

**OVERSIGHT  
HEARING:  
MEDICAL  
TRANSPORT**



April 16, 1998

**Representative John Cowdery  
State of Alaska  
House of Representatives  
Juneau, Alaska  
Fax: 465-2069**

**Dear Representative Cowdery,**

**I would like to request a legislative oversight hearing regarding the First Health Company administration of Medicaid health travel on rural airlines.**

**Sincerely yours,**

A handwritten signature in cursive script, appearing to read "William L. Johnson".

**William L. Johnson, Chairman**

Hageland Aviation Services, Inc.  
Box 220610  
Anchorage, Ak 99522-0610

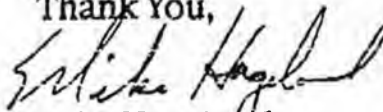
16 April 98

Mr. John Cowdery  
Alaska Legislature

Dear Mr Cowdery

We respectfully request A Legislative Oversight hearing on First Health Medicaid Travel procedures.

Thank You,



Mike Hageland  
Secy/ Treas

## Yute Air – First Health Services

Situation: Yute Air, a small Alaskan air taxi operator, has \$60,000 in outstanding invoices with the State's contractor, First Health Services. Darrell Nagel was contacted and indicated that he would look into the situation and respond with a fax by Monday, March 2. They fail to pay 20% of all claims. They pay about \$7,000 out of \$10,000 per week. This is the aggregate unpaid receipts for the last 18 months. The information on the ourstanding claims has been submitted by multiple times (3 and 4 in most cases). The following is pertinent information regarding the concerning the persons involved.

### Background Information on First Heath Services Inc.

Headquarters Location: Richmond, Virginia

President and CEO: Teresa DiMarco  
804-965-7400

Project Manager: Darrell Nagel  
907-561-5650

Contract Administrator for State Of Alaska: Jeff Hubbard  
907-561-2171 or 273-3209

Yute Air Contact: Will Johnson  
907-243-1011

Accounting Dept. Sally  
907-243-1011

[HOME](#) [MARKETPLACE](#) [FREE TRIAL](#) [SEARCH](#) [TALK TO US](#) [SITEMAP](#)



## COMPANY CAPSULE



[Click here for more information](#)

## First Health Group Corp.

[COMPANY CAPSULE](#)

[COMPANY PROFILE](#)

[FINANCIALS](#)

[NEWS](#)

3200 Highland Ave.  
Downers Grove, IL 60515

Phone: 630-241-7900  
Fax: 630-719-0076

### KEY NUMBERS

Nasdaq: FHCC

#### Quote

[StockMaster Stock Chart](#)

Fiscal Year-End: December

1996 Sales (\$ mil.): \$247.8  
1-Yr. Sales Growth: 15.6%

1996 Net Inc. (\$ mil.): \$79.0  
1-Yr. Net Inc. Growth: 18.8%

1996 Employees: 1,500  
1-Yr. Employee Growth: (1.6%)

First Health Group, formerly HealthCare COMPARE, is a provider of medical cost-management services in the US. The company's AFFORDABLE Medical Networks manages payor-based preferred provider organization networks, including hospitals, physicians, and outpatient care providers in 49 states. Its medical review programs aid the delivery of medically necessary care and identify cost-effective treatment alternatives to its clients. Its OUCH (Occupational-Urgent Care Health) systems offer computer-assisted bill reviews and audits, fee schedule reviews, and claims pricing services.

**Top Competitors:** [Aetna](#) | [Blue Cross](#) | [United HealthCare](#)

### KEY PEOPLE

Click now for a [FREE trial subscription](#) to Hoover's Online and get in-depth Hoover's Company Profiles, real-time SEC documents, custom searching and more!

**Chairman Emeritus:**  
Robert J. Becker

**Chairman:**  
Thomas J. Pritzker

**President and CEO:**  
James C. Smith

**EVP Risk Products:**  
Edward L. Wristen

**EVP Managed Care Sales:**  
Patrick G. Dills

### ∞ HOOVER'S IN-DEPTH COMPANY PROFILE

Hoover's In-Depth Company Profile of First Health Group includes company strategy, history, more competitors, products and detailed financials. (For subscribers only. See [samples](#). Find out how to [subscribe](#).)

