduce group health
29 care costs in the long term; and be it

Anch Daily News

**THE STATE'S MONTHLY PREMIUM
PER FULL-TIME EMPLOYEE**


Source: Alaska Department of Labor

Anchorage Daily News/Peter Dunlap-Shohl

State health insurance: \$104 million

Cowper seeks more money for state workers' coverage

By DAVID POSTMAN

Daily News reporter

JUNEAU — State employees' top-of-the-line health insurance policy will cost \$104 million this year, \$20 million more than the state has budgeted to pay for it.

The plan costs the state an average of \$431 a month per employee, 520 percent more than it did a dozen years ago. It covers 90 percent of the costs of everything from plastic surgery to year-long stays in mental hospitals.

"We have the best plan. Everything is covered," said Chuck Taylor, deputy commissioner of the Department of Administration.

Because the policy costs more money than the state has appropriated for it, Gov. Steve Cowper is asking for a special appropriation of about \$20 million to pay for this year's increases. But Cowper, Taylor and legislative leaders say the health coverage may be too expensive for these days of limited money.

The state is locked into the plan through contracts with its labor unions. Those contracts call for the state to provide the same level of coverage even if the costs go up or there is less money to pay for the policy.

"There's not any consideration for what happens in a down economy," Cowper said at last week's budget summit with legislative leaders. "I think it's fair to say that this is just a situation nobody ever anticipated. If everything had kept going up it would have worked just fine."

But as costs skyrocketed, state income dropped and the state is now stuck with a boom-time health plan.

All full-time employees, including legislators, are

Please see Back Page, INSURANCE

INSURANCE: For state workers

Continued from Page A-1

covered by the policy at no cost. Part-time employees can buy into the plan at about half the state's cost, according to Taylor.

Under the policy, Taylor said:

- 90 percent of all medical costs are paid. Only 8 percent of public employee insurance policies in the country have 90 percent coverage.

- 100 percent of the premium for dependent coverage is paid. Alaska is one of 12 states with that provision.

- State employees have a \$100 deductible and pay less out-of-pocket medical expenses than all but 3 percent of public employees nationwide.

As medical costs have gone up, so have insurance costs. But Alaska's public employees' plan, issued by Aetna Life Insurance Company, has also gotten more expensive because of its extremely liberal terms and because people are going to the doctor a lot more often, according to Taylor.

The biggest increases have been for chiropractic care and psychiatric and substance abuse treatment, according to a survey of state employee insurance claims filed during the past two years. Charges for chiropractic care went up 27 percent in the past year. But that is not due so much to higher costs as it is to people going to the chiropractor more often.

State figures show employees visited chiropractors 25 percent more often in the past year.

A Juneau chiropractic clinic, Davis Valley Chiropractic, is No. 9 on the list of payments made to doctors and clinics, receiving \$315,620 from Aetna.

Treatment for mental ill-

ness and substance abuse accounts for 40 percent of all hospital stays paid for by the plan. For Aetna's other Alaska insurance policy holders, mental illness and substance abuse accounted for just 16 percent of all hospital stays.

And the state pays for people to go to whatever hospital they want and to stay as long as they want. Five of the 14 most expensive hospital stays paid for from July 1986 to June 1987 were for mental disorders. One 16-year-old boy, the son of a state worker, spent more than a year in Camelback Hospital in Phoenix, Ariz., at a cost of \$131,000, for neurotic depression. Another 15-year-old spent 350 days at the same hospital for what insurance records show as "childhood mental disorders."

Charter North Hospital, which specializes in mental illness and substance abuse treatment, had the highest charges per hospital admission of any hospital used by state employees last year. Charter North charged an average of \$15,441 per admission compared to Providence Hospital at \$6,115 and Humana Hospital-Alaska at \$5,487.

Taylor said some of the high costs of treatment for mental illness and substance abuse are due to high alcoholism and divorce rates in Alaska and the fact that many people do not have family here and more readily turn to professionals for help.

"It's also my opinion that you are seeing the impact of television advertising," Taylor said. "Turn on the tube and what do you see, 'Problems with your kid? Send them here. Cocaine problems, come see us.'"

Taylor also said the rise

in chiropractic costs might also be attributed to heavy television advertising.

Whatever the reason, state leaders say something must be done to at least slow the rising costs. But since the insurance is part of union contracts, there is little that can be done.

