

Business Insurance

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Insurers sue after losing contract to manage state work comp plan

MINNEAPOLIS—Two insurers are suing Minnesota Commerce Commissioner Bert McKasy for breaking a contract under which they administered claims for the state's workers compensation assigned risk plan.

The insurers claim Mr. McKasy improperly awarded a new three-year contract to Blue Cross & Blue Shield of Minnesota, under which it would administer the entire assigned risk plan instead of just a new managed care portion.

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CNA adds \$1.5 billion to liability reserves

By JUDY GREENWALD

CHICAGO—CNA Financial Corp.'s \$1.5 billion pretax charge for boosting 1992 loss reserves may be followed by other insurers, though other charges will not necessarily be of that magnitude.

While reserve increases alone will not cause casualty insurance rates to rise, it is one more factor putting pressure on the industry to raise rates, they contend.

CNA's charge for reserve additions, which is among the biggest ever, ranks with last

Asbestos producers seek order for insurers to agree to settlement plan. Page 2

year's \$1.15 billion pretax charge by ITT/Hartford Group Inc. to increase reserves, and a \$1.2 billion boost to reserves in 1985 by CIGNA Corp.

CNA's charge is far bigger than reserve increases announced earlier this month by Aetna Life & Casualty Co. and Travelers Corp. (BI, Feb. 8).

CNA's stock, traded on the New York Stock Exchange, dropped \$3.13 to \$97.88 last Monday, the day the charge was announced. By Thursday, it was trading at \$96.38.

The charge is related to subsidiary Continental Casualty Co.'s potential exposure to asbestos bodily injury claims. Most of the reserve increase stems from litigation involving Fibreboard Corp., a Concord, Calif.-based former asbestos producer.

Continental Casualty wrote a comprehensive general liability

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Blues set plan standards

BC/BS moves to cure problems uncovered in Senate probe

By MARK A. HOFMANN

WASHINGTON—The Blue Cross & Blue Shield Assn. will require its member plans to adhere to new financial and ethical standards or face losing the right to use the Blue Cross/Blue Shield name.

"We're going to make very clear what our standards are. . . It's not that they've been unclear in the past; it's just that we're going to make them crystal clear so everybody understands the rules of the game," said Bernard R. Tresnowski, president and chief executive officer of the Chicago-based Blue Cross & Blue Shield Assn.

Revocation of a member plan's right to use the Blue Cross/Blue Shield name is "the ultimate weapon" to enforce compliance, he said.

The association has set tougher financial, operational and market performance stan-



'We're going to make very clear what our standards are.'

—Bernard Tresnowski

dards for its 72 member plans. The standards also toughen the ethical requirements of member plans' boards of directors.

Previous standards did not require a code of conduct or participation in guaranty funds

or other acceptable financial safeguards. Also, they did not require the national association to be so active in overseeing the member plans.

The new standards were approved by the association's board late last year and made public last Friday. The standards should be in place by the end of the year for most plans, said Mr. Tresnowski.

Plans also would have to either justify the operation of subsidiaries or jettison them. Mr. Tresnowski said that BC/BS plans currently operate more than 300 subsidiaries.

The new rules were crafted in response to the Senate Permanent Subcommittee on Investigations' ongoing examination of the financial problems of individual BC/BS plans. The subcommittee, chaired by Sen. Sam Nunn, D-Ga., investigated the events leading

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D&O premiums remain flat: Wyatt

A buyers' market prompts some firms to hike their limits

By MARK A. HOFMANN

The directors and officers liability insurance marketplace remains "mostly very competitive," with 1992 premium increases averaging 1% or less.

Aside from double-digit premium increases in areas like high-tech and non-banking financial services, "the market was very flat," reported The Wyatt Co. in its annual survey of the D&O insurance market.

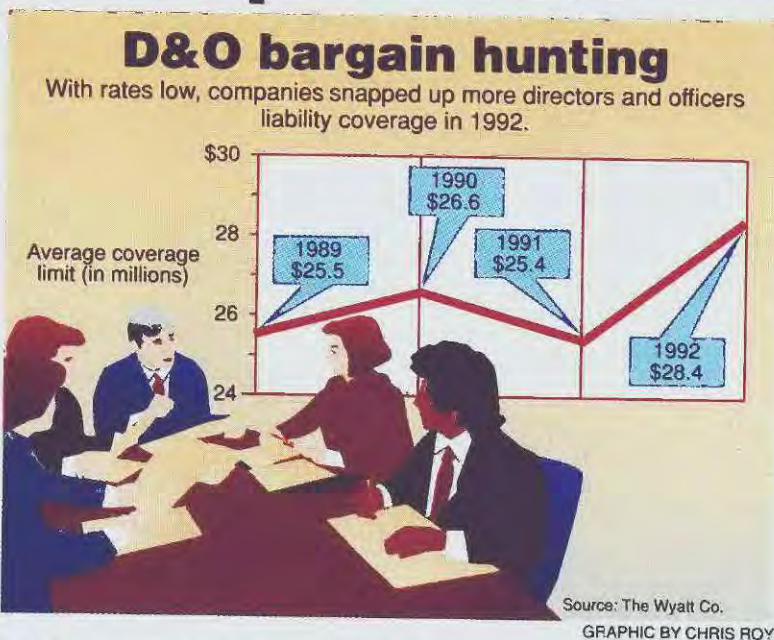
"Many large standard risks with six-figure D&O premiums were renewed with essentially no

change in premium. Expectations for 1993 are for a gradual and controlled firming of the market for the majority of corporations," Wyatt reported.

Not surprisingly, given the relatively low cost of coverage, seven times as many corporations increased their D&O limits as decreased them last year, according to the survey.

More than three-quarters of the surveyed companies that reported having bought D&O coverage previously said they retained the same D&O limits on policies they renewed between the third quarter of 1991 and the same period of 1992. But the 14% that did increase limits added enough new coverage to push the average limit up 11.8% to \$28.4 million last year from \$25.4 mil-

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Health reform may deter self-funding

By JOANNE WOJCIK

SANTA MONICA, Calif.—Employers are likely to abandon self-insurance as a way of financing their corporate health care benefits if the nation adopts managed competition, a health reform expert predicts.

If managed competition is implemented, health plans will be required to track outcomes and costs, creating a data collection burden on employers that pay their own claims, said Paul Ellwood, leader of the Jackson Hole Group.

In addition, contracting with capitated plans will make bud-

geting of health care expenses easier for employers, said Dr. Ellwood, who also is president and chief executive officer of Interstudy Inc.

And the government should limit the size of companies permitted to participate in health plan insurance purchasing cooperatives established under managed competition, Dr. Ellwood said. If all pur-

chasers in an area join one group, the benefit of competition among multiple players would be lost.

The Jackson Hole Group is an informal assemblage of experts who have been meeting in Jackson Hole, Wyo., for the past two decades to discuss national health policy issues. Interstudy is a managed care research firm based in Excelsior, Minn.

"I expect companies to move back into insured plans," Dr. Ellwood told a group of consultants from broker Johnson & Higgins and its A. Foster Higgins & Co. Inc. unit, at their annual meeting in Santa Monica, Calif.



Dr. Ellwood

In particular, "self-insured employers will have a hard time meeting the accounting requirements," he said.

If the Clinton administration adopts the group's managed competition model, "accountability for results is the most important change" likely to occur, according to Dr. Ellwood.

Under the managed competition model developed by the Jackson Hole Group, health plans would be required to produce outcome data much like other industries report their financial results, he said.

While he doubts outcome mea-

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Spotlight on Health Care Cost Control: Page 3

Directory of Utilization Review Providers: Page 23

Update

Work comp contract suit filed

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The two plaintiffs—Berkley Administrators, a unit of Tri-State Insurance Co. of Luverne, Minn., and the Edina, Minn., office of Wausau Insurance Co.—currently administer the risk plan, which provides workers comp insurance to employers that can't obtain it elsewhere.

The two insurers have asked a judge to issue a temporary restraining order, but Mr. McKasy agreed not to sign the contract with BC/BS until after a hearing, which was continuing last Friday.

Armored car owners arraigned

BROOKLYN, N.Y.—The owners of an armored car company have been charged with stealing at least \$13.5 million from two banks.

Robert J. Scaretta and Susanna M. Scaretta, the owners of Revere Armored Car Co. of Bohemia, N.Y., surrendered to federal authorities last week after Citibank and North Fork Bank & Trust Co. reported \$13.5 million missing from Revere's vault. The two did not enter pleas at their arraignment on theft charges in U.S. District Court in Brooklyn. Each was released on a \$500,000 personal recognizance bond.

Federal prosecutors have asked the court to appoint a receiver for Revere, which transported cash for six federally insured banks, among others.

Revere has \$100 million in fidelity insurance. The first \$1 million is placed through William H. McGee & Co. Inc. in New York. Excess coverage with \$99 million in limits is led in the London market by Lloyd's of London syndicate 79, managed by Janson Green Ltd. However, it is uncertain whether the insurance would cover losses from theft by Revere's owners, a London source said.

According to news reports, Revere had been notified that its coverage would be canceled effective Feb. 22 because of concerns about the armored car company's management controls.

A Citibank official declined to comment on the bank's coverage.

GIC-backed bonds win cover

LOS ANGELES—California Insurance Commissioner John Garamendi is offering to negotiate a settlement with holders of municipal bonds backed by Executive Life Insurance Co. guaranteed investment contracts. The commissioner's decision came after the state Supreme Court ruled that the bond holders should be treated as policyholders of the failed insurer.

However, it is unclear whether holders of muni-GICs or pension GICs will receive the same 71 cents on the dollar that Aurora National Insurance Co.—the insurer formed to assume Executive Life's obligations—has offered to individual annuity holders, sources say. Aurora National is owned by the French investor group that acquired Executive Life (BI, Nov. 18, 1991).

Aurora National has offered to share with policyholders any gains in Executive Life's investment portfolio that exceed the \$1.49 billion auction price it paid.

Meanwhile, MBIA Inc. expects to recover approximately \$10 million due to the Jan. 28 muni-GIC ruling. The municipal bond insurer had established a \$13 million loss reserve in 1991 to pay losses stemming from a defaulted bond issue backed by an Executive Life GIC.

Insurers boost cash positions

LONDON—AXA S.A. is launching a convertible bond issue to raise about \$662.3 million, a portion of which will be contributed to The Equitable Cos. Inc.

Paris-based AXA, which owns 49% of Equitable, said it wants to be ready to "meet the future funding requirements" of Equitable, which is facing tougher risk-based capital standards set by the National Assn. of Insurance Commissioners (BI, Sept. 28, 1992). The bond issue is also intended to strengthen AXA's cash position and equity base and address liquidity problems with some of its assets.

Separately, London-based Commercial Union P.L.C. says it will raise 428 million pounds (\$612 million) through a rights offering to support expansion of its business. The announcement coincided with much improved results: Unaudited pretax profits for 1992 totaled 31.4 million pounds (\$44.9 million) compared with a loss of 68.6 million pounds (\$128.3 million) in 1991 (BI, March 16, 1992).

In addition, London-based Sun Alliance Group P.L.C. is raising 155 million pounds (\$221.7 million) through a bond issue to strengthen its balance sheet. Analysts predict the company will post losses of around 150 million pounds (\$214.5 million) when first-quarter results are announced in April. Sun Alliance has been plagued by mortgage indemnity guarantee losses.

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Errors & omissions

• PacifiCare Health Systems Inc. was incorrectly identified as a PPO and its membership misstated in a Feb. 8 story. PacifiCare is an HMO with 1 million enrollees.

• NGS American Inc. provided incorrect information about the number of claims it administered for the Jan. 25 directory of third-party administrators. The TPA administered claims for 41,900 employees and 57,800 dependents in 1992.

• PLCM Group was incorrectly placed in the Jan. 25 listings of TPAs specializing in employee benefits. Chicago-based PLCM specializes in property/casualty claims handling.

• A Feb. 8 Update incorrectly reports that a bad-faith verdict against Lloyd's of London underwriters still stands, even though the court award was overturned. The verdict was dismissed.

Fighting benefit taxation

Coalition to challenge efforts to tax health care coverage

By JERRY GEISEL

WASHINGTON—Employers, labor unions and third-party claims administrators are banding together in a new coalition to resist proposals to tax health benefits.

Members of the Washington-based Coalition to Preserve Health Benefits say it is unfair and illogical to tax the purchasers or users of health care coverage to expand access for the uninsured.

If revenues are needed to pay for care for the uninsured, "The burden should be spread throughout the population" rather than on one group—those

with coverage, said George Pantos, Washington counsel for the Self Insurance Institute of America, which is a coalition member. The SIIA represents TPAs and self-insured employers.

Other coalition members include: the AFL-CIO; the Employers Council on Flexible Compensation in Washington; the Council for Affordable Health Insurance, an Alexandria, Va.-based organization that represents a number of smaller insurers and actuaries; and the Chevy Chase, Md.-based Society of Professional Benefit Administrators, which represents TPAs.

This coalition looks much like

a broad-based coalition that lobbied against plans to tax benefits in the mid-1980s. Proposals from both the Reagan administration and Congress would have included a certain level of employer-paid health care premiums as taxable income to employees.

However, key members of that earlier coalition—the Health Insurance Assn. of America and the Assn. of Private Pension & Welfare Plans—have since changed course on the issue. The two groups now favor taxing employees on at least a portion of employer-paid health care premiums if the revenue is used to

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AIDS limits violate ADA, official rules

By CHRISTINE WOOLSEY

NEW YORK—An Equal Employment Opportunity Commission official has given the first indication that self-insured employers that exclude coverage for AIDS treatment are violating the Americans with Disabilities Act.

While the official's decision is not binding, it indicates that the EEOC will respond favorably to HIV-infected workers' charges that limiting their health coverage is discriminatory under the ADA, attorneys say.

Last November, the U.S. Supreme Court let stand a federal appeals court decision allowing a self-insured employer to cap coverage for AIDS under the Employee Retirement Income Security Act (BI, Nov. 16, 1992).

Because the ADA was not in effect

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CCR members sue insurers

By MICHAEL SCHACHNER

PHILADELPHIA—A group of asbestos producers is asking a federal judge to require more than 80 insurers to participate in a proposed class-action settlement of all future asbestos personal injury suits against the producers.

Later this year, U.S. District Judge Charles Weiner of Philadelphia, who will decide whether the Center for Claims Resolution's novel settlement proposal is fair and reasonable, also will decide whether to require the insurers to participate in the settlement.

The proposed settlement is designed to pay up to \$1 billion to victims over 10 years (BI, Jan. 25; Jan. 18).

The asbestos companies in the CCR are suing to force 83 liability insurers that covered them over about 30 years to pay most of that money. These insurers had earlier refused to sign the Wellington Agreement and to participate in the Asbestos Claims Facility, which later became the CCR.

Unless the insurers sign on voluntarily, or are ordered to by the court, backers of the settlement proposal say it will be withdrawn.

In addition, the CCR members also are initiating alternative dispute resolution proceedings with nine insurers that signed the Wellington Agreement to bind them to the proposed settlement.

Under that agreement, insurers and policyholders agreed

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Conference focuses on cost control

NEW YORK—Nearly two dozen health care and employee benefits experts will outline and discuss new strategies to control health care costs at the second annual Business Insurance Health Care Management & Cost Containment Conference.

The conference, co-sponsored by Business Insurance and The International Business Forum Inc., will be held May 16-18 at the Sheraton New York Hotel in New York City.

The conference will feature speakers representing the view-

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points of employers, health care providers, health insurers, managed care companies and benefit consultants. They will address topics such as the latest developments in managed care, how multiemployer coalitions are controlling health care costs, the outlook for health care reform and how to communicate chang-

ing benefit programs to employees.

"No one has the single answer to the problem of controlling health care costs," said James M. Burke, editor of Business Insurance and co-chairman of the conference. "The program brings together experts with a range of views on the health care system to share strategies and success stories."

"The timing of the conference also is important," Mr. Burke noted. "President Clinton is

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Inside

✓ Now that the Clinton administration has overcome gridlock on family leave, it's time to pass a proposal to make insurance-related fraud a federal crime, this week's editorial says. **PAGE 8**

✓ Zoe Baird's failed nomination for attorney general highlights the crucial need to demonstrate that tort reform is in the public interest, John R. Kessling says in Perspectives. **PAGE 31**

✓ Iran's unstable economy is making the political risk insurance market nervous. **PAGE 47**

✓ The privatization of British Rail has the government embroiled in a pension flap. **PAGE 47**

✓ A new liability coverage product called Integrated Insurance combines elements of both traditional and finite risk insurance. **PAGE 49**

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Health Care Cost Control

Cutting benefits for retirees means juggling liabilities with promises

By DAVE LENCKUS

Promises made, promises broken.

It is that simple to retirees or employees nearing retirement age who suddenly face benefit cutbacks in their employer-sponsored retiree health plans.

And, the equally simple and obvious response for this group is to sue these companies.

For employers struggling to contain soaring health care costs and their huge retiree medical liabilities while not alienating employees or retirees, the answers are not simple and are rarely obvious, say benefit experts and attorneys.

But employers can increase their odds of winning retiree lawsuits as well as salvaging employee relations when cutting retiree health benefits if they:

- Clearly communicate to employees that retiree health plans are not lifetime promises.