### NEWS

[Current News Stories Mentioning First Health Group](#)

[Click Here to Use Electric Library](#)

[SEARCH THE WEB FOR FIRST HEALTH GROUP](#)

[AltaVista](#) | [Excite](#) | [Hot Bot](#) | [Infoseek](#) | [Lycos](#) | [Yahoo!](#)

[FIND RELATED COMPANIES](#)

Hoover's Online [subscribers](#) can find more companies in this [region](#) or in this [industry](#).

Search For Another Hoover's Company Capsule:

By Company Name:

**FIND**

By Ticker Symbol:

**FIND**

For a complete list of officers, including ages and salaries, see [Hoover's Company Profile of First Health Group](#). (For subscribers only. See [samples](#). Find out how to [subscribe](#).)

[KEY RESOURCES](#)

**For Investors:**

[SEC Form 10-K \(Real-time\)](#)

[All SEC Filings \(Real-time\)](#)

[SEC Form 10-K \(24-hours delayed\)](#)

[All SEC Filings \(24-hours delayed\)](#)

[Earnings Estimates](#)

CFO: Joseph E. Whitters

**For Job Seekers:**

HR Contact: Nancy Zambon

Available to Hoover's Online [subscribers](#).



[Click here for more information](#)

[Home](#) | [Marketplace](#) | [Subscribe](#) | [Search](#) | [Talk to Us](#) | [Site Map](#)



Hoover's Company Capsules  
Copyright © 1998, [Hoover's, Inc.](#)  
Austin, Texas

HOME MARKETPLACE REPUTATION SEARCH FACTORS SYSTEMS

**HOOVER'S**  
ONLINE

## ANNUAL FINANCIALS

**THE NEW ANALYST CENTER** **FREE PREVIEW** Charles Schwab

▶ OUTLOOK ▶ ANALYST CONSENSUS ▶ FUNDAMENTALS ▶ TECHNICALS ▶ CHARTS

[Click here for more information](#)

### First Health Group Corp.

Nasdaq: FHCC Fiscal Year-End: December

[Data Definitions](#)

COMPANY CAPSULE COMPANY PROFILE FINANCIALS NEWS

[Annual Financials](#) | [Quarterly Financials](#) | [24-hour Delayed SEC Filings](#) | [Real-time SEC Filings](#) ☆ | [Full Quote](#) | [Chart](#) | [Investor Resources](#) | [In-depth Financials](#) ☆

☆ Hoover's Online subscribers have access to Real-time SEC Filings and In-depth Financials, including [Market Data](#), [Comparison Data](#), [Detailed Annual Financials](#), [Detailed Quarterly Financials](#), and [Historical Financials](#). Find out how to [subscribe](#).

#### INCOME STATEMENT

All dollar amounts in millions except per share amounts.

	Dec 97 (Prelim.)	Dec 96	Dec 95
Revenue	389.0	247.8	214.3
Cost of Goods Sold	--	84.6	74.5
Gross Profit	--	163.2	139.8
Gross Profit Margin	--	65.9 %	65.2 %
SG&A Expense	--	48.4	36.7
Operating Income	--	114.8	103.1
Operating Margin	--	46.3 %	48.1 %
Net Income	7.1	79.0	66.5
Net Profit Margin	1.8 %	31.9 %	31.0 %
Primary EPS (\$)	0.22	2.24	1.89

#### BALANCE SHEET (\$mil.)

	Dec 97 (Prelim.)	Dec 96	Dec 95
Cash	--	77.4	74.6
Net Receivables	--	24.5	22.3
Inventories	--	0.0	0.0
Total Current Assets	--	188.5	173.9
Total Assets	--	353.3	297.2
Short-Term Debt	--	0.0	0.0
Total Current Liabilities	--	28.1	16.8
Long-Term Debt	--	0.0	0.0

Total Liabilities	--	30.2	16.8
Common Stock Equity	--	323.2	280.3
Shares Outstanding (mil.)	31.9	33.7	34.6

**THE NEW ANALYST CENTER** **FREE PREVIEW** **Charles Schwab**  
 ► OUTLOOK ► ANALYST CONSENSUS ► FUNDAMENTALS ► TECHNICALS ► CHARTS

[Click here for more information](#)

[Home](#) | [Marketplace](#) | [Subscribe](#) | [Search](#) | [Talk to Us](#) | [Site Map](#)



Financial Information provided by [Media General Financial Services, Inc.](#), Richmond, Virginia



Hoover's Company Information  
 Copyright © 1998, [Hoover's, Inc.](#)  
 Austin, Texas

## OVERSIGHT HEARING ON MEDICAID TRANSPORT ON RURAL AIRLINES

Earlier this year the legislature was contacted by small Alaskan air carriers. The carriers asked for aid in seeking payment for transportation services rendered to the state's medical assistance program, a division of the Department of Health and Social Services. The state's contractor, First Health Group Corporation (Illinois), and the DHSS contract administrator were contacted. Both the administration and First Health were helpful in looking into the problem and expressed their desire to set things right.