Any change would have to be negotiated with the unions or the legislature would have to amend state labor relation laws to allow Cowper to make changes in the benefit package.

Cowper, House Speaker Sam Cotten and Senate President Tim Kelly agree they will "take a look at" the benefit package, but because of the contract requirements they stop short of saying they will take action to cut the plan.

"If something was to appear before us magically maybe we could take a look at it," Kelly said at last week's budget summit.

But this week Kelly said in an interview that the costs were clearly out of control.

He said it is unfair to the Alaskans that do not share in the plan to keep paying out more and more money to insure state employees. "It comes down to creating an elite class of people who are living better than the people they are working for."

Cotten said that to balance next year's budget it might be necessary to cut services, raise some taxes and repeal an oil-company tax break, and that state employees should not be exempt from taking a hit, too.

But even with changes this year, the cost of the plan will keep going up, according to Taylor. "If I cut the plan and contain costs, I still have to deal with 20 and 30 percent increases each year."

BUSINESS

SUNDAY
SECTION B Jan. 22, 1989

Health insurance costs rise feverishly

Workers at a loss as employers cut back on benefits

By HAL BERNTON
Daily News reporter

Lester Snow has worked as an Alaska disc jockey for 19 years, and one benefit he always counted on was health insurance. That meant a lot to Snow because his wife, Jennifer, has a serious heart condition that requires medication and close monitoring.

Then last February, Snow got bad news from his employer, Sourdough Broadcasters Inc. Owner Patty Harpel said she couldn't afford the 70 percent price increase demanded by the company's insurer, and couldn't find a cheaper alternative. Group insurance for the station's 15 employees would be dropped.

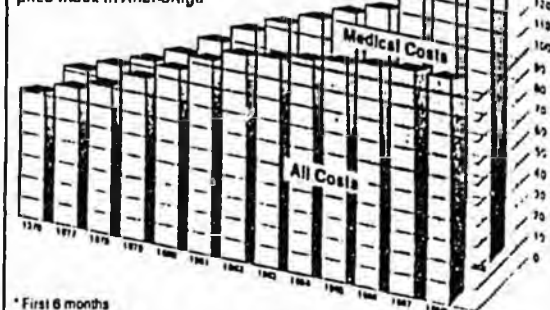
Snow fell back on a Veterans Administration policy to cover his own ailments but he also needed a family policy for his wife and two teen-age children. He found Jennifer's heart condition drove the cost of that policy out of sight. "My family has nothing," Snow says. "If we have a stroke or heart incident or ill-



Disc jockey Lester Snow was left scrambling when his employer was forced to drop health benefits for employees.

Rising Medical Costs

Rise in medical costs vs. consumer price index in Anchorage



* First 6 months

100 percent, according to brokers Walt Baldwin, Bill Purrington and Dave Stratton.

Those rate increases have pushed the cost of many Alaska policies far above the national average. For an Alaska Railroad union worker and family, for example, the total cost of annual insurance is \$5,845, more than double the national average.

In years past, employees tried to dodge rate increases by changing to another insurer. But this year, the market's tightened and finding another insurer is much harder to do, says Baldwin.

Employee exams often are required before new insurers agree to write the policies, and if they don't like what they find they back away or refuse to insure already existing conditions.

The cost of individual policies — a fall back for those whose employers don't offer insurance — also is soaring. Blue Cross of Washington and Alaska, a major state insurer, is seeking an average 70 percent

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Snow is experiencing the harsh edge of a new Alaska business trend — the slashing of employee health-care benefits.

Throughout the state — and particularly in Anchorage — employers already reeling from several years of recession are being shell-shocked by huge annual increases in the cost of health-care benefits.

They're responding by cutting back on these benefits and forcing employees to share more of the costs, and in some cases dropping such coverage altogether. And they're joining a debate already in progress among insurers, those who offer medical services and state officials about why rates are skyrocketing and just what can be done to control them.

Often hit hardest by increases are small employers already operating on thin profit margins.



Disc Jockey Lester Snow was left scrambling when his employer was forced to drop health benefits for employees.

"You just don't get good rates if you have anyone with medical problems," says Harpel, the station manager. "And you never know how long you will be able to keep a policy before it's canceled and you're out on the big wide ocean looking for another lifesaver."