- Painstakingly evaluate how to cut benefits while still making the plans affordable to retirees.

But, employers that make it this far still face what may be their ultimate challenge in overhauling their plans: national health care reform.

Many employers are cutting retiree health benefits to reduce their costs and FAS 106 liabilities, according to a survey by A. Foster Higgins & Co. Inc. (BI, Aug. 17, 1992). But, retirees say employers have long known about the size of these liabilities. Instead of cutting benefits now, employers should have prepared to keep their promises to retirees, said Dan Durham, a legislative representative with the American Assn. of Retired Persons in Washington.

For many employers, retiree health benefit cutbacks are not a matter of "do or die," said Clare Hushbeck, senior analyst for the AARP, which supported the implementation of FAS 106.

But, subject to the rights employers have reserved in plan documents to amend retiree health plans, "I don't think it would be good public policy" to require employers to be "at death's door" before they can cut retiree health benefits, said William Miner, an actuary with The Wyatt Co. in Chicago.

Employers' ability to minimize legal and employee relations problems that will likely follow a benefits cutback will depend in large part on their communication program.

Before even looking at how to cut retiree health benefits, employers "have to do an audit of past communications," said Bob Eicher, a principal with A. Foster Higgins & Co. Inc. of New York. "Many haven't."

Courts will look for specific language in plan documents, summary plan descriptions and collective bargaining agreements that promise lifetime benefits, attorneys say.

Problems arise when the documents are ambiguous.

"If the document is ambiguous, the courts will look outside of it," said Bert Krueger, a partner with Mayer

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Fee schedules: Cure or ill?

Costs may be capped, but utilization can expand

By JOANNE WOJCIK

Many employers are turning to physician fee schedules as a way to control rising employee health care costs.

While this practice may reduce the cost of each medical service provided, it ignores the often more important issue of volume, critics charge.

Indeed, numerous studies have shown that providers that offer discounts often make up for any lost revenue by increasing the frequency of services provided, a practice known as "churning."

Even if establishing provider fee schedules may solve one company's cost problems, it will only force physicians and hospitals to raise prices for other payers who may have less leverage.

Rather than implementing permutations of what has been dubbed "discounted fee-for-service," employers should instead turn to managed care, which seeks to provide the most appropriate services at the least possible cost, some health care experts suggest.

Employers throughout the United States have embarked on various health

care cost containment schemes that center on physician fee schedules.

For example, employer coalitions in Chicago, Milwaukee, New Orleans, Northwest Indiana, Rockford, Ill., and Washington, D.C., have hired San Diego-based Community Care Network to help them form group purchasing programs. Under these programs, the coalition contracts with local hospitals, physicians and other health care providers to offer services at a discount.

Dayton, Ohio-based NCR Corp. established a fee schedule for non-network providers to persuade more employees to join its point-of-service network. The schedule, based on NCR's own claims data, has effectively increased network participation to 23% from 10% in one year (BI, Sept. 14, 1992).

And the Houston Area Health Care Coalition has embarked on a mission to establish fee schedules on behalf of its 45 employer members with every provider in the metropolitan area. The objective is to eliminate the use of preferred provider arrangements that often

result in increased cost-shifting to non-participating employers.

While these efforts are targeting the cost of medical services, they won't ultimately affect the frequency or quality of services if they don't ever put the provider at risk, critics say.

"Doctors realize that discounted fee schedules are still productivity-driven," said Dr. Thomas Mayer, president and chief executive officer of Strategic HealthCare Management Inc. in Brea, Calif. Dr. Mayer, formerly a consultant in William M. Mercer Inc.'s Los Angeles office, formed his own company to assist medical groups integrating managed care.

And even if the discounts reduce an individual employer's health care bill, "the overall cost of health care doesn't go down," he added.

Fee schedules "manage price, but not utilization," asserts Stephen Brink, a consulting actuary in Milliman & Robertson Inc.'s Milwaukee office.

"It has nothing to do with medical efficiency. The ideal thing to do is to

Continued on next page

Footing the bill for transplants

Centers of excellence promise lower costs, higher quality

By CHRISTINE WOOLSEY

Within the last decade, rapid advances in medical technology have pushed organ transplants beyond experimentation and into the arena of accepted medical practice.

Whether to pay for such complicated procedures is no longer an issue for most employers. Instead, they must now choose the hospitals and physicians where they want health plan members to receive treatment.

That choice can make a costly difference.

Research conducted in the late 1980s by the federal Office of Technology Assessment showed a relationship between patient outcomes and the volume of high-tech procedures performed by a specific team of surgeons. Studies showed the

higher the volume of procedures—like organ transplants—performed at a facility, the better the outcome at that facility.

As a result, employers and other payers began thinking about managing soaring health care costs through quality. That notion gave birth to the "centers of excellence" concept.

The idea behind centers of excellence is to encourage health plan members to use only cost-effective providers with known expertise in high-tech medical care. Establishing such networks is becoming increasingly common as payers search for ways to chip away at their overgrown health care budgets.

"Employers don't want to face life or death situations" by denying or granting coverage for procedures like organ transplants, said Kirk Stapleton, president of United Re-

source Networks, a division of United HealthCare Corp. in Minneapolis. "They want to provide this as a benefit, but they also want to manage it."

Employers can "rent" an existing network through an insurer or managed care company, or they can establish their own networks by directly contracting with premier facilities in their area or elsewhere around the country.

Sending patients to centers of excellence helps ensure that expensive, complex procedures will be done as well as possible the first time, consultants and employers say. That guarantees better outcomes for patients and significant savings for payers because the risk of complications is greatly reduced.

Employers also benefit from reim-

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Fee schedules

Continued from previous page
select the most efficient providers and pay them a reasonable fee."

In some cases, if the standard of care is above average, providers should be rewarded with even higher fees, Mr. Brink suggested.

The fee schedule "concept is noble, but providers have only been willing to give concessions on price in return for incremental volume," observed Dr. Arnold Milstein, president of National Medical Audit, a Mercer unit in San Francisco.

As examples, he cited several studies conducted in the late-1980s that showed providers usually increase volume of services provided to make up for reductions in unit costs.

"Research has found that the discounts were more than offset by increases in volume," he said.

Some health care experts main-

tain that the practice of establishing fee schedules that cap the amount employers will reimburse providers is not revolutionary.

"Employers back East and in the Midwest are just beginning to discover fee schedules, while in California they've used them for years and are now moving into capitated arrangements," said Eileen Raney, a principal with Deloitte & Touche in Los Angeles. "It's come full circle."

In addition to the churning practice, employers in California also ran into a practice in which physicians "upcoded" the service provided to the next higher level in order to increase their reimbursement rate, she said.

Richard Wardrup, a former health care cost management director for Aluminum Co. of America in Pittsburgh and now a self-employed consultant, gave a succinct view of using fee schedules: "It's stupid."

"You want to beat up providers and price and don't care how good they are? Then they'll get you by the volume," he said.

Jim Foreman, a principal and health and welfare practice leader for Towers Perrin in Los Angeles, was critical of NCR's fee schedules: "It sounds like a really complicated way to shift costs" to employees. "How many well-educated, confident employees are going to have the guts to walk in when they're sick and say 'I'm not going to pay that much' to their doctors?"

"That comment is irrelevant to the purpose of the schedule. The purpose is to motivate people to use the network," which gets them into a managed care environment, said Doug Bartlett, NCR's director-employee benefits. "The employee still has the opportunity to choose his health care and is not immediately penalized like in some plans."

NCR has capped its reimbursement rate to non-network providers to a percentage of its fee schedule. The schedule was calculated based on NCR's own claims experience and other factors, like geography.

Employees belong to one of three plans. The first caps payments to non-network providers at 90% of the fee schedule; the second to 80% of the fee schedule; and the third pays 100% of the fee schedule amount after a large deductible. Fees in excess of the fee schedule are the employee's responsibility.

For example, if a non-network provider charges an employee in the first plan \$150 for a service that NCR's fee schedule capped at \$100, NCR pays \$90, while the employee is responsible for the difference. In this case, that amounts to \$60.

Network providers accept the fee scheduled amounts as full payment. Dr. Michael McGarvey, managing

director of the Health Strategies Group of the Alexander Consulting Group in Lyndhurst, N.J., described the NCR program as being "as old as indemnity plans itself. To set up a fee schedule and say that's as much as we're going to pay is the way employee benefit plans originally reimbursed providers."

But developers say the NCR program's objective is to involve employees more in health care purchasing decisions by making them aware of the cost.

"If there is no risk-sharing, then physicians have an incentive to churn," explained Blaine Bos, principal at A. Foster Higgins & Co. Inc. in New York, one of the consultants who developed the NCR program.

But "requiring the employee to contribute to the cost of coverage provides a disincentive for churning," he said. "They'll say, I don't want to come back for a follow-up because it will cost me another \$60."

Ralph T. Smith Jr., director of employee benefits for Mitchell Energy & Development Corp. in The Woodlands, Texas, was highly critical of discounted fee schedules used to steer employees to particular providers: "Networks are creating the same cost shift as Medicare, much to the detriment of the community."

That's why the Houston coalition—of which Mitchell Energy is a member—has met with providers to "figure out with them what's a reasonable reimbursement level," Mr. Smith said.

As an incentive to eliminate churning, the Houston coalition has offered to adjust its reimbursement rates up or down based on quality.

Such a reimbursement program would reinforce a study of hospital claims data collected by the state of Pennsylvania that showed high-quality providers generally have lower costs, according to Mr. Smith.

Unfortunately, the Houston plan smacks of price-fixing since it involves all of the players in the nation's third-largest health care market, Mr. Smith admits. As a result, the coalition is seeking an exemption from federal antitrust laws from the Federal Trade Commission and the U.S. Justice Department.

But even if the Houston solution effectively curbs the growth in health care inflation at the local level, it won't work over the long haul, asserts Dr. Roger Taylor, senior vp and chief medical officer at PacificCare Health Systems Inc., a health maintenance organization in Cypress, Calif.

"Fee schedules tend to lock in the current way of doing business," he said. "There's no incentive to build a more efficient infrastructure to manage care, utilization and quality as a package."

Only a managed care program that puts providers at risk will accomplish real cost control, said Dr. Mayer of Strategic HealthCare.

Capitation, in which providers are paid a flat fee, "is the ultimate way to put physicians at risk," he said. And providers that balk at the thought of taking on risk need to realize that "those organizations that take on risk and develop systems to control the risk find that their return on investment is higher than most fee-for-service systems."

For example, providers that agree to a 25% discount will find their income reduced to 75% of charges they would normally bill for services if they refrain from churning.

"Commercial HMOs are collecting 85% of charges, and when Medicare is added, they go over 100% reimbursement," Dr. Mayer said.

That doesn't include the "time value" of money since providers in capitated arrangements are paid upfront, he added. **BI**

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Opinions

Look again at fraud bill

PRESIDENT BUSH was never afraid to veto—or at least threaten to veto—legislation passed by a Democrat-controlled Congress. Now, some of President Bush's vetoes are being undone.

Earlier this month, for example, President Clinton signed into law a bill—vetoed on two occasions by President Bush—requiring employers with at least 50 workers to offer employees up to 12 weeks leave following a birth or adoption or to care for a seriously ill family member.

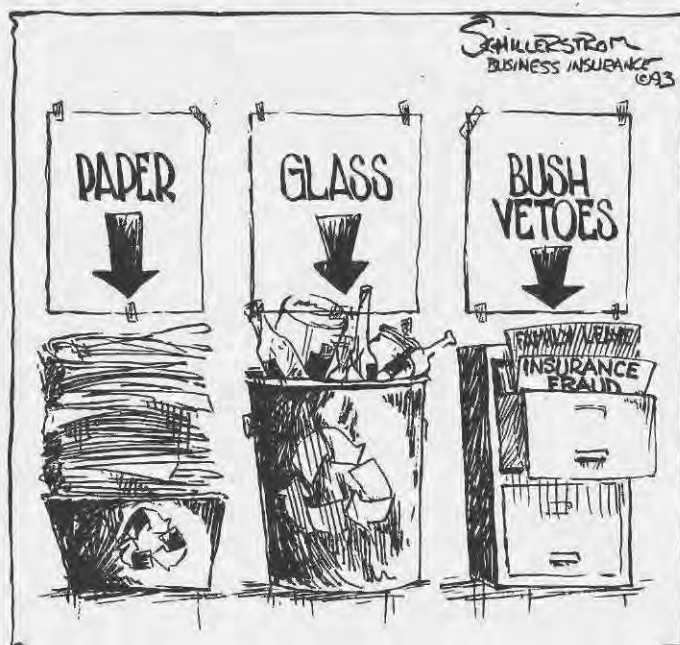
We've long been on the record in support of the family leave law. In today's diverse workforce, family leaves are a necessity. And, while a federal law will not supersede the current patchwork of state family leave laws, it likely will deter states from passing new family leave laws. That will make regulations at least somewhat uniform for multistate employers.

For years, we also have rejected business groups' contention that a family leave law would cause undue hardship on business. Now, findings of a Hewitt Associates study support our view. Of the companies that now offer family leave programs, 55% said that less than 1% of their employees took a leave in a given year. Only 2% of surveyed companies said that 10% or more of their workers opted for a leave.

Now that the family leave law has been enacted, Congress and President Clinton should team up to pass another proposal that has been in limbo because of a threatened veto by President Bush: a proposal to make insurance-related fraud a federal crime.

President Bush likely had no problem with the insurance fraud proposal; he opposed other provisions of the broader crime bill in which the insurance proposal was included. While the House in 1991 passed the crime bill, the Senate never voted on the measure.

The only sector that could possibly oppose the



•WHITE HOUSE RECYCLABLES•

insurance fraud proposal would be fraud artists. The proposal would establish specific federal criminal penalties for those who knowingly file a fraudulent statement or report with state insurance regulators; embezzle or steal insurance company funds or premiums; falsify insurer records to defraud policyholders; and criminally obstruct state insurance regulatory proceedings.

The pages of *Business Insurance* for years have been filled with reports of insurance fraud, including the alleged activities of Alan Teale, who last month was arrested on charges that he bilked policyholders out of millions of dollars. Now, the message is going out to the entire country: The prime-time program "Dateline NBC" last week devoted a segment to Mr. Teale and his arrest.

The federal insurance fraud bill will not wipe out insurance fraud, but it will give authorities a better weapon against fraud.

Letters

Critic is wrong about PBGC-TWA pact

To the editor: In a Jan. 25 letter to the editor, David Langer made a number of charges about the settlement between Trans World Airlines and the Pension Benefit Guaranty Corp. It is unfortunate that Mr. Langer did not speak with PBGC officials beforehand, because his charges stem from a lack of accurate information.

Let's be clear about what the settlement accomplished. TWA's pension plans remain ongoing, which means that neither the PBGC nor plan participants have suffered a loss. Equally important, TWA continues to fly, and its 25,000 employees continue to work.

Under the settlement, both TWA and Carl Icahn's companies will share responsibility for the pension plans. TWA has issued secured 15-year notes with a face value totaling \$300 million, the proceeds of which will go toward meeting the pension plans' minimum funding requirements. Any shortfall will be made up by other businesses

owned by Mr. Icahn, who agreed to provide up to \$200 million in minimum funding payments to the plans. About \$80 million of that amount is expected to be paid over the next five years, and is backed by security.

If the plans eventually terminate, the PBGC will move to realize the value of the security backing the TWA notes. In addition, Mr. Icahn's other businesses are obligated in that event to pay the PBGC \$240 million in \$30 million annual installments, backed by security.

As part of this settlement, Mr. Icahn provided TWA with \$200 million of financing that it could not obtain elsewhere. TWA could not have continued to operate without this financing. Without the settlement, TWA would likely have ceased to fly, its 25,000 employees would have lost their jobs, the pension plans may have terminated and, whether or not the plans terminated, the PBGC would have faced years of litigation with Mr. Icahn and his other businesses. Under these circumstances, the PBGC and its board believed this settlement to be reasonable.

Mr. Langer also makes a number of related charges. He believes, for example, that an "early retirement program, approved by the PBGC, that allows eligible employees to retire early with subsidized pension benefits, which they may apparently take as a lump sum distribution, could increase TWA pension liabilities and diminish the

assets." In fact, the cost of this early retirement incentive program was minimal because, contrary to Mr. Langer's belief, the benefits under the program were not subsidized.

Indeed, the purpose of the program was to reduce the obligation for subsidized benefits during the very narrow period, now closed, for which the program was available. Moreover, the PBGC agreed to this program only on the condition that the plans be frozen.

Mr. Langer, however, is concerned that the plans were frozen rather than terminated. But the freeze will keep costs down because benefit accruals will cease. And, as noted above, so long as the plans remain ongoing, neither the PBGC nor participants suffer a loss.

Finally, Mr. Langer's allegation that details of the agreement are being hidden from the public is simply false. A full set of draft settlement documents were filed with the U.S. Bankruptcy Court in Delaware on Dec. 18, 1992, and the settlement was approved by the court at a public hearing on Dec. 30, 1992. In addition, both the PBGC and TWA issued press releases in mid-December on the settlement, and TWA held a press conference at that same time to discuss the settlement.