Three months later, the legislature was contacted again; transportation payments were still suffering excessive delay. At this point, further investigation seemed in order.

In conversations with the Administration, it became clear that system-wide snares impede efficient payment of transportation claims. All parties have been open and willing to discuss the problem, yet action seems to be lacking.

Alaska statute 37.05.285 requires the state to pay its bills within 30 days. Perhaps the statute applies to this situation, perhaps not. Either way, Alaska's networks of small transportation carriers are unduly burdened by slow payment practices.

We are here today to put on record the difficulties that small air carriers have experienced, to identify system-wide obstacles to efficient payment, and to see what steps may be taken to correct the problem.

# Alaska State Legislature



Session:  
State Capitol, Room 423  
Juneau, AK 99801-1182  
(907) 465-4921

Interim:  
716 W. 4th Avenue, Ste. 450  
Anchorage, AK 99501-2133  
(907) 258-8183

## SENATE TRANSPORTATION COMMITTEE

April 30, 1998

Mr. James C. Smith  
President and CEO  
First Health Group Corporation  
3200 Highland Avenue  
Downers Grove, IL 60515

Dear Mr. Smith:

On Tuesday, April 28, 1998, the Alaska State Senate Committee on Transportation held a public hearing on the subject of the Alaska Division of Medical Assistance compliance with statutes that require payment of bills within thirty days. First Health Corporation is the contractor identified as being responsible for making payments on behalf of the Division.

Testimony from Yute Air and Hageland Aviation indicated that as much as \$50,000 in unreconciled billings exist that are beyond 120 days. These air carriers provide emergency and routine medical transport for citizens throughout vast areas of rural Alaska. They are very small operators with very high operating costs typical in the Alaskan bush. These carriers provide the only mode and means of transportation between the villages and the towns in their service areas, which are the size of Texas. Their accounts receivable from your company represent their entire annual profit margin.

Legislative inquiries were made 90 days ago into this issue. Representative Cowdery's office was told that the problem exists because of federal procedural requirements. The Division of Medical Assistance hasn't identified that a problem exists, according to their testimony. Yet the carriers still are not being paid timely for the services they provide. The problem is one of long standing. Nothing has been resolved since the first legislative inquiry.

The Division of Medical Assistance testified that the problem is not a shortage of funds. One legislator questioned whether First Health's practice of rejecting invoices (claims) accrues financial benefit to the company at the expense of the vendor. The committee voted to notify the Chief Executive of First Health Corporation that this problem exists, and, request that you resolve the systemic problems that cause a high rate of rejected billings, and, resolve the particular problems imposed on Yute and Hageland. If your

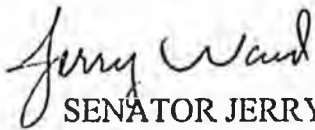
Page 2

company cannot resolve the problems we would interpret that as inability to meet the contractual requirements.

The Committee's position is that AS 37.05.285 is applicable to you as the contractor for the Division of Medical Assistance. Interest payments due to vendors because of late payments may become your company's obligation.

The Committee is confident that First Health Group Corporation is able to manage this problem satisfactorily without our revisiting the issue. We look forward to hearing from you. If the State of Alaska is deficient in some way that causes this problem, please advise us. We hope you will understand the need to work swiftly on behalf of the small air carriers that are put at risk due to chronic late payments. Thank you for your assistance.

Sincerely,



SENATOR JERRY WARD, Chairman  
Senate Transportation Committee

cc: Senate Transportation Committee Members  
Sen. Gary Wilken, Chairman, Senate HESS Committee  
Rep. Bill Williams, Chairman, House Transportation Committee  
Rep. Con Bunde, Chairman, House HESS Committee  
Rep. John Cowdery  
Commissioner Karen Perdue  
Commissioner Joe Perkins  
William Johnson, Yute Air  
Mike Hageland, Hageland Aviation Services, Inc.

igned former paragraphs (2) and (3) as present paragraphs (1) and (2), respectively, and, in present paragraph (1), substituted "December 16" for "October 16," inserted "prepared in accordance with generally accepted accounting principles and audited by the legislative auditor in accordance with generally accepted audit standards," and made a minor stylistic change.