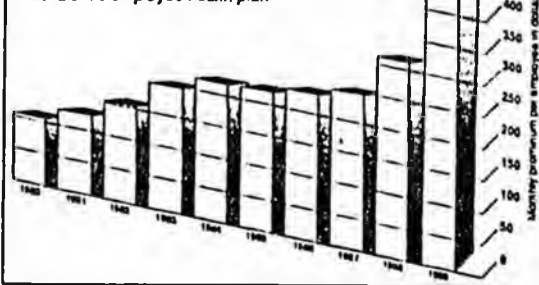
A state survey estimated that 40,000 working Alaskans and their dependents lack any type of health insurance — either from private or public sources.

The state's shrinking health-care coverage represents a sharp reversal from the boom years of the early '80s, when Alaska employers — both public and private — developed some of the nation's best health benefits to help recruit workers from the Lower 48. Many policies were what insurance agents call "caddillacs," featuring minimal out-of-the-pocket expenses for employees.

But many of the "caddillacs" are turning into hum-

Growth in State Insurance Bill

Alaska state employee health plan



Anchorage Daily News charts Ron Engstrom

ble Fords and Chevs, or worse, as employers struggle to cope with the rising insurance costs. That has made health insurance a major issue in state, municipal and private sector union negotiations, and in Juneau, where politicians already have drafted bills to create a new state health insurance corporation.

"It's a serious problem, and one that we're going to face for the rest of our

lives," says Bill Quinn, a union leader who serves on an Alaska Railroad Corp. health insurance committee. "Those of us in the baby boom may not be faced with what kind of health insurance we want when we retire, but whether we'll be able to afford it."

The Alaska health-care inflation parallels a nationwide surge in benefit costs, but premium inflation here

appears to be particularly acute.

Three nationwide surveys reported by Business Insurance, The Wall Street Journal and Health Week cited average 1989 increases of 11 to 25 percent for group health plans.

In Alaska, a few companies contacted by the Daily News report they've managed to hold the line on health costs. Alaska Commercial Co., for example, an Anchorage-based merchandising chain employing 450 people, this year reports no increase in its policy premium.

"We manage the benefits very carefully," says Sam Salkin, Alaska Commercial's president. "We have (medical) authorization procedures, second opinions."

But Alaska Commercial is the exception, not the norm.

Three major Alaska insurance brokers indicated average 1989 increases of 30 to 60 percent are the norm.

And some increases top

Those rate increases have pushed the cost of many Alaska policies far above the national average. For an Alaska Railroad union worker and family, for example, the total cost of annual insurance is \$5,815, more than double the national average.

In years past, employers tried to dodge rate increases by changing to another insurer. But this year, the market's tightened and finding another insurer is much harder to do, says Baldwin.

Employee exams often are required before new insurers agree to write the policies, and if they don't like what they find, then they back away or refuse to insure already existing conditions.

The cost of individual policies — a fall-back for those whose employers don't offer insurance — also is soaring. Blue Cross of Washington and Alaska, a major state insurer, is seeking an average 70 percent jump in the cost of individual insurance policies.

"The point is not just that it's expensive, but whether it will even be available," said Paul Roller, director of the state Division of Insurance. "People just cannot afford those rates."

The debate over Alaska's rising health costs is often dominated by discord.

Doctors say their Alaska costs are high, because overhead is much higher, and they point the finger at insurance companies.

"I think a lot of the problems, from the physician's perspective, are generated by the insurance companies," says Richard Neubauer, an Anchorage internist. "They set up a lot of obstacles for prompt payment of bills, and maximize the amount of paperwork."

Please see Page B-3. HEALTH

Harvard MBAs take ethics to heart

By PAUL WILKES
The New York Times

BOSTON — At the Harvard Business School earlier this year, a group of students gath-



"I have to agree. This is a business decision, pure and simple. We're paid to make the most profit possible. When you start getting into sociology and all that, you lose sight of what job you're supposed to do."

Office space market closes in on recovery

The latest office space market study documents the



HEALTH INSURANCE: Employers cut benefits in face of rising costs

Continued from Page B-1

"They set up quality insurance programs, review types of things, and call for justification."