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Washington

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Retiree benefits

Continued from page 7

The airline, though, is not finished modifying the plan, said John D. Hodges, acting managing director of compensation and benefits. He said he could not elaborate now.

If employers can afford to leave current retirees' health benefits alone and instead focus on future retirees, legal and employee relations repercussions could be minimized, benefits experts say.

To the AARP, this approach is still troublesome, but it is far more acceptable than cutting benefits for current retirees, Mr. Durham pointed out.

One approach that is being tried is tying retiree health coverage to years of service.

This approach, as opposed to providing full benefits to retirees who are at least 55 years old and have 10

years of service, can "substantially reduce your liability and not be an employee relations problem," said Michael Lackey, a vp in Tower Perrin's St. Louis office.

Many employers establish a phase-in period under such an approach so that employees close to retirement are not penalized, Mr. Lackey explained.

Some also suggest the employers offer a defined dollar retiree health benefit. Employers can set the amount they will contribute toward a retiree's health care coverage at some multiple of their current per capita retiree health care costs.

That way, the "crossover point"—at which time retirees must begin paying for more of their medical costs—"is out there in the future a few years," Wyatt's Mr. Miner explained.

But arbitrarily low caps can be worthless if employers are unwilling

to stick to them, said Lance Tane, a partner with Kwasha Lipton. "A good plan is one that's economically sustainable."

The great unknown variable for employers is the direction Washington will take in reforming the nation's health care system.

For example, if Medicare is expanded, employers' retiree health care liabilities could be cut.

But, Medicare could be limited to provide only catastrophic coverage, which could boost employers' retiree health liabilities.

Whatever approach employers take to cut their retiree health costs, they should leave themselves some flexibility in their new plan.

"Whenever you change a plan now, make clear that it's being done in the current economic environment and reserve the right to change the plan later," Kwasha Lipton's Mr. Hickey said. **BI**

Employers target retiree drug costs

By MICHAEL SCHACHNER

Employers can reduce the cost of retiree prescription drug programs by as much as 25% by implementing a multifaceted managed drug program.

Prescription drug costs can constitute more than 35% of retiree medical costs. With health care costs rising and new accounting rules for retiree health care benefits in place for larger companies, employers that do not actively manage retiree prescription drug plans are spending millions of dollars annually that could be saved.

Over the past decade, employers have realized they must aggressively manage health care benefits for active employees.

Managed prescription drug programs are one of the managed care tools they have adopted. The programs consist of drug utilization review, negotiated discounts with pharmacies, mail-service programs, incentives for generic drug usage, and, more recently, the introduction of drug formularies aimed at guiding physician prescription patterns (see story, page 14).

Now, after examining the impact of prescription drug costs on retiree medical expenditures, employers are beginning to use these same managed prescription drug programs for their retirees.

"If managing drug costs is important for active employees, then it's even more important for the retired population. With Medicare cutbacks, retiree costs continue to rise and pharmaceutical benefits is the biggest chunk," said Sandra Kretz, health products executive with John Hancock Mutual Life Insurance Co. in Boston.

And, Financial Accounting Standard 106, which forces employers to account now for future retiree health care expenses, underscores the need to control retiree drug costs.

"Currently, nobody is getting bent out of shape over their FAS charges," said Bill Whitely, a consultant with Price Waterhouse in Chicago. "But if half their costs continue to stem from drugs, then future hits may not be as easy to handle for shareholders and management."

With prescription drug expenditures accounting for 30% to 40% of retiree medical expenses, and as much as 50% to 60% for retirees above the age of 65, managing the retiree group's drug benefit has become a virtual necessity for some companies.

"One out of three retirees is on daily medication, and while drug inflation may have dropped off from double-digits, the cost of pharmaceuticals is still going up," said Brett Altieri, vp-major accounts with INSURx Inc. in Cleveland.

A host of cost-saving methods is available to employers, but they must decide whether to implement changes in increments or all at once.

"It really depends on a company's willingness to educate its retirees. These people aren't as accessible as active workers. . . . If you can explain that their participation in a managed drug plan may preserve the benefit, their fears may be settled," said Jim Braun, a consultant with The Wyatt Co. in Washington.

An employer forging its way into managing retiree drug benefits should begin by integrating a retail pharmacy benefit with a mail-order program, experts agree. The two programs should dispense drugs at a discount off average wholesale price, should be tied together for on-line utilization review and should promote the mail-order service as the primary provider of maintenance drugs.

Central & Southwest Services Inc., a utility holding company in Dallas, recently replaced the prescription drug component of an unmanaged comprehensive retiree medical plan with a managed mail-order prescription plan and is conducting aggressive concurrent re-

Continued on page 14

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Retiree drug costs

Continued from page 10
view of prescriptions.

Central & Southwest expects to realize both direct savings from negotiated discounts with the mail-order service and "soft" savings from fewer hospital confinements resulting from inappropriate drug usage, explained Thomas Goss, manager-benefits and compensation.

As of Jan. 1, the company, which has 3,500 retirees nationwide, uses Hooks SUPERx of Cincinnati to distribute mail-order drugs and perform drug utilization review services.

"With 30% of our retiree expenses related to prescription drugs, we opened our eyes and realized that retirees have very different needs and health conditions," Mr. Goss explained.

Now, all retirees fill out a form detailing their health status. That information is loaded into a data base and the Hooks system edits every prescription, checking for duplication and potential adverse interaction.

"Statistics show that \$10 billion to \$15 billion per year is spent on medical care arising from the improper usage of prescription drugs. This translates into 2% of overall costs in America," said Beth Bird, a consultant with Hewitt Associates in Lincolnshire, Ill., and a registered pharmacist. "Mail service and active utilization review that tracks refill dates and whether refills are obtained can really help."

Aluminum Co. of America in Pittsburgh also began a new prescription drug program on Jan. 1 for its 9,000 salaried retirees.

ALCOA carved out a drug program for salaried retirees from its hourly retirees' drug program and now requires salaried retirees to pay a larger portion of drug costs, said Colleen Haley, an employee benefits analyst with the company.

Under the new plan, a Walgreens Healthcare Plus pharmacy network dispenses drugs to salaried retirees at 10% to 15% below average wholesale price.

Retirees filling their prescription at a network pharmacy must pay an annual \$100 deductible plus a \$5 copayment for generic drugs and a \$10 copayment for brand-name drugs. The plan does not cover prescriptions filled at non-network pharmacies.

The company also has a mail-order component with a \$5 copayment for generics and a \$15 copayment for name brands; there is no deductible for mail-order drugs.

The hourly retirees, many of whom are covered by collective bargaining agreements, will continue to pay only \$3 for each prescription.

Raising the salaried employees' copayment to \$15 from \$3, plus implementing a deductible, should reduce ALCOA's current 20% to 25% drug inflation trend. "At this point, we'd accept an incremental improvement and move on from that. Our next step will probably be a formulary. We'd like to (work toward) influencing manufacturers and physicians," Ms. Haley commented.

"It's good to see that sensitivity to retiree drug costs has increased," said Henry Blissenbach, president of Diversified Pharmaceutical Services in Minneapolis, a managed prescription drug division of United HealthCare Corp. **B**

Drug formularies: Friend or foe

Cost-control tool criticized by some as restrictive

By MICHAEL SCHACHNER

Prescription drug formularies, which recommend the medications that should be prescribed for certain ailments, are the newest rage in prescription drug cost control.

But while drug formularies can save employers money, they may be too restrictive for some companies and physicians.

Advocates of formularies counter that with prescription drug costs making up 20% of an active employee's health care tab—and possibly more than 35% of a retiree's costs—formularies are a necessary savings tool.

"There's no doubt that formularies save money, but people lose sight of the fact that formularies are really quality-of-care products," said Henry Blissenbach, president of Diversified Pharmaceutical Services, a managed prescription drug unit of United HealthCare Corp. in Minneapolis.

"Our formularies are medically determined to yield better results. The purpose is not to restrict or take benefits away, but to improve cost-effectiveness," he said.

But formularies, which itemize the drugs that a benefits plan has agreed to cover, run the risk of forcing or persuading a physician to prescribe a drug that may not be in the best interest of a sick patient, opponents contend.

"Formularies aren't magical.

You need to go beyond just implementing a formulary," said Patricia Wilson, a principal with A. Foster Higgins & Co. Inc. in Philadelphia. "It's very possible that a more expensive drug that has been left off a formulary may be exactly what someone needs to avoid a future condition or hospitalization. Employers need to question whether cost savings justify not allowing a doctor to prescribe the most appropriate drug."

Formularies by their nature may also alienate plan participants. Therefore, these programs must be used with an organized communications effort, a managed drug care executive says.

"Employers must be aware of the ramifications that arise" from using a formulary," said Kris Gibney, president of Caremark International's prescription services division in Lincolnshire, Ill. The mandate "can strain the relationship between the plan provider and participants. But if properly communicated... it can be very cost-effective."

Formularies come in two forms:

- The open, or voluntary, which provides physicians with a recommended list of drugs. The formulary suggests that a listed drug is the most cost-effective for a certain ailment. But drugs that are not listed will still be covered.

- "Open formularies are the most popular right now because the

whole concept is new," said Rick Schatzberg, executive vp-marketing with Medco Containment Services Inc., a prescription drug firm based in Montvale, N.J. "But because it's voluntary, it has to be extremely well designed and communicated to have any effect on physician prescribing practices."

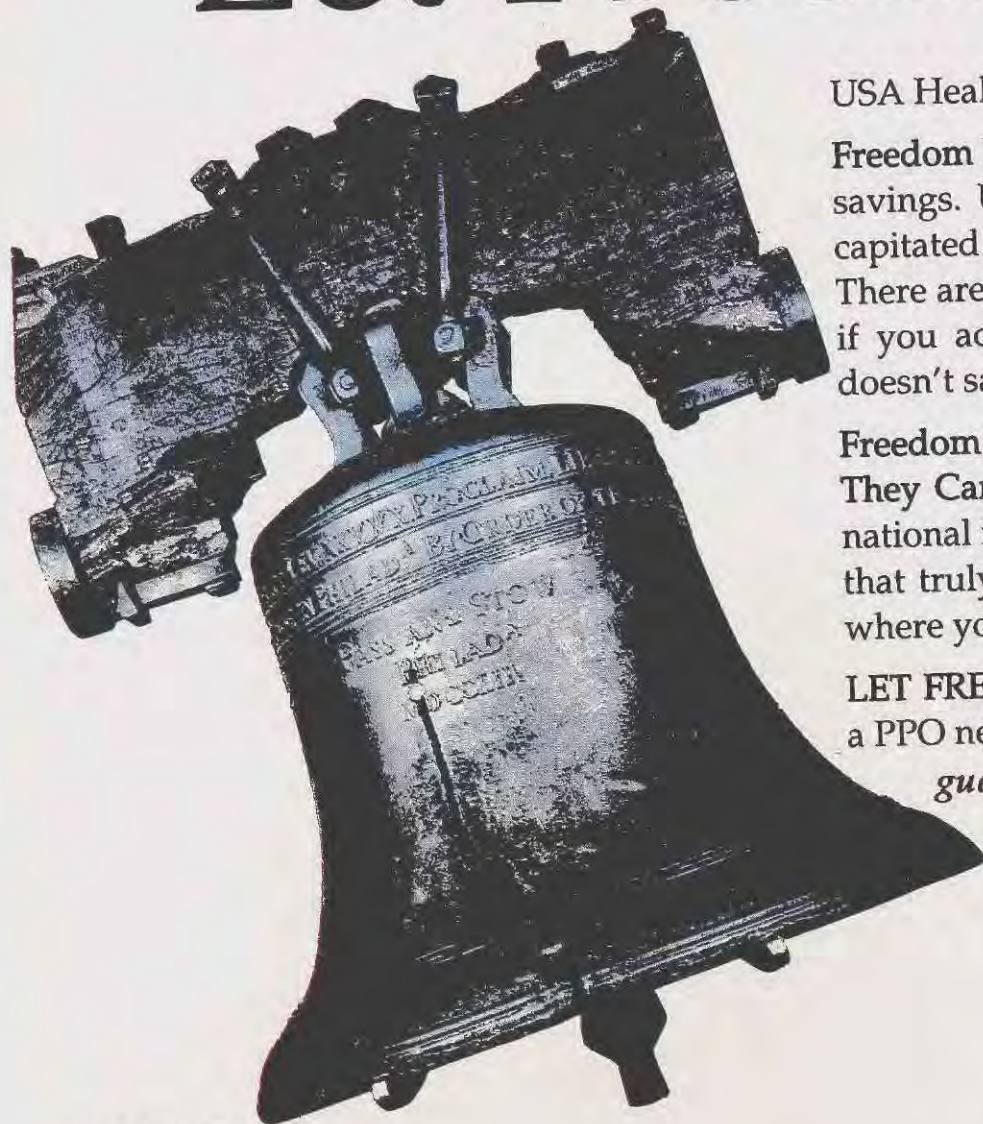
- The closed formulary, which literally dictates what drugs will be covered by a benefit plan.

At this point, closed, or mandatory, formularies are in place only in the most restrictive situations like heavily managed health maintenance organizations or companies so financially strapped that they must adopt this form in order to offer prescription drug benefits.

"We avoid formularies unless they're voluntary," noted Brett Altieri, vp-major accounts with INSURx Inc., a managed prescription drug firm in Cleveland.

Closed formularies also raise a serious liability question, said health care attorney Douglas Elden, principal at Douglas Elden & Associates in Chicago. "Closed formularies take the liability from the doctor and transfer it to the employer. Any closed formulary better be based on safety and the quality of life offered by the pharmaceutical, because once you start restricting drugs, you become legally responsible for the drugs you admit as well as the ones you don't."

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ITT HARTFORD

UR's role switching to physician educator

Savings will rise after transition

By JOANNE WOJCIC

While utilization review has effectively persuaded many physicians to practice more cost-effective medicine, there's plenty of room left for savings.

Indeed, many health care experts believe there may be a plateau in terms of UR savings because the discipline has reached a transition point. UR's role, they say, is changing from that of physician adversary to educator.

Once the metamorphosis is complete, it is likely the savings will start pouring in again, they add.

Critics of UR's effectiveness point to a 1990 study by the U.S. Department of Health and Human Services of 500,000 cataract operations financed by Medicare and reviewed by UR firms. The study concluded that the government paid \$13.3 million to the UR firms to save \$1.4 million in possibly unnecessary surgery.

While no consultants or UR vendors questioned the study's results, many argue that studying a single, government-run program is not indicative of the entire system.

"They've taken one politically influenced program and proved it doesn't work," said Dr. Arnold Mil-

stein, president of National Medical Audit, a unit of William M. Mercer Inc. in San Francisco.

But to conclude from such findings that UR is ineffective "would be akin to taking a sample of Little League pitchers that allow eight runs per game and assuming that pitchers are not as effective as batters," he said.

Independent research on the effectiveness of private-sector UR has concluded that savings can be significant, said Dr. Milstein.

A July 1992 study published by Seattle-based Milliman & Robertson Inc. showed that utilization review can save up to 8% on overall health care costs. The data is based on actuarial analyses updated annually and varies by region. The most savings were found for preadmission certification, up to 5%; large case management, up to 5%; and concurrent review and discharge planning, up to 3%. Preadmission testing, second surgical opinion and outpatient surgery each saved up to 1%.

Many primitive UR programs have only skimmed the fat off the top of health care expenditures, according to Dr. Roger Taylor, senior vp and chief medical officer at PacificCare Health Systems Inc., a

health maintenance organization in Cypress, Calif.

"I find it surprising to hear companies in the Northeast say UR has already cut all the days out of hospitalization possible when in the Northeast hospital stays are 30% longer than the West Coast for many of the same diagnoses with no measurable difference in outcomes," he pointed out.

Many vendors and consultants claim that one reason UR effectiveness appears to have peaked is that some providers have found a way to outsmart the system.

"UR came out of frustration. We knew people were receiving unnecessary services," observed Richard Wardrop, former health care cost management director for Pittsburgh-based Aluminum Co. of America and now an independent consultant.

"But UR is a control strategy, and any time you put in controls, the doctors will find a way around the system." For example, "a psychiatrist only has to invoke one word to get precertification for a hospital admission: Suicidal," he quipped.

Another example is that many hospitals are increasing outpatient service costs to recoup revenues lost by UR's successful campaign to move many inpatient procedures

into an outpatient setting, said Dr. Ed Zalta, president and chief executive officer of CAPP Care Inc., a UR firm based in Newport Beach, Calif.

Indeed, a study several years ago by The Wyatt Co. found that diverting care to the outpatient setting reduced UR-induced hospital savings to as low as 3% from 12%.

Lack of scientific standards to determine the best treatments for particular illnesses and injuries also has made it difficult to apply meaningful UR across the board, according to PacificCare's Dr. Taylor, who also is past president of the Utilization Review Accreditation Committee.

In an effort to standardize—and therefore strengthen—the UR industry's effectiveness, URAC is accrediting those companies that meet certain minimum criteria (see story, page 21).

As of last month, URAC had accredited 51 organizations. "About 70% of the organizations we reviewed had to make changes to meet URAC's criteria," Dr. Taylor said.