**Editor's notes.** — Section 35(b), ch. 126, SLA 1994 provides that the "legislative audit requirement of AS 37.05.210(1), as amended by sec. 14 of this Act, applies to reports relating to state fiscal year 1995 and thereafter."

#### NOTES TO DECISIONS

Stated in *M-K Eng'g Co. v. Alaska Power Auth.*, 662 F. Supp. 303 (D. Alaska 1986).

### Article 3. Payment for State Purchases.

#### Section

285. Payment for state purchases

*Sec. 37.05.220. Purchasing agent. [Repealed, § 67 ch 106 SLA 1986. For current provisions see AS 36.30.]*

*Sec. 37.05.225. [Renumbered as AS 36.30.180.]*

*Secs. 37.05.230 — 37.05.280. Competitive bids; contracts; leases. [Repealed, § 67 ch 106 SLA 1986. For current provisions, see AS 36.30.]*

**Sec. 37.05.285. Payment for state purchases.** (a) Payment for purchases of goods or services provided a state agency shall be made by a required payment date that is

(1) the date on which payment is due under the terms of a contract; or

(2) 30 days after receipt of a proper billing for the amount of the payment due, if a date on which payment is due is not established by contract and if the billing contains or is accompanied by documents required by the contract or purchase order.

(b) If a seller offers a discount from the amount otherwise due for property or services in exchange for payment within a specified period of time, the state agency may make payment in an amount equal to the discounted price only if payment is made within the specified period of time.

(c) If payment for goods or services purchased by the state is not made on or before a required payment date under (a) of this section, the state shall pay interest on the unpaid balance from the required payment date at the rate of 1.5 percent a month, unless an agreement exists between the seller and the state that establishes a lower rate of interest or precludes the charging of interest. If the interest-bearing period of time is either (1) a fraction of a month or (2) one or more full months plus a fraction of a month, the state agency shall pay the same amount of interest for the fraction of a month as it would pay for a full month.

(d) This section does not apply

(1) if the cost of the goods or services purchased exceeds \$500,000;

(2) to payment for specific goods or services in dispute after a seller of goods or services receives notice from the state official responsible for authorizing payment for goods and services that the amount of the invoice or quality of specific goods or services is in dispute and stating the reasons for the dispute; the state agency shall pay for the specific goods or services in dispute within 30 days after resolution of the dispute; or

(3) to a contract covered by AS 36.90.200 — 36.90.290.

(e) Interest paid under (c) of this section shall be charged to the budget of the state agency that purchased the goods or services.

(f) In this section

August 5, 1997

Mr. Chuck Fagerstrom  
Norton Sound Health Corporation,  
Nome, AK

Dear Mr. Fagerstrom,

Thank you for your interest in patient and staff transportation for your hospital. I appreciate the chance to give you a quote and describe some of our services which might be helpful to the Hospital.

We have FAA approved stretcher installations for the Fairchild Metro III aircraft we operate from Anchorage to the rural transportation hubs across Western Alaska. These are available to use as approved berths for transportation of stretcher patients who cannot sit up in a regular passenger seat. On our regularly scheduled passenger flights, we can offer dramatic savings for routine transport of stretcher patients, estimated to be less than a half or third of other methods available. We can also offer dedicated charters on a regular or on demand basis.

Our flights are operated under FAA part 121 rules which are the same rules that the large passenger jets are operated under. The aircraft has an excellent safety record, especially in Alaska. It is equipped with collision avoidance equipment, ground proximity warning, GPS, weather radar, known icing capability and is approved for most Alaska instrument approaches including GPS and full ILS.

The Metro III aircraft offers a powerful combination of utility and economy for Alaska missions, which cannot be matched by any other aircraft. It can be operated to Nome and other airports (as a charter) with runways of approximately 5000 ft. long, gravel or paved, preferably with instrument approaches and lighting for increased poor weather and night capability.