Broker Purrington accuses Blue Cross, a major — and non-profit — Alaska insurer, of predatory pricing — cutting rates when major competition shows up, then jacking them up once that competition's gone. In 1955, for example, Blue Cross cut many of its group rates to help fend off an unsuccessful attempt by Humana Care Plus to grab a piece of the Alaska market.

Stephen Clark, executive vice president of Blue Cross, says the problem doesn't lie with the insurance companies. He says Alaska doctors and hospitals charge much more than in the Lower 48, and their company just passes through the ever-inflating costs. Alaska laboratory tests, for example, averaged 77 percent higher in Alaska than Washington, according to Blue Cross data.

"If we are to contain the excessive costs of health care in Alaska, we've got to work in unison with the physicians, hospitals, employers and individual subscribers," Clark says.

State officials don't keep detailed financial data on all of the more than 30 insurers selling health insurance in Alaska. But they do monitor Blue Cross, due to its special status as a non-profit medical service corporation. And in 1987, the last year in which financial information is available, state records indicate Blue Cross roughly broke even in Alaska, paying out \$51 million in claims and administrative costs and taking in the same amount in premiums.

Aetna Life & Casualty, in a report to a state task force, indicated that since 1955, the insurance plan covering state employees lost more than \$10 million.

State insurance division officials cite several major national trends forming up the cost of Alaska health insurance. They include:

- The use of ever-more-costly technology to examine, treat and prolong the life of patients, including victims of AIDS and other terminally ill patients.

- "Our society hasn't reached the point yet where we say we can't afford to absorb the cost of a heart transplant for a 65-year-old guy who's been smoking six packs of cigarettes in his life," says Warren Dvorak, benefits manager for the Anchorage School District.

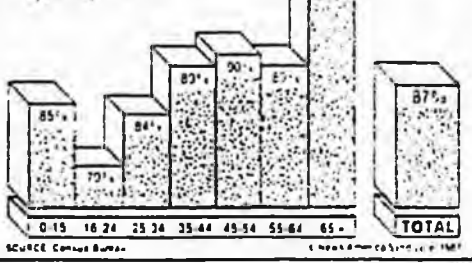
- Increased salaries to help hospitals and other institutions deal with an ever more severe shortage of nurses and other medical personnel.

- Cost shifting. As the federal government cuts

Most Americans have health insurance

Most Americans — 87 percent — have private or government health insurance. By age group, 99 percent of those 65 years and older are covered, compared to 79 percent of those aged 14-24 years.

AMERICANS COVERED BY HEALTH INSURANCE
By age group, in percent



back on Medicare and other medical payments, hospitals are trying to compensate by raising rates for patients with private insurance.

Recent federal laws requiring employers to extend temporary health benefits to former employees and full benefits to some seasonal and temporary employees.

Regional trends also fuel the inflation, according to the state insurance division, industry officials, and a draft report of the Governor's Interim Commission on Health Care.

Huge increases in the cost of Alaska malpractice insurance — both for doctors and hospitals — have been passed on to health care consumers. And the threat of damage suits has prompted more defensive medicine. Doctors order additional, at times unnecessary, tests and exams to help protect them from patients who might later decide to sue.

With the past three years, a major increase in the use of an ever-expanding array of Alaska health care services. Last year, for example, Charter North Medical Corp. opened an expensive new facility for in-patient treatment of disturbed children. That prompted a more than doubling of admissions from state employees and their families. And hospital charges to the state's insurance program soared from \$320,446 in fiscal year 1987 to \$1.2 million in fiscal year 1988.

The increased use, industry officials say, also results from skittish workers who — in a down economy — fear for job security, and want to make sure any health problems are dealt with while they still have coverage.

The sagging economy also has caused a big increase in free medicine by the hospitals. Within the past three years, Providence Hospital's unreimbursed medical services jumped from \$7 mil-

lion to \$17 million. During that same time period, Humana's jumped from \$5 million to \$12 million, the hospitals say.

That tends to drive up the cost of services for those who can afford to pay, state officials say.

In the Lower 48, the struggle to gain control of health care costs — and often intense competition for patient dollars — has triggered a revolution in health care delivery. In many major urban areas, employers can choose from a wide range of programs, such as pre-paid health-care plans in which doctors and hospitals guarantee services for a fixed fee. Other programs involve doctors and hospitals who team up to offer employers discount services in exchange for large volumes of business.