URAC is trying to make UR more palatable to physicians in response to complaints that additional staffing is needed to field reviewers' calls.

"We want to make it easier for providers to interface electronically with UR vendors rather than waste

doctors' time talking to UR vendors on the phone all day long," he said.

As a further effort to relieve providers' administrative burden, many UR companies have begun provider profiling to determine the highest-quality, cost-effective medical professionals and then subjecting them to less scrutiny.

For example, a number of Blue Cross & Blue Shield Assn. plans exempt from UR those providers that have been identified as cost-effective through their practice patterns. This way, UR can focus more closely on providers whose patterns of care lie outside expected norms.

"Micromanaging physicians now occurs mostly among local managed care organizations that don't have the data to feel confident in their pre-selection of physicians in the network," said Gene Guselli, president and chief executive officer of Private Healthcare Systems Inc. in Lexington, Mass., which also exempts proven providers from many UR requirements.

"If you don't know what you're getting upfront, then you micromanage the heck out of them."

To improve their UR savings potential, many managed care organizations have abandoned some of the less effective traditional components of UR, such as second surgical opinion.

For example, ALCOA implemented UR in the early 1980s, but

Continued on page 18

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UR's role

Continued from page 16

eliminated a requirement for second surgical opinions in 1989, Mr. Wardrop said.

"It clearly is not cost-effective. The cost of the second opinion is often greater than what we saved."

"Nearly 39% of second opinions agree with the first," pointed out Jim Foreman, a consultant with Towers Perrin in Los Angeles. "I've been through it myself as a patient. It's a joke."

As a result, some organizations, like Intracorp, now require second opinions only for certain frequently unnecessary procedures like hysterectomies.

Also often unnecessary is the use of concurrent review by employers that have reimbursement systems based on diagnostic-related groups, said Jorge Font, a health care consultant in Wyatt's Dallas office.

"If there's a DRG system in place, the hospital receives the same \$3,000 for an appendix operation regardless of the length of stay," he said.

But many other UR components do still prove effective, experts maintain.

For example, precertification is necessary to identify the potentially high-cost cases, where case management is almost certain to be effective, said Joan Copeland, vp of product planning and development at Berwyn, Pa.-based Intracorp.

"It's also the patient education component so they know what questions to ask their doctors," she added. "The more you get people to call, the more they learn."

Similarly, retrospective review can teach physicians what went wrong or how they could have har-

dled a patient's case more effectively, said Dr. Gary McIlroy, chairman and CEO of Health Risk Management Inc., a health care cost management firm in Minneapolis.

"Real savings can be achieved by evaluating the diagnosis or procedure as well as the severity of the condition," he said, explaining that many times a faulty initial diagnosis has resulted in unnecessary treatment costs.

Indeed, patient and physician education may be the next role of UR, experts say.

UR makes physicians and patients aware of alternative treatments so they can make better-informed decisions," said Susan F. Tate, director of medical affairs for the American Managed Care & Review Assn. in Washington.

While in the past, the primary function of UR was to screen for inappropriate care, the focus in the is to become more of a patient advocate, she said.

"Putting cost aside, why should anybody have care that is inappropriate and unnecessary?" she asked. For example, "why do a radical mastectomy when a lumpectomy would have served the same purpose?"

And the data collected by UR firms over the years can be used in outcome studies to develop treatment protocols, she added.

"It's a natural evolution," said HRM's Dr. McIlroy. "UR emerged because the provider wouldn't install (a) quality control system in-house."

"The medical profession has managed to consistently avoid application of quality assurance techniques for 100 years longer than everyone else," he said. **BI**

Medical claims audits cut costs

Can lead to discovery of overpayments, improvements

By MEG FLETCHER

Auditing employee medical claims can be an important weapon in an employer's arsenal of cost containment techniques.

Ensuring accuracy and accountability in insurance claims processing may save an employer money by curbing unnecessary payouts, determining whether a claims administrator's performance is adequate and identifying changes to improve a health plan.

A claims audit is a thorough review of claims-paying policies, procedures and practices, as well as a review of claims themselves, either in their entirety or through a sample.

Interest in claims audits is increasing "pretty significantly," said Thomas T. Farley, a managing consultant with A. Foster Higgins & Co. Inc. in New York.

Approximately 58% of 2,161 employers whose claims are paid by an outside administrator or insurer said they have audited claims in the past two years or will have audited them by the end of 1993, according to a Foster Higgins survey that will be released this month.

Among other factors, higher health care costs have captured the attention of chief financial officers who are used to auditing nearly every other aspect of a company's business, said Rosemary Goudy, a principal in Wil-

liam M. Mercer Inc.'s Stamford, Conn., office.

Such a concern about "due diligence" prompted Bertelsmann Inc., a New York-based holding company that includes publishing and recording operations, to hire consultants for a "full blown" audit of the insurer paying its claims under an administration contract, said Tom Coiro, director of corporate benefits.

In addition, claims paying has become more complex due to integration with managed care, which requires "a very system-intensive" review, said Nancy Boyer, president and chief executive officer of HealthChex Inc., a claims auditing software vendor in Rochester, N.Y.

Most employers are "overpaying (on) a minimum of 7% of physicians' health insurance claims for their employees," according to a recent HealthChex analysis of more than 5.5 million claims.

Also, layoffs have caused "a brain drain" in the insurance industry, so "even very mature companies are making dumb mistakes because of less experienced staff," said Ed Freedman, managing director of Alexander Consulting Group in Lyndhurst, N.J.

Employee complaints after a change in claims administrators prompted Educational Testing Service in Princeton, N.J., to pay a consultant \$30,000 to perform a full audit of the company's

26,000 annual claims, said Carolyn Page, assistant director of employee benefits. Among the errors found was that ETS's former administrator had been paying claims for employees' vitamins and diet center usage, though such costs were not covered by the plan.

A typical candidate for a claims audit is self-insured—though it may buy some stop-loss coverage—and uses a third-party administrator or insurer as its claims payer, consultants and employers say.

An audit can cost anywhere from \$500 to \$50,000, depending upon its scope, said Susan Johnson, a consultant in the Chicago office of Towers Perrin.

Some consultants, like HealthChex, guarantee an instantaneous return in identified cost savings.

An employer's return on investment, is "often as much as \$3 to \$10 for every \$1 of audit fee," said Taylor Dennen, a principal in Mercer's Deerfield, Ill. office.

Caterpillar Inc. in Peoria, Ill., prefers to do its own audits and pay its own claims, which number 2.5 million annually.

"I think there is significant savings to be gained from critical auditing," said Dr. Robert Herstein, the company's medical director of group insurance. "Most insurance companies don't do a very good job of auditing

Continued on next page



Continued from previous page claims," he added.

One of the most frequent problem areas uncovered by an audit is "creative billing" by about 12% of all physicians, said HealthChex's Ms. Boyer. Such errors include billing individuals as "new patients" every time a provider sees them and "unbundling," or submitting claims that contain multiple procedure codes for what is considered a single procedure.

Auditing information also can be used to help evaluate an administrator's performance, though Foster Higgins found most employers are satisfied with their TPAs.

Such performance audits typically focus on turnaround time, rates of financial and administrative errors, percent of benefits paid in error and savings from coordination of benefits. An administrator whose performance exceeds error thresholds can be held to stricter standards or face cash penalties for overpayments.

The results of a claims audit encouraged Bertelsmann to tighten its performance guarantee standards so its TPA would be evaluated on the basis of accuracy as well as turnaround time, Mr. Coiro said.

Over the past 11 years, Bethlehem Steel Corp.'s internal audits have resulted in more than \$8 million recovered from incorrectly paid claim dollars from TPAs, said Dick Burdeshaw, general auditor for the Bethlehem, Pa., steelmaker.

However, he advises that employers are more likely to receive repayment on specific claims

rather than on an estimated overpayment extrapolated from a sampling of claims.

The recommended frequency of audits varies with employers' goals.

Employers concerned about evaluating a claims payer's performance may want to conduct audits annually, while those facing a particular problem may find a single audit is enough, employers and consultants say.

Claims auditing data also can give employers fresh ideas for tighter controls or better plans.

For example, Xerox Corp. of Stamford, Conn., now wants the insurer paying its claims under an administration contract to ask more questions about whether an employee's alleged dependants are really eligible for coverage under plan rules, said Helen Darling, the company's manager of health care strategy and programs.

Due to the high frequency of divorces and remarriages, sometimes two or three different family units are claiming benefits under Xerox's plan, though not all are eligible, she said.

In addition, Caterpillar screens physicians for abusive billing practices and doesn't allow them to join its physician network.

Auditing data, which is rich in details about how employees use the plan, also can help an employer improve coverage.

For example, a Texas food processor decided to help its hypertension-prone workforce by offering reimbursement for medical histories taken during physicals at age 40 instead of 50, said HealthChex's Ms. Boyer. **BI**

Outpatient UR most worthwhile when claims data is in question

By DEBORAH SHALOWITZ

While utilization review of outpatient medical procedures can save a company money in certain circumstances, many employers may find outpatient UR is not worth the expense or hassle.

If an employer determines that its outpatient utilization is excessive, or if high-cost outpatient care is targeted, then UR services may be cost-effective, health care experts agree.

The most promising use of outpatient medical UR is to build an extensive data base that serves as the basis for physician profiling, which enables companies to direct patients to high-quality, cost-efficient providers, they note (see story, page 20).

But the cost of reviewing all outpatient claims outweighs its benefits, the experts contend.

"You couldn't cost-effectively look at all ambulatory care on a pre-certification basis," said Mary Ellen O'Donnell, director of utilization management for Blue Cross & Blue Shield Assn. in Chicago.

It is "prohibitively expensive with low return on investment" to review all outpatient procedures, said Russell Robbins, vice chairman of Peer Review Analysis Inc. of Malden, Mass.

"Don't think you're going to save a whole lot of money" implementing outpatient UR, agreed Bill Pazely, manager of corporate risk management for General Binding Corp. in Northbrook, Ill.

GBC, which spends about \$4 million annually on its self-insured medical indemnity program for 1,200 employees, uses a preferred provider organization and purchases UR services from HealthCare COMPARE Corp. of Downers Grove, Ill. All inpatient claims as well as outpatient claims in excess of \$2,500 must be reviewed by HealthCare COMPARE.

However, "outpatient UR doesn't necessarily save us a lot of hard dollars," Mr. Pazely commented.

The real value of the outpatient UR program is it "gives employees an awareness that you're trying to save money anywhere you can."

The most important thing employers can do to determine if they would benefit from outpatient UR is to review their claims data, several experts said.

Outpatient UR is "worth the money if you've gone through the data analysis process and determined that you have a problem with outpatient utilization," said Tom Beauregard, a consultant with Hewitt Associates in Rowayton, Conn.

Mr. Beauregard cautioned, though, that administrative fees paid to a UR firm and the costs of com-

The real value of the outpatient UR program is it 'gives employees an awareness that you're trying to save money anywhere you can,' says General Binding Corp.'s Bill Pazely.

municating the plan to employees can be high. Therefore, he added, outpatient UR is "not worth the pain unless you've gone through and determined that you do in fact have an outpatient problem."

For organizations with a large volume of outpatient claims, UR is worth the money, said Dennis Duffy, president and chief executive officer of AXIOM Review Inc. of Millburn, N.J. "There's money being spent there and not a lot of people paying attention to it."

Mr. Duffy noted that his firm is performing "a lot more outpatient review." In particular, AXIOM is reviewing outpatient claims for several health

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Outpatient UR

Continued from previous page
maintenance organizations, each of which has 5,000 to 10,000 outpatient claims per quarter.

Outpatient UR "is definitely worth the money" because "the volume of outpatient claims being submitted today is significantly more than the volume of inpatient claims," according to Kay Grosberg, product manager for Boston-based Health Payment Review Inc., which has developed a computerized claims analysis system that reviews both inpatient and outpatient claims.

"The outpatient review is appropriate for any organization that's trying to manage health care costs, but the key... is how you implement it," Ms. Grosberg said. "You should allow a clinically intelligent system to do the analysis for you."

Outpatient UR should not be structured like inpatient UR, re-

quiring an employee to get permission for each procedure by calling the UR company, cautioned Dr. Allan Korn, a principal in the Chicago office of William M. Mercer Inc.

Perhaps only in cases where "the procedure being reviewed is expensive, the phone call might be worth it," he added.

Berwyn, Pa.-based Intracorp offers an outpatient UR service that targets 16 costly diagnostic imaging and ambulatory surgeries, said Bob Mueller, product director, outpatient care management.

Diagnostic imaging—which includes magnetic resonance imaging and computerized axial tomography scans—and ambulatory surgery are the fastest growing and highest cost outpatient services, Mr. Mueller noted.

Intracorp has developed a three-step review that is used when any of these procedures is ordered by a physician, he explained.

First, a UR specialist reviews the diagnosis and treatment recommendation to determine if the procedure is in fact necessary.

Then, the recommended setting for the procedure is reviewed.

If the procedure is approved in the recommended setting—an average of 5% to 8% of procedures are denied—then Intracorp negotiates a fee with the provider, Mr. Mueller said.

With this process, both utilization and price are addressed, he pointed out. An employer's savings comes about half from denied procedures and the rest from lower fees negotiated with providers, he explained.

Mr. Mueller advises companies considering buying outpatient UR services first to examine their claims data and compare it with national averages to see if something is amiss. Then, he said, problems can be identified and solutions devised. **BI**

Changing role for UR providers

More firms are evaluating the appropriateness of care

By DEBORAH SHALOWITZ

A major change is brewing in the focus of utilization review firms.

Traditional UR services, like hospital preadmission certification, length of stay review and second surgical opinions, are taking a back seat to issues of whether health care services are really necessary and whether the physicians providing those services are doing a good job.

In many instances, UR vendors are relying on complex computerized data analysis systems to help answer these questions.

UR providers also are placing increased emphasis on educating both physicians and patients about appropriate health care.

"The brightest light in UR is the appropriateness piece—it's the piece that'll finally and ultimately produce some accountability in health care," stated Dr. Allan Korn, a principal in the Chicago office of William M. Mercer Inc.

There is a "trend toward evaluating the appropriateness of treatment, not just the level of care and where care is done," said Russell Robbins, vice chairman of Malden, Mass.-based

Peer Review Analysis Inc., the nation's 10th-largest UR vendor, according to *Business Insurance*. BI's rankings are based on the number of inpatient hospital admissions reviewed by UR firms in 1992.

It's not possible to meaningfully attempt "to save money without going after quality at the same time," stated Leslie Michelson, chairman and chief executive officer of Value Health Sciences Inc. in Santa Monica, Calif., a unit of UR provider Value Health Inc.

"There are ways to measure quality," he said, such as identifying "the very best doctors on objective measurements of clinical performance."

VHS has developed a software package called Practice Review System that reviews each claim in light of tens of thousands of rules, Mr. Michelson continued.

For example, if a protocol had been developed that a maximum of three non-invasive imaging studies are sufficient for diagnosing low-back strain, the software would flag any claim submitted for any additional imaging procedures for that patient beyond the protocol, he explained.

This could indicate inappropriate care and that the quality of that physician's services is suspect, he continued.

The software program also detects coding inaccuracies, such as when a doctor bills for an extended visit for a particular diagnosis when only a brief visit is necessary.

And, the program would flag a claim for a procedure like carpal-tunnel surgery that included charges for an assistant surgeon when an assistant surgeon is not needed during that procedure.

These situations also could indicate to the reviewer that the quality of a physician's services is suspect.

"The whole idea is really to get away from some of the blunter tools for financial management and replace them with clinically more sophisticated tools," Mr. Michelson said.

The UR software package operates on a mainframe computer. The cost varies depending on how many claims the buyer wants reviewed and whether the buyer licenses the software or hires VHS to conduct the reviews, he said.

Health Payment Review Inc. of
Continued on next page

10 largest general service utilization review firms

Based on total acute care inpatient admissions reviewed in 1992

Company (ownership)	Total acute care inpatient admissions reviewed	Full-time staff		Physicians on retainer
		Total	Physicians	
Blue Cross & Blue Shield System (Not for profit)	3.1 million*	1,789	150	1,600
Intracorp (CIGNA Corp.)	975,994	4,284	30	1,500
Private Healthcare Systems Inc. (15 insurers)	505,237	950	10	287
HealthCare COMPARE Corp. (Publicly held)	396,200	1,351	25	158
AXIOM Review Inc. (Privately held)	362,000	87	2	60
Cost Care Inc. (John Hancock Mutual Life Insurance Co.)	255,000	702	65	226
Health Value Management Inc. (Humana Inc.)	250,000	200	7	40
Metropolitan Life Insurance Co.- Managed Care Services Group (Mutual company)	227,500	824	29	443
Conservco (The Travelers Insurance Co.)	221,000	410	8	397
Peer Review Analysis Inc. (Publicly held)	210,000	80	5	25

Source: BI survey * Includes UR services provided to primary insurance clients only.

BI GRAPHIC BY KIMBERLY MART

Continued from previous page
Boston also uses a software program in an attempt to analyze claims data to identify inappropriate health care.

Health Payment Review's software program, called Patterns of Treatment, looks at a diagnosis and treatment and makes sure that the two match, explained Kay Grosberg, product manager.