The Metro III has one of the best pressurization systems of any aircraft available. It will normally maintain cabin altitudes of approximately 2000 ft at most cruising altitudes, and can even maintain sea level pressure if necessary by cruising at slightly lower altitudes. This is valuable for a number of patient situations such as head injuries, or when using inflatable equipment, and makes flying much more comfortable for regular passengers, including those with sinus problems, and small children.

For the long winter period approaching, our scheduled flights are planned for the convenient "mid-day" time period when only early morning or late evening flights are otherwise available. We can position a stretcher and pedestal base in Nome, and with relatively short notice, and sufficient unsold seating capacity, we can remove seats and install the stretcher base at the rear of the aircraft on the right side. Extra stretchers, which are specially designed to lock into the pedestal base installation in the aircraft, are available and could be stored at the hospital in Nome. An additional base can be positioned at the Anchorage airport and stretchers stored at the new Alaska Native Medical Center.

The rear installation of the stretcher and base offers a number of advantages for patient transport on scheduled flights. The aircraft is especially quiet at the rear. The patient and staff are somewhat isolated from the rest of the scheduled passengers for improved privacy. Three seats, which can be used for hospital staff or patient family members are adjacent to the stretcher. Loading of the patient is easily done before the loading of the rest of the scheduled passengers, through a large cargo door at the rear of the aircraft. The door is relatively close to the ground, and is accessed without going up a high airstair, or with the need to tip the stretcher on its side to go through a narrow opening. No passengers pass down the aisle next to the patient, and when the patient arrives, the unloading process can start while the regular passengers are deplaning.

While our flight times are approximately ½ hour longer than jet service, the overall trip is usually shorter. The flights are not scheduled to "wrap" through Kotzebue; they go direct to and from Anchorage. Due to the smaller size of the aircraft and its limited capability for long international flights, hijacking is not a factor and FAA security screening delays are eliminated. Ambulance gate access at the Olson Air terminal in Nome and the lower level of Anchorage International Airport at gate A-12, is very simple and fast.

Our goal is to simply offer economical, safe and fast transportation for stretcher or sit up patients and passengers with approved berths. We are not at this time offering formal "Lifeguard", or "Medivac" flights, with electrical, vacuum, and oxygen connections (other than standard passenger oxygen). Any attendants or portable equipment necessary for patient support would need to be provided by your organization.

We would be excited to discuss with you a formal, dedicated "Medivac" service, as a joint venture, utilizing your staff for economy, and positioning a dedicated, modified aircraft in Nome. We can also discuss other aircraft models which may offer even greater economy than the Metro III.

Our charge for installing the stretcher is eight-one way passenger fares. This represents the removal of the four passenger seats for the stretcher, and the use of the three seats adjacent to the stretcher which can be used for hospital staff and passengers, or medical equipment (properly stowed for takeoff and landing). The remaining seat charge is to cover mechanics time to install and remove the stretcher base at each end of the trip, and to return the unit as freight back to its origin.

Using the Nome "open house" special price of \$400 RT (\$200 OW), the total cost of the transport to or from Anchorage on a scheduled flight would be \$1600, not counting hospital staff transportation back to the point of origin. With a bulk ticket rate of \$360 RT (\$180 OW), the amount for the transportation is \$1440, a major savings for non-critical patient transport. For critical situations, or excessive delays, we should discuss procedures and costs associated with making other accommodations for our confirmed scheduled passengers if necessary.

Another possibility to consider is dedicated charters to and from Anchorage, based on the availability of pilots and aircraft. The aircraft would be primarily available at night, and the limiting factor would be flight and duty time limits for the crew. We could discuss standby costs or a minimum frequency to have a crew always available at night.

The dedicated charters could have up to three stretchers installed on the right side of the aircraft, with seating for up to nine passengers or attendants on the left side.

The cost for a dedicated hospital charter with stretchers installed would be \$6200. Regularly scheduled trips of at least 3/week could be significantly discounted, depending upon the time of day and what seating/stretcher configuration desired.

As we discussed, I would like to offer a free demonstration of what our equipment and service can offer you. I can also have the stretcher installed for your inspection and a demonstration of the loading and unloading of a patient, at any time while the aircraft is on the ground during a regularly scheduled flight to Nome. Presently that time is between 12:55 PM and 1:25 PM.

Again, thank you for your interest, and I hope you will allow me to demonstrate the utility and savings to your organization that we can offer. Please feel free to contact me or Mr. JR Beans at Olson Air if you have any questions or requests.

Sincerely yours,

William L. Johnson,  
Chairman