In the health-care industry, such programs are known as "managed care," and many view them as the wave of the future.

"An increasingly high percentage of people who are insured receive some sort of managed care," says Doug Hastings, a Washington, D.C., attorney specializing in hospital and health care issues. "And most experts predict that growth will continue."

But in Alaska, such programs are in their infancy. That's due, in part, to the state's isolation and sparse population, which make it difficult to organize large-volume health care programs profitably.

Another obstacle to their development is the state's doctors, many of whom view such programs with distrust and outright hostility. "I'm extremely happy that those things have not come here,"

"You just don't get good rates if you have anyone with medical problems. And you never know how long you will be able to keep a policy before it's canceled."

— Patty Harpel

said Neubauer, the internist. "... Maybe the cost of insurance will go down, but so will the quality of care and I'm not sure it's worth it."

Neubauer said the managed care systems tend to screen out those who are really sick, since they may need lots of expensive treatment that will cut away the profits from a pre-paid or discount plan.

Other Alaska doctors say managed care means more insurance company bureaucracy and inferior care for everyone: Doctors withholding treatment for fear the next test — or the next operation — will erode the profit from a pre-determined fee.

Insurance companies disagree and are frustrated by the Alaska doctors' reluctance to embrace the new systems. "You're opening a very interesting and very sensitive area," says Robert Simons, a physician employed as Aetna's medical director. Simons said he sent letters to state physicians asking them to join in new managed care program with Aetna, and found "no real interest."

Blue Cross says it will attempt to impose health-care management on physicians by drafting new discount policies that only reimburse patients for the average cost of a physician's service. The average broken arm, for example, costs \$67 to set in Alaska, but some doctors charge \$150.

If a doctor's cost is way over the average — and there are no special complications to justify that, then the new policy would prod the patient to a cheaper doctor, said Clark, the Blue Cross vice president.

Aetna and Blue Cross have had more success dealing with hospitals.

Aetna has convinced Humana to offer a 30 percent discount in services, according to Simons, in return for helping fill the hospital's beds with a steady stream of its insured.

Blue Cross has teamed up with Providence in a similar program. And Providence recently struck out on its own to offer such discounts directly to Alyeska Pipeline Service Co. and several oth-

er large employers.

The employers who purchase such discounted services use an economic hammer to insure their employees go to the right hospital. Employees pay a low deductible if they attend the preferred hospital, a much higher deductible if they attend the competition.

Such plans were first introduced to Anchorage in the mid '80s, and as rates rise, their appeal grows, both to employers and employees.

The Alaska Railroad, for example, after months of tough bargaining reached a 1987 union agreement that included a three-year freeze on employer payments toward health benefits. At the time, it looked like a good settlement because those payments covered all the costs of a gill-edged medical plan jointly insured through the railroad and Aetna.

But last year, Aetna hit the railroad with a 40 percent rate increase for the standard plan. Then they offered a more modest alternative, a 14 percent rate increase for those employees who would join a "preferred hospital" plan with Humana.

Under that plan, employees who chose Providence would have to pocket 40 percent — rather than the standard 20 percent — of initial hospital costs.

Other cost management efforts included insurance company approval of non-emergency surgery and a financial penalty for not obtaining a second opinion on prospective surgery.

Non-union railroad employees chose to sign up for the preferred plan, but union workers opted against it. Then this year, facing another 32 percent increase, the unions decided to go with the preferred option.

Even with the preferred plan, the new insurance doesn't come cheap. A family policy will cost each union member \$2,049 out of pocket.

Quinn, the union leader, said he's talked with the rank and file about cutting benefits to try to bring that expense down farther. But for the moment, his members say no. "The employees still want the plan they have. They aren't willing to downscale it — yet."

Trac susp souc

Los Angeles

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Lawmakers investigate health costs

Insurance will rise 43% this year

By BRIAN S. AKRE

The Associated Press

JUNEAU — Lawmakers are rushing to form a task

force to recommend solutions to a politically thorny problem: how the state can slow the sharp rise in its employee health-insurance costs.

The state's bill for employee health insurance will rise about 43 percent this year, to \$104 million. The legislature will be asked to approve a \$15.5 million supplemental appropriation to cover the increase. Next year's budget is expected to include an additional \$17.5 million to cover anticipated increases in the coming year.