For example, Patterns of Treatment software could determine that a certain physician always orders a chest X-ray for his or her patients, regardless of what their diagnosis is, she explained.

Patterns of Treatment costs between \$50,000 and \$500,000, depending on the number of claims to be analyzed, Ms. Grosberg said.

Several other firms also are using computer analysis of claims data to evaluate physician treatment patterns.

Through computerized analysis of claims data, Lexington, Mass.-based Private Healthcare Systems Inc., the nation's third-largest UR vendor, categorizes all physicians that are members of its preferred provider networks into four groups, said Gene Guselli, president and chief executive officer.

These categories include physicians who should no longer be members of the PPO because of substandard quality, physicians who need to be watched, physicians who need education and physicians who are star performers, he said.

When a UR nurse receives a request for certification for a procedure by a certain doctor, the nurse can call up that doctor's name on the computer and see which category that doctor falls into, he said. If the physician is in the category of needing to be

watched, the nurse might ask more extensive questions about the recommendation than usual or refer the care for a full medical review, Mr. Guselli said.

Thus, "managed care companies finally are beginning to get better information on physician practice patterns," he stated.

Private Healthcare allows physicians that have been deemed star performers to authorize automatically prescribed procedures through an electronic claims management system, Mr. Guselli said.

Private Healthcare, which is a consortium of 15 insurance companies, also is developing a program called Primary Care Plans, Mr. Guselli noted.

Primary Care Plans are like networks within networks of

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URAC awards accreditation to 51 UR vendors

WASHINGTON—As of last month, the Utilization Review Accreditation Commission had accredited 51 utilization review providers, up from eight UR firms as of January 1992.

Of the nation's 10 largest utilization review firms in this year's *Business Insurance* ranking, five have been accredited:

- Twenty of the 72 Blue Cross & Blue Shield Assn. plans have been accredited, as well as two BC/BS plan subsidiaries.

- Intracorp.
- HealthCare COMPARE Corp.

- Health Value Management Inc.

- Peer Review Analysis Inc.

In addition to the 51 firms that currently are accredited, 39 other UR providers are in the process of seeking accreditation, according to Elizabeth Friberg, executive director of URAC.

UR providers are judged on numerous standards, including: accessibility and availability of staff; quality of staff; review procedures; type of criteria used in making clinical decisions; and confidentiality policies (*BI*, Feb. 17, 1992).

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Utilization review

Continued from previous page
"upper crust" physicians and hospitals, Mr. Guselli explained.

For example, when a patient in a point-of-service plan calls Private Healthcare for a referral to a physician, the company can actually rank doctors based on their computer profile, Mr. Guselli noted. "We will be rewarding those star performers with more referrals," he said.

Other UR firms are using claims data to decide which cases really need a full-blown review.

"Our goal is to do fewer reviews, to the extent that that's possible and reasonable," said Mary Ellen O'Donnell, director of utilization management for Blue Cross & Blue Shield Assn. in Chicago. UR services provided

by BC/BS plans together create the nation's largest UR vendor.

The BC/BS Assn.'s main UR service, Custom-Care USA, is available through 27 of its 72 plans. By analyzing claims data, BC/BS is trying to exempt from review those providers that rarely present problems, Ms. O'Donnell said.

Tampa, Fla.-based Conservco Inc., the ninth-largest UR vendor, is analyzing claims data to determine which diseases, surgeries or other types of cases are the most expensive and concentrating its resources on those areas, according to Dr. James Vance, chief medical officer. Conservco is owned by Travelers Corp.

Similarly, Berwyn, Pa.-based Intracorp, the nation's second-largest UR firm, is trying to focus its full-blown reviews on those cases where the review can have the greatest impact, noted Joan Copeland, vp of product planning and development.

For example, diagnoses like abdominal pain and low back pain that have "less of a definite treatment pattern" are good candidates for focused reviews, she said.

The CIGNA Corp. unit is trying to "fine-tune what involvement of what resources we put on a case," Ms. Copeland noted.

Several UR firms are taking more interest in educating people about their health.

Intracorp has introduced a comprehensive educational program aimed at encouraging people to take more responsibility for their own health.

The program, called Personal Health Management, "addresses (health) care needs before they're really needed," Ms. Copeland explained.

Personal Health Management offers employees a toll-free telephone service staffed by Intracorp nurses to discuss with callers how better to manage health risks, she said.

Also, health-related literature and videos are available on how to change unhealthy habits and deal with certain health conditions.

Personal Health Management also offers subscribers an individual, computerized health risk assessment, which also can be discussed with Intracorp nurses.

"We hope this whole process will make people much more aware that they are responsible for their health care," Ms. Copeland said.

Louisville, Ky.-based Health Value Management Inc., the seventh-largest UR firm, also offers subscribers a 24-hour toll-free telephone service staffed by specially trained nurses, said Martin Trussell, national accounts manager. These nurses act as patient advocates and educators, answering medical questions and advising whether people need to see a physician or go to a hospital for medical attention, he said.

In addition to educating patients, some UR firms are focusing on educating physicians.

For example, HealthCare COMPARE Corp. of Downers Grove, Ill., the fourth-largest UR firm, encourages its medical directors to discuss with physicians why certain decisions are being made, noted Senior Vp Mary Anne Carpenter. During these discussions, physicians also are told about new procedures and treatments and sent a bibliography if they want more information.

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Directory of utilization review providers

A

AI/A/Comp Care

1620 Mason Ave., Daytona Beach, Fla. 32117; 904-274-3232; fax: 904-274-3242

Founded: 1986; began providing utilization review services in 1986.

UR business: 47% of revenues from service to employers; 41% from service to others.

Frequent UR services: Chiropractic medical bill audits; prospective, concurrent and retro reviews; independent medical exams; pre-certification.

Medical services reviewed: Chiropractic.

UR Staff: Nine total; three professionals, all physicians. On retainer: 147 physicians.

UR Clients: 142 total; 67 employer clients.

Covered lives: 390,000 employee benefit plan lives; 5.7 million workers compensation lives.

Admissions reviewed: 100% diverted for outpatient treatment.

Charges: Per employee, 20 cents to 60 cents; per case, \$125 to \$175; percentage of savings.

Officers: Fred E. Fronstin, president; Neil M. Brown, CEO; John B. Witty, COO; Al Rocheleau, vp-network expansion; John C. Barrett, marketing director.

Contact: John C. Barrett.

ACORN Behavioral HealthCare Management Corp.

The ACORN Building, 134 N. Narberth Ave., Narberth, Pa. 19072-2299; 800-223-7050; fax: 215-664-8373

Founded: 1975; began providing utilization review services in 1975.

UR business: 40% of revenues from service to employers.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management, EAP services.

Occasional UR services: Retrospective review.

Medical services reviewed: Psychiatric/substance abuse, workers comp/disability.

UR Staff: 30 total; five professionals.

UR Clients: 177 total, all employer clients.

Covered lives: 600,000 employee benefit plan lives.

Admissions reviewed: 360; 30% diverted for outpatient treatment.

1992 gross revenues: \$4.5 million total, \$1.8 million from UR services.

Charges: Per employee, \$1 to \$7.89; per hour, \$50 to \$110.

Officers: Mel S. Goldsmith, president/CEO; Mel Wondolowski, vp-corporate services; Dorothy T. Harrison, vp-clinical operations; Donna DeHart, vp-sales/marketing; Arlette McGlade, vp-administrative services/MIS.

Action Healthcare Management Services

301 E. Bethany Home Road, Suite C-278, Phoenix, Ariz. 85012; 602-265-0681; fax: 602-265-0202

Founded: 1987; began providing utilization review services in 1987.

Parent: Cavco Industries Inc.

UR business: 90% of revenues from service to employers; 10% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, outpatient service predetermination, case management, high-risk pregnancy identification/management, workers compensation large case management.

Occasional UR services: Retrospective review, second surgical opinion, hospital bill audits, outpatient psychiatric and substance abuse services.

Medical services reviewed: Group health, chiropractic, psychiatric/substance abuse, workers comp/disability, high-risk pregnancy.

UR Staff: 19 total; nine professionals, including five registered nurses, four licensed practical nurses. On retainer: one physician.

UR Clients: 80 total; 75 employer clients.

Covered lives: 67,000 employee benefit plan lives; 900 workers compensation lives.

Admissions reviewed: 2.5% diverted for outpatient treatment.

Branch offices: Thousand Oaks, Calif.

Charges: Per employee, \$1.25 to \$1.95; per hour, \$85 to \$95.

Officers: Peter V. Tengi, president; Liz Rainwater, vp/director-operations; Michael Hanosh, MIS director; Toni Olguin, director-workers compensation services; Karen

Ruden, director-perinatal services.

ADMAR Corp.

1551 N. Tustin, Suite 300, Santa Ana, Calif. 92701; 714-953-9600; fax: 714-953-6309

Founded: 1973; began providing utilization review services in 1978.

Parent: ADMAR Group Inc.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, second surgical opinion, outpatient service predetermination, outpa-

tient psychiatric and substance abuse services, case management.

Occasional UR services: Retrospective review, hospital bill audits.

Medical services reviewed: Group health, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability.

UR Staff: 43 total; all professionals including four physicians, 17 registered nurses, 22 medical records technicians.

UR Clients: 69 total; 12 employer clients.

Covered lives: 700,000 employee benefit plan lives.

Admissions reviewed: 47,997; 8.49% diverted for outpatient treatment.

1992 gross revenues: \$11.3 million total, \$3 million from UR services.

Charges: Per employee, \$1.25 to \$8.25; per case, \$90 to \$125; per hour, \$90; percent of savings (when purchased with PPO service), 20% to 28%.

Officers: Richard H. Toral, CEO/chairman; John Gray, president-managed care; Karin Anderson, vp-marketing/sales; Dr. Vincent Duda, medical director; Eleanor C. Brokaw, assistant vp-medical services; Virginia Pascual, chief administrative officer/director; Edward Evans, CFO.

Alternative Care Management Systems Inc.

3530 Snouffer Road, Columbus, Ohio 43235; 614-761-0035; fax: 614-761-0452

Founded: 1984; began providing utilization review services in 1984.

UR business: 100% of revenues from service to employers.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, dis-

Continued on next page

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Continued from previous page
charge planning, second surgical opinion, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management.

Occasional UR services: Retrospective review, hospital bill audits, chiropractic care management.

Medical services reviewed: Group health, dental, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability.

UR Staff: 30 total; 12 professionals, all registered nurses. On retainer: 20 physicians.

UR Clients: 100 total, all employer clients.

Covered lives: 125,000 employee benefit plan lives.

1992 gross revenues: \$1.5 million total, all from UR services.

Charges: Per employee, per case, per hour.

Officers: John D. Micha, president.

Contact: Suzanne Pierce, director-marketing.

American Claims Evaluation Inc.

375 N. Broadway, Jericho, N.Y. 11753; 516-938-8000; fax: 516-938-0405

Founded: 1981; began providing utilization review services in 1982.

UR business: 30% of revenues from service to employers; 70% from service to others.

Frequent UR services: Hospital bill audits, DRG code validation.

Medical services reviewed: Group health, workers comp/disability, hospital claims auditing.

UR Staff: 50 total.

UR Clients: 500 total; 170 employer clients.

Branch offices: Chicago, Dallas, Los An-

ges.

1992 gross revenues: \$7.9 million total, all from UR services.

Charges: Percent of savings, up to 50%.

Officers: Gary Gelman, president/CEO; Robert G. Dubester, vp-operations; Gary J. Knauer, CFO/treasurer; Lawrence A. Curcio, national sales manager.

American Health Group

1414 W. Broadway, Suite 210, Tempe, Ariz. 85282; 602-265-3800; fax: 602-894-8105

Founded: 1984; began providing utilization review services in 1984.

UR business: 54% of revenues from service to employers; 22% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, outpatient service predetermination, outpatient psychiatric and

substance abuse services, case management, DRG validation, chiropractic review, risk assessment audits.

Occasional UR services: Hospital bill audits.

Medical services reviewed: Group health, dental, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability.

UR Staff: 27 total; 17 professionals, including four physicians, eight registered nurses, three licensed practical nurses, two medical records technicians. On retainer: 41 physicians, 137 nurses.

Covered lives: 93,200 employee benefit plan lives; 11,100 workers compensation lives.

Admissions reviewed: 28% diverted for outpatient treatment.

Charges: Per employee, \$1 to \$3.15; per case, \$175 to \$542; per hour, \$85 to \$135; percent of savings on risk contracts.

Officers: Raymond Jennings, president; Dr. Franklin Preiser, medical director; Joan Stacy, director-operations.

American International Health & Rehabilitation Services Inc.

400 Interpace Parkway, Building A, Parsippany, N.J. 07054; 201-402-2800; fax: 201-402-3105

Founded: 1986; began providing utilization review services in 1986.

Parent: American International Group Inc.

UR business: 14% of revenues from service to employers; 85% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management, physical therapy and chiropractic review.

Occasional UR services: Hospital bill audits.

Medical services reviewed: Group

Continued on next page

How to use directory of UR firms

The annual *Business Insurance* directory of utilization review service providers lists companies that offer utilization review directly to members of employer-sponsored group plans on behalf of the employer.

Business Insurance defines utilization review as reviewing inpatient and/or outpatient hospital care and services through programs such as preadmission certification, concurrent review, length of stay determination, discharge planning, retrospective review and second surgical opinions.

The listings begin with the company name and address, followed by the **year founded**, the year the company began offering utilization review services and the **parent** company, if applicable. Utilization Review Accreditation Commission certification is noted as **URAC certified**.

Noted under **UR business** is the percent of 1992 gross revenues generated from utilization review services to both employers and others (insurance companies, HMOs, PPOs and third-party administrators). Specific utilization review programs the company provides are described under **frequent** and **occasional UR services**.

The types of **medical services reviewed** (options include group health, dental, chiropractic, psychiatric and substance abuse and workers compensation/disability), and information on **UR staff** follows. Numbers of staff are provided in full-time equivalents, except for those on retainer.

1992 business is represented by the number of utilization review **clients**; **covered lives**, including employee benefit plan and workers compensation lives serviced; total **admissions reviewed** and the percent of proposed admissions diverted for outpatient care in 1992.

Branch offices include both U.S. and foreign locations performing utilization review services. Total 1992 gross **revenues** and revenue generated from UR services are listed next when provided by the company.

How a company charges for its services and the range of charges can be found under **compensation**. Names and titles of principal **officers** and a **contact** complete the listings.

This directory is published as an editorial service to our readers, there is no charge for companies to be listed. Information reported is based on each company's response to a *BI* questionnaire. Although every effort is made to publish complete and accurate listing, *BI* is unable to verify all information.



SOME WORKING SOLUTIONS FROM CONSERVCO.

Paging through this magazine, you'll see dozens of advertisements rattling off the same dismal statistics on rising medical costs. Many projecting the horrors yet to come. Still others pointing the finger at you for not waking up to the problem earlier.

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What all this means to you, at long last, is an opportunity to look

Continued from previous page
health, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability.

UR Staff: 311 total; 187 professionals, including one physician, 178 registered nurses. On retainer: 90 physicians, 123 nurses.

UR Clients: 12 total; eight employer clients.

Covered lives: 70,000 employee benefit plan lives.

Admissions reviewed: 5,000; 3% diverted for outpatient treatment.

Branch offices: Albany, Elmsford, Fairport, New York and St. Remy, N.Y.; Albuquerque, N.M.; Andover, Boston, Cummington and Green Harbor, Mass.; Asheville, Charlotte, Fayetteville, Mooresville, Raleigh, Lillington and Winston-Salem, N.C.; Atlanta; Austin, Dallas, Houston and Longview, Texas; Avoca, Bally, Elbe Bell, Easton, Lancaster, Mechanicsburg, Middletown, Philadelphia, Pittsburgh, Roaring Spring, Wayne, Williamsport and Wyomissing, Pa.; Bakersfield, Brea, Fresno, Long Beach, Mo-

desto, Pleasanton, Sacramento, San Diego and San Francisco, Calif.; Birmingham, Huntsville, Mobile and Montgomery, Ala.; Calais, Vt.; Chantilly, Fredericksburg, Roanoke/Keysville and Richmond, Va.; Cleveland and Columbus, Ohio; Colorado Springs, Fort Collins and Golden, Colo.; Columbia, Md.; Columbia and Greenville, S.C.; Cookeville and Knoxville, Tenn.; Esmond, R.I.; Ft. Lauderdale, Kissimmee, Lake Mary, Jacksonville, Maitland and Tampa, Fla.; Grantham and Manchester, N.H.; Indianapolis; Jackson and Ridgeland, Miss.; Lafayette and New Orleans, La.; Louisville, Ky.; Milwaukee; Mt. Laurel, N.J.; Naperville, Ill.; Norman, Okla.; North Little Rock, Ark.; Occquan, Va.; Omaha, Neb.; Overland Park, Kan.; Phoenix; Portland, Maine; Portland, Ore.; Seaford, Del.; Southfield and Wyoming, Mich.; St. Louis; Woodbury, Conn.

1992 gross revenues: \$40 million total, \$39 million from UR services.

Charges: Per employee, \$1.25 to \$1.90; per case, \$95 to \$330; per hour, \$75 to \$250.

Officers: Ralph Rousseau, president;

Elaine C. Halberstadt, vp-marketing; Alexander Biel, vp; Rebecca Hart, Robert Lancy, assistant vps.

Contact: Elaine C. Halberstadt.

Anthem Health Systems

5451 W. Lakeview Parkway S. Drive, Indianapolis, Ind. 46268; 800-654-1459; fax: 317-293-6669

Founded: 1984; began providing utilization review services in 1984.

Parent: Associated Insurance Cos. Inc.

UR business: 56% of revenues.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management.

Occasional UR services: Focused review for select procedures only, notification and case management.

Medical services reviewed: Group

health, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability.

UR Staff: 142 total; 119 professionals, including eight physicians, 11 registered nurses. On retainer: 116 physicians.

UR Clients: 3,332 total; 139 employer clients.

Covered lives: 1.7 million employee benefit plan lives; 10,000 workers compensation lives.

Admissions reviewed: 112,887; 5% diverted for outpatient treatment.

Branch offices: Charlotte, N.C.; Dallas; Houston; Jacksonville, Tampa and West Palm Beach, Fla.; Nashville, Tenn.; Sacramento, Calif.

1992 gross revenues: \$22.5 million total, \$12.8 million from UR services.

Charges: Per employee, 58 cents to \$2.15; per case, \$275; per hour, \$86 to \$92.

Officers: Michael Bell, CEO; Terry Kopp, midwest regional vp; Venessa Wood, southeast regional vp; Martin Kreis, southcentral regional vp; Linda Rossi, western regional vp.

Associates for Health Care

125 N. Executive Drive, Brookfield, Wis. 53005; 414-784-9007

Founded: 1984; began providing utilization review services in 1984.

UR business: 29% of revenues from service to employers; 23% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, discharge planning, retrospective review, second surgical opinion, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management.

Medical services reviewed: Group health, rehabilitation, psychiatric/substance abuse, workers comp/disability.

UR Staff: 18 total, all professionals, including one physician, nine registered nurses, three licensed practical nurses, five medical records technicians. On retainer: eight physicians.

UR Clients: 580 total; 533 employer clients.

Covered lives: 187,000 employee benefit plan lives; 1,500 workers compensation lives.

Admissions reviewed: 14,654; 42% diverted for outpatient treatment.

Charges: Per employee, \$1.50 to \$2; per case, \$50.

Officers: Richard L. Blomquist, president/CEO; Judith A. Blomquist, vp; David Dobias, vp-administration; Peter J. Grimes, vp-marketing; Vickie Chaltas, vp-payor provider relations.

Contact: Judith A. Blomquist.

The Atlanta Healthcare Alliance/Utilization Management Program

200 Atlanta Technology Center, Suite 250, 1575 Northside Drive, Atlanta, Ga. 30318; 404-350-4300; fax: 404-350-4300 ext. 185

Founded: 1982; began providing utilization review services in 1985.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, outpatient service predetermination, case management.

Occasional UR services: Outpatient psychiatric and substance abuse services.

Medical services reviewed: Group health, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability.

UR Staff: Seven total, all registered nurses. On retainer: 23 physicians.

UR Clients: 15 total; five employer clients.

Covered lives: 120,000 employee benefit plan lives; 2,000 workers compensation lives.

Admissions reviewed: 20% diverted for outpatient treatment.

Charges: Per employee, \$1.05 to \$1.26; per hour, \$75.

Officers: Adele Cohen, acting executive director; Monica Compton, ABQUAR diplomate/director-utilization review; Linda Greis, BSN director/medical case management.

August Healthcare Services Inc.

435 Ford Road, Suite 500, Minneapolis, Minn. 55426; 612-525-4636; fax: 612-525-4491

Founded: 1985; began providing utilization review services in 1985.

Parent: Employee Benefit Plans Inc.

UR business: 75% of revenues from service to employers; 25% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management.

Medical services reviewed: Group health, dental, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability.

UR Staff: 86 total; 46 professionals, including two physicians, 44 registered nurses. On retainer: 53 physicians.

UR Clients: 2,872 total.

Covered lives: 233,947 employee benefit plan lives; 1.5 million workers compensation lives.

Branch offices: Dallas; Exton, Pa.; Grand Rapids, Mich.; Marlborough, Conn.; Olympia, Wash.

1992 gross revenues: \$6.4 million total, all from UR services.

Charges: Per employee, \$1.73 to \$4.50.
Officers: Dr. Michael Goran, president; Dr. Lowell Gordon, medical director; Amir Eftekhari, COO; Jean LaFavor, director-managed care; Steve Guyette, director-sales/marketing.

AXIOM Review Inc.

33 Bleeker St., Millburn, N.J. 08840; 201-379-6300; fax: 201-379-0490

Founded: 1975; began providing utilization review services in 1984.

Continued on next page



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Continued from previous page

zation review services in 1975.

UR business: 23% of revenues from service to employers; 70% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, retrospective review, outpatient HMC evaluation.

Occasional UR services: Discharge planning, second surgical opinion, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management.

Medical services reviewed: Group health, chiropractic, rehabilitation, workers comp/disability.

UR Staff: 87 total; 78 professionals, including two physicians, 60 registered nurses, four licensed practical nurses, 12 medical records technicians. On retainer: 112 physicians, 15 nurses.

UR Clients: 46 total; 16 employer clients.

Admissions reviewed: 362,000; 18% diverted for outpatient treatment.

1992 gross revenues: \$8.8 million total, \$8.2 million from UR services.

Charges: Per employee, \$1.60 to \$7.20; per case, \$7.25 to \$36.50.

Officers: Dennis J. Duffy, president/CEO;

Robert J. Jones, senior vp/COO; Dr. Charles E. Dooley, medical director; Dr. Michael Beams, chairman; Dr. Gilbert Melnick, vice chairman; Dr. Thomas Connolly, secretary/treasurer.

Contact: Dennis J. Duffy.

B

Beech Street of California Inc.

2 Ada, Suite 200, Irvine, Calif. 92718; 714-727-1353 or 800-233-2478; fax 714-727-1319

Founded: 1951; began providing utilization review services in 1982.

UR business: 4% of revenues from service to employers; 6% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management, workers comp-cost containment and case management in back-

to-work programs.

Medical services reviewed: Group health, chiropractic, psychiatric/substance abuse, workers comp/disability, auto liability.

UR Staff: 32 total; 19 professionals, including five physicians, 10 registered nurses, four licensed practical nurses. On retainer: 15 physicians.

UR Clients: 111 total; 78 employer clients.

Covered lives: 291,600 employee benefit plan lives; 3.2 million workers compensation lives.

Admissions reviewed: 22,989.

1992 gross revenues: \$21 million total, \$2 million from UR services.

Charges: Per employee, \$1 to \$2; per case, \$100 to \$150; per hour, \$80 to \$150; percent of savings.

Officers: Bradley S. Karro, president; John K. Mills, executive vp; Samuel J. Hartman, senior vp; George J. Bregante, vp-marketing/sales.

Behavioral Health Group Inc.

2693 Union Ave. Extended, Suite 101, Memphis, Tenn. 38112; 901-327-4664; fax: 901-327-4789

Founded: 1987; began providing utilization review services in 1988.

UR business: 0.5% of revenues from service to employers; 63.5% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, hospital bill audits, case management, 24-hour turnaround physician consultation, nursing home preadmission review.

Occasional UR services: Outpatient service predetermination, outpatient psychiatric and substance abuse services.

Medical services reviewed: Group health, psychiatric/substance abuse.

UR Staff: 13 total; seven professionals, including one physician, four registered nurses. On retainer: two physicians, four nurses.

UR Clients: Eight total; one employer client.

Covered lives: 900,000 employee benefit plan lives.

Admissions reviewed: 5,688.

1992 gross revenues: \$897,000 total, \$575,000 from UR services.

Charges: Per employee, \$1 to \$5; per case, \$45 to \$412.65.

Officers: Jim Rout, president/CEO; Dr. Donald E. Schaffer, medical director; Sylvia Houston, secretary.

Behavioral Healthcare Options Inc.

2801 S. Valley View, Suite 6, Las Vegas, Nev. 89102; 800-873-2246; fax: 702-364-0843

Founded: 1991; began providing utilization review services in 1991.

URAC certified.

UR business: 2% of revenues from service to employers; 15% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, outpatient psychiatric and substance abuse services.

Occasional UR services: Discharge planning, retrospective review, case management.

Medical services reviewed: Psychiatric/substance abuse.

UR Staff: Four total, including two registered nurses. On retainer: six physicians.

UR Clients: Seven total; three employer clients.

Covered lives: 240,374 employee benefit plan lives.

Admissions reviewed: 991; 36% diverted for outpatient treatment.

1992 gross revenues: \$3.8 million total, \$661,092 from UR services.

Charges: Per employee, \$1 to \$1.85; per case, \$250 to \$350; per hour, \$75 to \$150.

Officers: Stuart J. Ghertrier, president/CEO; Michael R. Adams, vp-clinical operations.

Contact: Stuart J. Ghertrier.

Blue Cross & Blue Shield System

676 N. St. Clair, Chicago, Ill. 60611; 312-440-6000; fax: 312-440-6609

Founded: 1929.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management, high-risk pregnancy and prenatal review, focused utilization management review, provider profiling.

Medical services reviewed: Group health, dental, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability.

UR Staff: 1,789 total, all professionals, including 150 physicians, 1,600 registered nurses. On retainer: 1,290 physicians.

Covered lives*: 50.9 million employee benefit plan lives.

Admissions reviewed*: 3.1 million.

Branch offices: 72 locations in the United States and Puerto Rico.

Contact: Mary Ellen O'Donnell, director of utilization management, 312-440-5936.

* Includes services provided to primary insurance clients only.

Business Health Services Inc.

2014 Capitol Ave., Suite 100, Sacramento, Calif. 95814-4215; 916-447-2100; fax: 916-447-2777

Founded: 1985; began providing utilization review services in 1987.

UR business: 15% of revenues from service to employers; 55% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, outpatient service predetermination, case management, magnetic resonance imaging, physical therapy.

Occasional UR services: Outpatient psychiatric and substance abuse services.

Medical services reviewed: Group health, rehabilitation, psychiatric/substance abuse, workers comp/disability, physician peer review.

UR Staff: 23 total; 17 professionals, including two physicians, 15 registered nurses. On retainer: 50 physicians.

UR Clients: 15 total; six employer clients.

Covered lives: 70,000 employee benefit plan lives; 20,000 workers compensation lives.

Admissions reviewed: 4,148; 3% diverted for outpatient treatment.

1992 gross revenues: \$2.2 million total, \$1.6 million from UR services.

Charges: Per employee, \$1.50 to \$3; per case, \$75 to \$250; per hour, \$60 to \$180.

Officers: Dr. E. Scott Rosenbloom, president; Joan H. Baetz, Rigby E. Leighton, vps.

Contact: Joan H. Baetz.

C

CCM

12481 Telecom Drive, Temple Terrace, Fla. 33637; 813-978-9711; fax: 813-978-0275

Founded: 1979; began providing utilization review services in 1979.

Parent: Preferred Health Care.

URAC certified.

UR business: 16% of revenues from service to employers.

Continued on next page

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Continued from previous page
vice to employers; 1.6% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, hospital bill audits, outpatient service predetermination, case management, automated bill review.

Occasional UR services: Outpatient psychiatric and substance abuse services.

Medical services reviewed: Group health, dental, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability, home health, physical therapy.

UR Staff: 75 total; professionals include 35 registered nurses, one licensed practical nurse, one medical records analyst. On retainer: 15 physicians.

UR Clients: 72 total; 60 employer clients.

Covered lives: 25,000 employee benefit plan lives; 25,000 workers compensation lives.

Admissions reviewed: 3,800.

Branch offices: Maitland, Fla.

1992 gross revenues: \$6.1 million total, \$1.1 million from UR services.

Charges: Per employee, \$1 to \$2.50; per hour, \$65; percent of savings.

Officers: Grace Armstrong, senior vp; Sherrie Dulworth, vp; David Sanfilippo, vp-operations; Mark Senseman, controller.

Contact: Sherrie Dulworth.

CMG Health

25 Crossroads Drive, Owings Mills, Md. 21117; 410-581-5000; fax: 410-581-5007

Founded: 1986; began providing utilization review services in 1987.

UR business: 2% of revenues from service to employers; 2% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management.

Medical services reviewed: Group health, psychiatric/substance abuse, hospitalization.

UR Staff: 115 total; 63 professionals, including 14 physicians, 11 registered nurses.

UR Clients: 12 total; five employer clients.

Covered lives: 858,967 employee benefit plan lives.

Admissions reviewed: 17,404; 86% diverted for outpatient treatment.

Branch offices: Birmingham, Ala.; Buffalo, N.Y.; Des Moines, Iowa; Kansas City, Kan.; Los Angeles; Richmond, Va.

1992 gross revenues: \$17.7 million total, \$707,500 from UR services.

Charges: Per employee, per case, per hour.

Officers: Alan J. Shusterman, president; Henry A. Boyd, executive vp/COO; Dr. Ronald E. Cann, senior vp-medical affairs; Dr. Douglass Kay, senior vp-quality assurance; Curt A.H. Jeschke Jr., vp-finance/CFO.

Contact: Sue Westervelt, director-communications, 410-581-8415.

CAPP CARE Inc.

West Tower, 4000 MacArthur Blvd., Suite 10000, Newport Beach, Calif. 92660-2526; 714-251-2200; fax: 714-251-2222

Founded: 1982; began providing utilization review services in 1982.

URAC certified.

UR business: 28% of revenues from service to employers; 27% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management, provider volume and intensity management, large case management, psychiatric and substance abuse case management, managed pharmacy program, repricing.

Medical services reviewed: Group health, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability.

UR Staff: 74 total, all professionals, including four physicians, 41 registered nurses. On retainer: 10 physicians.

UR Clients: 150 total; 65 employer clients.

Covered lives: 2 million employee benefit plan lives.

Admissions reviewed: 56,200; 20% diverted for outpatient treatment.

Charges: Per employee/per month, 5 cents to \$1.45.

Officers: Dr. Edward Zalta, chairman/CEO; Michael E. Henry, president/COO; John Unipan, executive vp; Roberta Holtzman, senior vp-operations; Bob Broadus, senior vp-administration.

Carenet Inc.

40 John Glenn Drive, Amherst, N.Y. 14228; 716-691-8556; fax: 716-691-8524

Founded: 1988; began providing utilization review services in 1988.

Parent: North American Administrators Inc.

UR business: 100% of revenues from service to employers.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management, high risk pregnancy program, national provider contracting.

Medical services reviewed: Group health, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability.

UR Staff: Eight total, all professionals, including physicians and registered nurses. On retainer: 36 physicians and nurses.

UR Clients: 50 total; 49 employer clients.

ents.

Covered lives: 125,000 employee benefit plan lives.

Charges: Per employee, \$1.50 to \$3; per hour, \$50 to \$85.

Officers: Ronald K. Zoever, president; David W. Miller, senior vp; Charles Barger, vp; Gina Wilkie, Thomas J. Doney, directors.

Contact: Thomas J. Doney.

Chiroview

2 Annabel Lane, Suite 105, San Ramon, Calif. 94583; 510-866-8584; fax: 510-866-0570

Founded: 1984.

UR business: 95% of revenues from service to employers.

Frequent UR services: Preadmission certification, retrospective review, outpatient

service predetermination, case management, concurrent review, managed care.

Medical services reviewed: Group health, chiropractic, rehabilitation, workers comp/disability.

UR Staff: 10 professionals. On retainer: 30 physicians.

UR Clients: 180 total.

Charges: Per employee, 30 cents to 60 cents; per case, \$125 to \$145.

Officers: Sigmund Miller, president; Laura Levitt, administrative director; Donna Baker, director-operations; Donald C. Gable, marketing director; Richard Silver, chiropractic coordinator.

Community Care Network

3760 Kilroy Airport Ave., Long Beach, Calif. 90806; 310-378-2248 or 800-247-2898; fax: 310-378-1739

Founded: 1975; began providing utilization review services in 1975.

Parent: CCN Inc.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, outpatient service predetermination, case management, maternity assessment, ambulatory care review.