"Without action, this cost



Duncan



Uehling

is expected to continue to grow at a rate of 20 percent a year," Senate President Tim Kelly said.

Sen. Jim Duncan, D-Juneau, said he could think of no other major part of the budget that has risen so dramatically. "It's a problem that just can't wait," he said.

The Senate Finance Committee on Friday approved a resolution to create the Health Care Cost Containment Task Force to look into the problem.

The task force initially would be charged with recommending immediate measures to reduce health insurance costs next year without reducing benefits. There are several such measures that could be taken outside the legislative and union bargaining processes, Duncan said.

The state is obligated to provide a high level of health-care benefits through

HEALTH: Lawmakers look at costs

Continued from Page E-1

its contracts with the employees' unions. Any proposals to cut benefits would have to be negotiated.

Members of the task force would include three executive branch representatives appointed by the governor, two senators, two House members, two union representatives and two health industry representatives.

The resolution goes to the Senate Rules Committee before referral to the full Senate. Sen. Rick Uehling, R-Anchorage, said he expects the Senate to vote on the resolution this week.

The state health-insurance plan costs an average of \$431 a month per employee, and it covers 90 percent of the costs of a wide range of medical procedures.

All full-time state employees, including legislators, are covered by the plan free of charge. Dependent coverage is fully paid by the state, and the plan has a \$100 deductible.

At a recent "budget summit" between Gov. Steve Cowper and legislators, Kelly said the plan's costs have gone out of control. While private employers have had to cut back on coverage or force employees

to pay a greater share, the state continues to absorb the increases, the Anchorage Republican said.

Lawmakers said the idea behind the task force is to bring together everyone involved to work out savings that will help balance the state budget.

"I think if we can get everybody working together, and the people understand the legislature is serious about stopping this cost increase, that we can come up with some short-term cost savings," Uehling said.

"This is not a problem unique to Alaska," Duncan said. "It's not the employees' fault that the costs are going up. It's not the unions' fault. It's a national problem."

The task force probably will hire a consultant to study the health-insurance plan and recommend within 45 days what actions can be taken, Uehling said.

Steps that have been discussed informally include requiring second opinions on surgery, encouraging outpatient rather than inpatient surgery, and increased case review, Duncan said.

Duncan estimated such steps could immediately save the state 10 percent to 12 percent in premium costs.

Please see Page E-2, HEALTH

A POSITION OF UNIFIED ALASKA LABOR

We in Alaska Unified Labor are ready to meet the challenge and encourage a proactive joint resolution to the many problems facing our State. These are times that call for a sprit of cooperation among the people of Alaska to build a stable diversified economy and provide for a resonable standard of living for Alaskan families. This is not a time to diminish support or blame working people for rising costs of health and other essential family benefits.

Unified Alaska Labor has reviewed Governor Cowper's proposal on "Dispute Resolution for Public Employees". Following that review it is evident that the proposed legislation is counterproductive to effective labor/management relations in the public sector in our state. It appears the Administration's approach to dealing with the State's fiscal challenge is misdirected toward changing the process by which sound labor/management relations within the public sector have been conducted for some twenty five years. The proposal prematurely raises undue controversy on issues currently before the State Supreme Court and on close examination would all but destroy public sector collective bargaining within our State.

The proposal removes the "collective" from collective bargaining. Solutions to escalating costs are not found by granting either party in the bargaining process unilateral authority to determine terms of an agreement. Moreover, weakening existing binding arbitration or creating a process that could in all probality negate good faith contract bargaining of both parties with "last and final" (versus "last and best") is absolutely not an acceptable approach.

Escalating costs in health care are not unique to our state. Labor and management working jointly can make substantial progress in the area of cost containment and raise user responsibility awareness without impacting the collective bargaining process. Labor representatives who serve as trustees on Taft-Hartly (private sector) benefit trusts have extensive experience in management of health benefit plans within our State and stand ready to enter into a process with the Legislative and Executive Branch of State Government to develop joint short term solutions and long range strategy to address this and other issues that impact the fiscal integrity of our economy.

Unified Alaska Labor supports the proposal of establishment of a Joint Committee on Cost Containment that does not interfere with the collective bargaining process with representatives of Labor, Management and Legislative Leaders working in unison for solutions to the rising costs of medical benefits for Alaskan families.