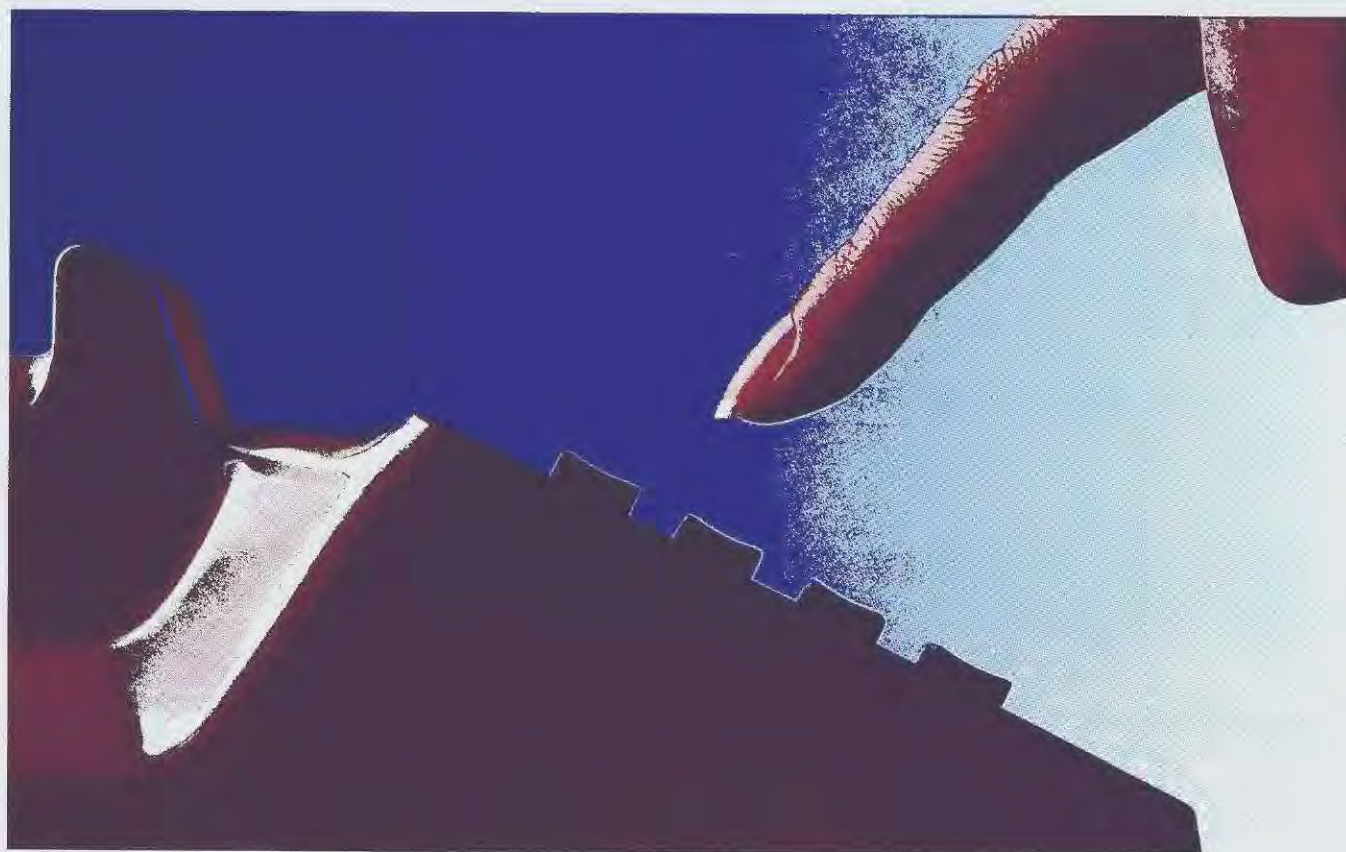
Occasional UR services: Discharge planning, retrospective review, second surgical opinion, hospital bill audits, outpatient psychiatric and substance abuse services.

Medical services reviewed: Group health, dental, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability, physical medicine/physical therapy.

UR Staff: 33 total, all professionals, in-

Continued on next page

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Continued from previous page
cluding 2.5 physicians, 27.5 registered nurses, one licensed practical nurse, two medical records technicians.

UR Clients: 608 total; 441 employer clients.

Covered lives: 628,907 employee benefit plan lives; 10 million workers compensation lives.

Admissions reviewed: 35,000; 6% diverted for outpatient treatment.

Branch offices: Phoenix; San Diego and Woodland Hills, Calif.

Charges: Per employee, \$1.10 to \$3.60; per case, \$50 to \$185; per hour, \$36.

Officers: James E. Buncher, president/CEO; Shannon Johnston, vp-utilization management; Patrick J. Sullivan, vp-sales/marketing; Eugene V. Helsel, corporate medical director; Sandra M. Foote, vp-Pacific region.

Contact: Marjorie Wells, corporate communications, 8911 Balboa Ave., San Diego, Calif. 92123; 619-278-2273 ext. 3315.

Conservco

3903 Northdale Blvd., Suite 200,
Tampa, Fla. 33624; 813-969-0701;
fax: 813-265-6430

Founded: 1981; began providing utilization review services in 1985.

Parent: The Travelers Insurance Co.

UR business: 25% of revenues from service to employers; 5% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management, skilled nursing facility, home health care, private duty nursing.

Occasional UR services: Retrospective review.

Medical services reviewed: Group health, chiropractic rehabilitation, psychiatric/substance abuse, workers comp/disability.

UR Staff: 410 total, all professionals, in-

cluding eight physicians, 397 registered nurses, five licensed practical nurses. On retainer: 250 physicians.

Covered lives: 4.5 million employee benefit plan lives.

Admissions reviewed: 221,000; 4% diverted for outpatient treatment.

Branch offices: Glastonbury, Conn.; San Antonio, Texas; San Diego; Tampa, Fla.; Westmont, Ill.

1992 gross revenues: \$117.6 million total, \$39.5 million from UR services.

Charges: Per employee, per case, per hour.

Officers: Dwight Robertson, president; Kam Shah, CFO; Jim Vance, chief medical officer; Patrick Kinney, Cathy Rayhill and Pat Saranno, vps.

Contact: Tom Wille, 813-960-6267.

Core Management Inc./ Integrated Behavioral Health

95 Argonaut, Suite 200, Laguna Hills,
Calif. 92656; 714-583-2588;
fax 714-588-0830

Founded: 1984; began providing utilization review services in 1984.

UR business: 75% of revenues from service to employers; 17% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management, Maternicare surgical/diagnostic review program.

Medical services reviewed: Group health, psychiatric/substance abuse, workers comp/disability, analytic consulting.

UR Staff: 88 total, all professionals, including 26 physicians, 62 registered nurses.

UR Clients: 55 total; 39 employer clients.

Covered lives: 1.8 million employee benefit plan lives; 12,000 workers compensation lives.

Admissions reviewed: 59,000.

Branch offices: Burlington, Mass.; Santa Monica, Calif.

1992 gross revenues: \$13 million total, \$12 million from UR services.

Officers: Samuel L. Mayhugh, chairman/IBH president; George Carpenter, CEO/president; Craig Horton, president/COO-Core Management Inc.; Greg Zobel, vp-marketing.

Corporate Care Management Inc.

70 Corporate Drive, Binghamton, N.Y.
73904; 607-724-6520;
fax: 607-722-1332

Founded: 1976; began providing utilization review services in 1976.

UR business: 93% of revenues from service to employers; 5% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management, DRG validation, facility and physician fee negotiation, plan language consultation.

Occasional UR services: Second surgical opinion, hospital bill audits.

Medical services reviewed: Group health, dental, chiropractic, psychiatric/substance abuse, workers comp/disability, phar-

macy.

UR Staff: 27 total; 21 professionals, including one physician, 20 registered nurses. On retainer: eight physicians.

UR Clients: 38 total; 36 employer clients.

Covered lives: 90,000 employee benefit plan lives; 8,000 workers compensation lives.

Admissions reviewed: 11,800; 4% diverted for outpatient treatment.

Charges: Per employee, \$2.50 to \$3; per hour, \$70 to \$99.

Officers: Dr. John F. Spring, chairman; Patrick J. Kearse, president/CEO; Barbara S. Kane, vp/COO.

CorVel Corp.

1920 Main St., Suite 1093, Irvine, Calif.
92714; 714-851-1473;
fax: 714-851-1469

Founded: 1987; began providing utilization review services in 1990.

UR business: 3% of revenues from service to employers; 12% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, hospital bill audits, outpatient service predetermination, case management, prospective channeling of injured workers to PPO providers, concurrent outpatient utilization review, integration of utilization review services with case management and bill audit services.

Occasional UR services: Outpatient psychiatric and substance abuse services.

Medical services reviewed: Chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability, automobile-first and third party, therapy treatments.

UR Staff: 95 total, all professionals, including 75 registered nurses, 20 medical records technicians.

Admissions reviewed: 5% diverted for outpatient treatment.

Branch offices: 98 locations.

1992 gross revenues: \$57.5 million total.

Charges: Per case, \$75 to \$125; per hour: \$68 to \$75.

Officers: Gordon Clemons, president; Michael Wilson, Bennie Hamlin, vps-operations; Daniel H. Davis, vp-marketing; William Boyd, vp-management; information systems.

Contact: Daniel H. Davis, 215-953-5060.

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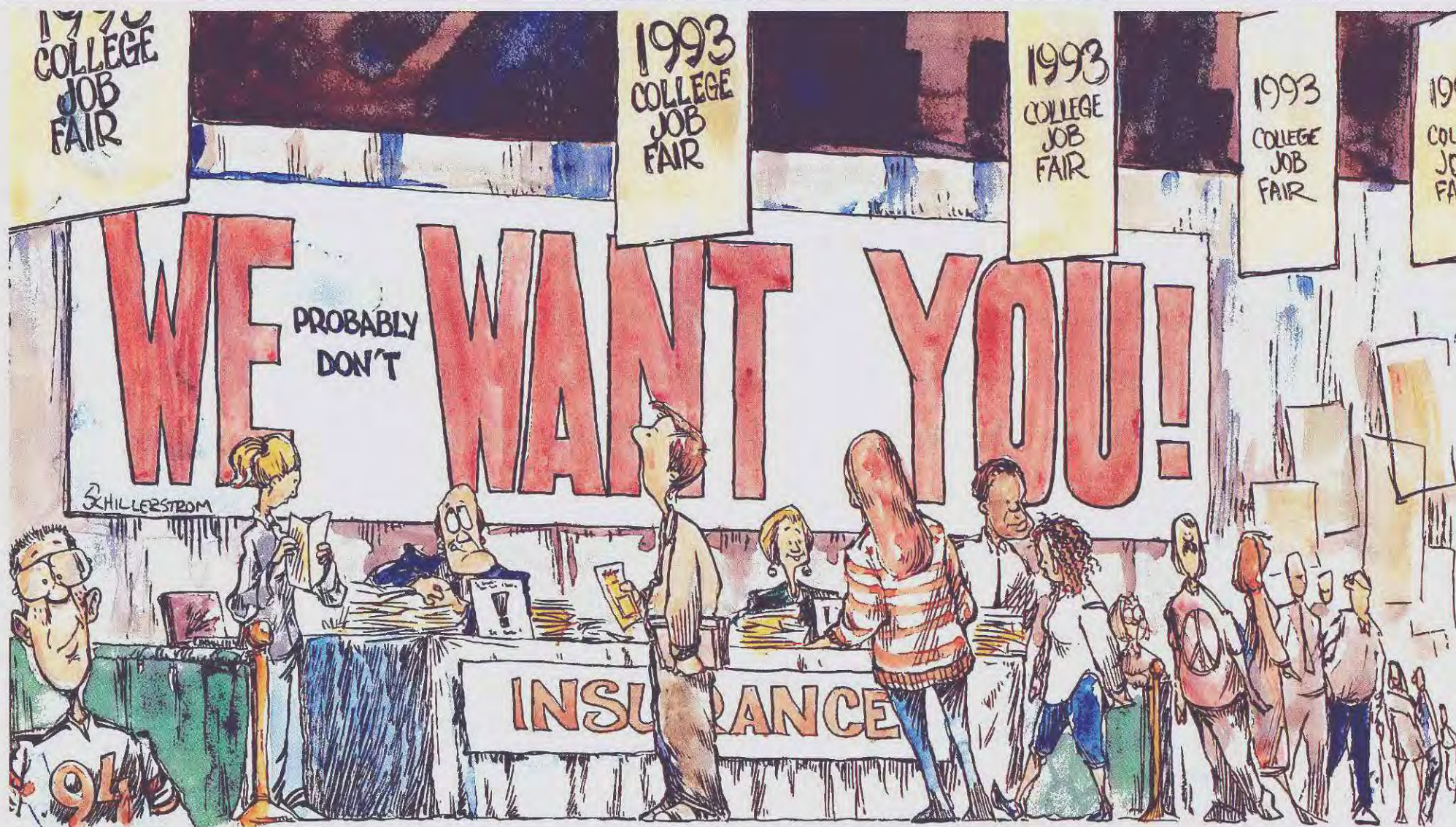


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InsurerTopics

A special editorial section
sent exclusively
to insurers and reinsurers



By SARA MARLEY

Low employee turnover and a pool of experienced professionals in the job market are putting a damper on campus recruiting by insurers.

The crimp on recruiting is making it even more difficult for university risk management and insurance departments, which already have a tough time recruiting students.

"We're not doing a lot of hiring right now," said Enzo Rebula, assistant vp and manager of human resources for Arkwright Insurance Co. "It's been down significantly in the last few years."

The Waltham, Mass.-based company is hiring replacements and filling "one-of-a-kind" spots, which are typically going to experienced workers.

"Due to the economy our (recruiting) efforts have been minimal," said Bob Davis, director of employment and employee relations for Kemper National Insurance Cos. in Long Grove, Ill. "We are replacing people only if we absolutely have to."

"If we were in a recruiting mode, most efforts would be to get some experienced people from the market."

The number of employees leaving "is at an all-time low," said Dennis Ryan, director of corporate training at PHICO Insurance Co. in Mechanicsburg, Pa.

"There's been a definite drop-off in the number of companies coming here to recruit," said John Thornton, regents' professor of insurance at the University of North Texas in Denton.

Placement is down 20% to 25% from five years ago, Mr. Thornton said.

Companies that are recruiting on campus are hiring fewer students, professors say.

Insurers "that may have hired five or six (students) in previous years are looking for two or three," said Sandra Gustavson, professor of insurance and department head at the University of Georgia in Athens.

"Insurers can get more experienced people because they're out on the street," Ms. Gustavson said. "People

Employee Recruiting and Development

Insurer recruiting moves off campus as hiring slackens

Recent graduates compete
with industry job-seekers
who can offer experience
beyond the classroom walls

who are changing jobs or laid off in cutbacks are competing with current grads."

However, more experienced job-seekers are often looking for higher salaries, which may give less experienced students an edge.

Some insurers are focusing on less formal—and less expensive—ways of recruiting students.

"Some people are calling me and asking for the names of a few good students," said Dr. Harris Schlesinger, who holds the Frank Samford Chair of Insurance at the University of Alabama in Tuscaloosa.

And some insurance companies continue to visit campuses to maintain a presence even if they are not looking to fill immediate openings.

"Even companies that are not currently hiring want their name in front of students," Ms. Gustavson said. Some insurers visit the campus two or three times a year, she said.

"We feel it is very important to be present on campus more than once a year," agreed Jan Tomlinson, senior vp-human resources at the Chubb Group of Insurance Cos. in Warren, N.J.

While Chubb is visiting fewer schools, it is making those visits more productive by fostering relationships with placement directors.

"We want to have a close working relationship with the placement director," Ms. Tomlinson said. "We want to get the company name in front of the students and the placement department."

"We want to treat our relationships with schools like our agency relationships."

Targeted schools are chosen based on Chubb's previous successful recruiting there, the school's population diversity and its academic reputation, Ms. Tomlinson said.

During the recession, Chubb reduced the number of its new hires to between 225 and 250 annually from 275 to 300, she noted.

"We rely heavily on our trainee process," Ms. Tomlinson said. "Other companies rely on finding experienced people."

All trainees attend the three-week long Chubb School of Insurance at the home office, followed by a two- to six-week long specialty school.

After completing their first job assignment, typically
Continued on next page

Recruiting efforts

Continued from previous page
lasting 12 to 18 months, trainees return for Chubb Business School, which includes entry-level sales training and advanced underwriting and claims.

PHICO also runs a training program, Mr. Ryan said. Each year, four new hires complete a 12-month course, after which they are assigned to open positions or new positions are created.

PHICO trainees spend time in all of the insurer's operating divisions.

"The more they know about other departments, the more effective they are in their jobs," Mr. Ryan said.

Without the program, the med-

ical malpractice insurer has difficulty finding people with the right experience and training, he said.

"Since we are a specialty carrier, there are not a whole lot of people in the marketplace who have the skills we are looking for," Mr. Ryan said.

Liberty Mutual Insurance Co. starts training students before they even graduate.

The Boston-based insurer recently expanded its work/study program despite laying off 400 of its 19,000 employees. The layoffs occurred primarily in the workers comp division.

"The layoffs send a mixed signal," said Lee Wise, manager of workforce planning. "There are still needs within the organization that need to be met."

The work/study program allows students to begin working part-time in claims departments

years ago, was expanded to a nationwide effort at the end of 1992. Between 50 and 75 stu-

'The industry has a reputation for mediocrity because they don't support academic departments in the field,' says Moshe Porat, chairman of Temple University's department of risk management, insurance and actuarial science.

while they finish school.

Students accumulate service and benefit credits if they are hired full-time by Liberty Mutual after graduation, as more than 90% are, Ms. Wise explained.

The program, developed three

years ago, was expanded to a nationwide effort at the end of 1992. Between 50 and 75 stu-

dents are working at any one time, Ms. Wise said.

"We are looking for individuals who are interested in making this a career," Ms. Wise said.

When former work/study students are hired, they are placed at higher-level positions than

other new college grads, Ms. Wise said.

Students work 20 hours weekly, which they can schedule around their university classes.

Training programs like Chubb's, PHICO's and Liberty Mutual's mean insurers aren't necessarily looking for insurance and risk management majors. Liberty Mutual looks for sophomore and junior liberal arts and business students.

"Major isn't critical," Ms. Wise said. "We're screening for attitude and interest."

PHICO's trainees often come from insurance programs at schools like Temple University in Philadelphia and Drake University in Des Moines, Iowa. However, the insurer also considers humanities students.

"Liberal arts majors have important communication skills," Mr. Ryan said.

"It's easier to teach the financial end than to teach communication," he explained.

"Companies are typically more interested in good, bright, capable people than if they are insurance majors," said Mr. Thornton of the University of Northern Texas. "They're relatively indifferent to majors."

However, "When (insurance companies) do get insurance majors, they are pleased with how much they know and how quickly they learned," Mr. Thornton added. "They get good results after the fact."

"We strongly recommend insurance companies and brokers hire directly from us rather than the rest of the university," said Moshe Porat, chairman of Temple's department of risk management, insurance and actuarial science.

"For many years, insurance companies felt they could recruit any major and mold them very fast," Mr. Porat said.

"I argue this crash course contributes to the turnover insurance companies have. The students they take in are not necessarily committed to a career in insurance," Mr. Porat said.

The department publishes its own resume books, schedules recruiters and even gives up office space for interviews.

"It's absolutely an extra burden on us," Mr. Porat said. "But in this era we as educators have to become customer-oriented, both to students and employers."

Academicians say that more industry support is needed before the best students will go into the insurance field.

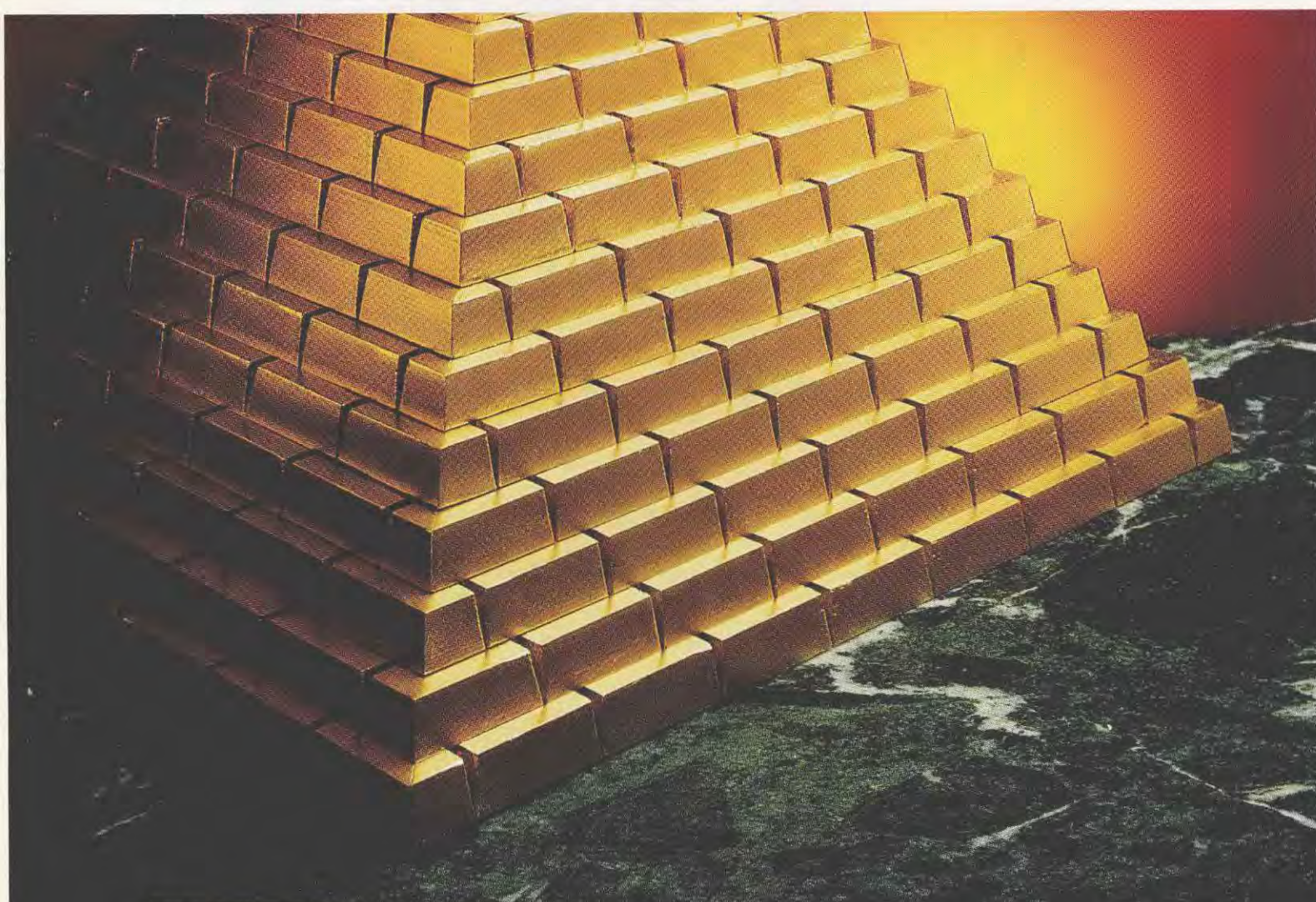
"Most business schools are not in the habit of having to recruit students into a program," said Bob Puelz, who started a risk management and insurance department at Southern Methodist University in Dallas last fall.

"In insurance it's something we've always had to do," he added.

"The industry has a reputation for mediocrity because they don't support academic departments in the field," Mr. Porat said. "We've gotten the industry to come to the department, but it wasn't easy."

"I'd love to see much bigger industry support in terms of scholarships, internships and jobs," said Mr. Thornton of the University of North Texas. "The more industry support, the more bright, capable people commit to the major."

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Economy highlights training

Life/health insurers teach managers to do more with less

By MICHAEL BRADFORD

Life and health insurers are charging full steam ahead with management training programs to keep their competitive edge in a slow economy.

Economic pressures in some cases have spurred insurers to put even more emphasis on educational programs.

"If anything, we are increasing training," said Les Hemmings, general director-human resources training at John Hancock

Mutual Life Insurance Co. in Boston. "We believe an investment in education is for a long-term benefit."

"Long-term, this is a bottom-line issue," agreed William Accordino, senior diversity consultant at Prudential Insurance Co. of America in Newark, N.J. "If you can't empower people to make decisions, you're not going to make any money. Our competition is small companies that can react quickly. We can't afford to be a big, slow-moving giant."

Mr. Accordino said that man-

agement training is valuable because "managers really have to do more with less" when economic problems cause staff and budget cutbacks. "It's not a cliché. They have to communicate better, tap into people's needs, their likes and dislikes" in order to maximize employees' potential, he said.

However, the weak economy led some insurers to peel away management layers, which means fewer managers now are enrolled in educational programs.

The Life Office Management

Assn. in Atlanta has seen a drop in enrollment for its educational programs because of economic conditions, according to Lynn G. Merritt, LOMA's president.

"Companies don't send as many people as they used to because of the expense and time involved," said Mr. Merritt.

However, the best time to use training to improve middle managers' personnel skills may be when other management personnel are being laid off, he contends.

Mr. Merritt added that enrollment for LOMA's management courses has "probably bottomed out and is coming back."

While management classes are smaller, enrollment in computer classes and accounting courses for insurers "is holding up very

well," he noted.

LOMA, which has been in the business of life and health insurance education and research for nearly 70 years, provides a host of programs, including courses, seminars and meetings.

LOMA's curricula include the course that leads to the Fellow, Life Management Institute designation, which has been awarded to 44,000 members of the life/health industry.

The FLMI program comprises 10 courses, of which nine are required and one is elective. The courses cover topics from principles of life and health insurance management to marketing, information management, accounting and investing.

LOMA also offers its Executive Development Program, which aims to sharpen top management's leadership skills.

The program, in its 31st year, brings together life and health insurance executives worldwide in a resort setting for two weeks of intensive study and coursework. Attendees share living space, which encourages informal discussions about management issues during free time.

The courses cover new market niches, strategic planning, uses of technology and financial management.

At last year's course, which was held at Amelia Island Plantation, Fla., LOMA introduced a computerized management simulation exercise. A computerized model of an insurance company enables participants to make business decisions and receive instant feedback on how those decisions affect the "company."

Individual insurers also are broadening their in-house training efforts, often focusing on teaching managers a particular philosophy.

For example, Prudential is emphasizing teaching managers to respond to diversity, Mr. Accordino said.

"The world has been changing for a long time," he noted, "and corporate America has not been changing as it should have."

Mr. Accordino explained that businesses have been slow to realize that because workforces have become culturally diverse, their management styles have grown outdated.

"We felt that we needed to really change the culture of the company so that it worked for everyone and everyone would have a chance to succeed," said Mr. Accordino.

The program was launched three years ago as the "biggest educational rollout in the company's history," he said, involving 14,000 middle-level and senior managers.

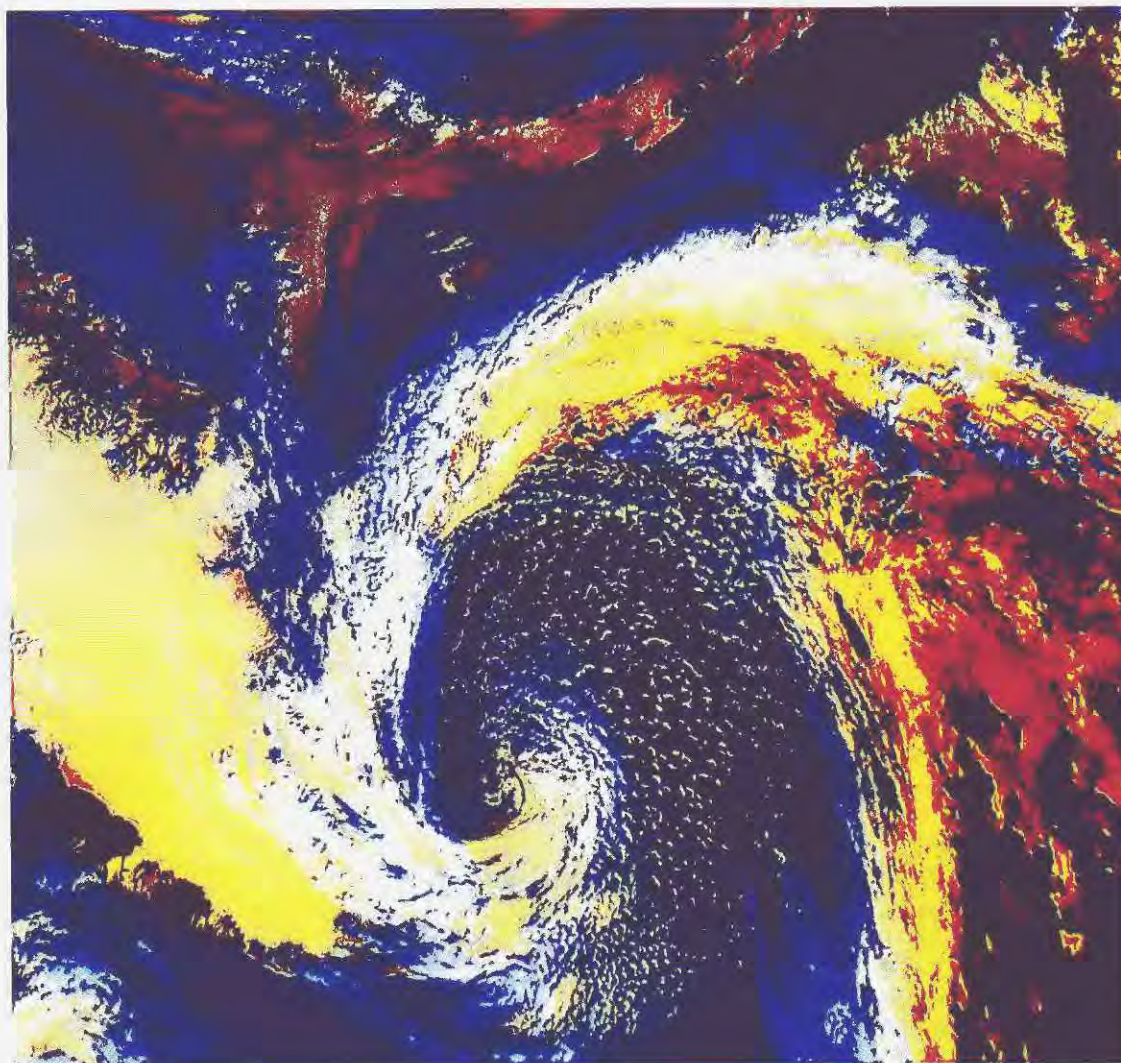
The two-day program, which now is being expanded to other employees, focuses first "strictly on awareness," Mr. Accordino explained. Managers are taught to become aware that employees from different cultures and backgrounds have different world views.

A person's background can affect the way that individual interacts with others or responds to communications and instructions, Mr. Accordino noted.

The course covers topics from prejudice to how work attire can affect success.

And managers are taught to be flexible, said Mr. Accordino. "You can't pull out a book anymore and say, 'This is the way

Continued on page 28F



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Insurers consider necessity of MBAs

On-the-job experience preferable for at least some positions

By JUDY GREENWALD

Insurers' attitudes toward hiring employees with master's degrees in business administration are about as varied as the companies themselves.

While some companies are actively seeking candidates who have earned their MBAs, others prefer hiring those who have earned their stripes with solid industry experience instead.

Those who are hiring MBAs most often are seeking people with a finance concentration to work in asset management, finance or investment departments. A smaller number are seeking MBAs with a marketing concentration.

But there is apparently little interest, even among insurers who recruit MBAs, to have them work in underwriting or other technical insurance areas.

Insurers' interest in hiring MBAs is at best relatively stable rather than growing, many say.

Insurers that are enthusiastic about hiring MBAs include Liberty Mutual Insurance Co. in Boston. The insurer hires MBAs "most aggressively" in its financial department, where they account for about 10% of the 900 employees, said Bruce Anderson, assistant vp and manager, employee relations.

For certain positions, "it's definitely a requirement," said Lisa Kelly, human resource manager for Liberty Mutual.

Even in areas where it is not a requirement, "it certainly is encouraged," said Mr. Anderson.

Liberty Mutual offers a tuition reimbursement program, and last year the insurer began a financial analyst development program where an MBA is an entry requirement, noted Ms. Kelly.

An insurer that expects to become more actively involved in hiring MBAs is New York-based Reliance National Insurance Co., a unit of Reliance Insurance Co. that focuses on insuring specialty risks for national and international accounts, said David

Sykes, vp-human resources.

Until now, the 5-year-old unit, which has zoomed to \$1.5 billion in revenues, has hired essentially only experts in particular coverage areas, like asbestos abatement, he said.

But now that the company has become established, it is introducing a training program for college graduates that it expects to expand next year to MBAs as well, said Mr. Sykes. Reliance National is seeking people better able to work from an international perspective, he explained.

Still, there has not been a big boom in demand for MBAs by insurance companies, say most observers. "I don't think the demand has increased as much as the supply has," said Andrew Davis, a recruiter with placement firm Smith Hanley Associates in New York, noting the recent dramatic increase in available MBAs.

Traditionally, insurers have sought out "general degrees" like political science majors, said Mr. Davis. Many people "sort of fell into" the insurance business, though that is changing somewhat now, he said.

Insurance companies now are downsizing and becoming more selective in their hiring. "Certainly, they're taking the cream of the crop," he said.

"The level of interest insurance companies have in MBAs has probably declined somewhat over what it used to be," said Roger Muller, director of placement at the J.L. Kellogg Graduate School of Management in Evanston, Ill., Northwestern University's business school.

Insurers account for just half a dozen of the 300 companies who recruit on campus, he said.

Over the past five years, the percentage of Kellogg students who go into insurance has stood at 1% or less, he noted. "Overall interest is quite low."

However, Jennifer Davis, assistant to the dean of New York University's Stern School of Business, said students are interested in insurance. A survey of 615 MBAs in the 1992 class found that 2.5% received jobs in the insurance industry.

While insurance is less popular than commercial and investment banking, which is understandable given Stern's New York location, it is more popular than a host of other industries, including entertainment, imports and

exports, and transportation, said Ms. Davis.

At the University of Chicago's graduate business school, insurers' interest in recruiting has remained fairly constant, said Jeanne Husain, director of career services.

Some insurers move on and off campus every couple of years, she said. "There are never very many. There have always been just sort of a handful," she said.

Those that do hire MBAs essentially do so only in selected areas—particularly investment and finance. At the University of Chicago, for instance, insurers typically seek investment management students for positions like equity analyst or portfolio manager, said Ms. Husain.

For example, SAFECO Insurance Cos. in Seattle has 15 MBAs working in its investment area, said Personnel Manager Alison Talbot. In other areas, she said, SAFECO prefers to bring people in and train them itself, then promote from within. There is no need to go out and hire MBAs "when we have well-qualified people internally."

Similarly, New York-based Metropolitan Life Insurance Co.'s MBAs also work primarily in investment functions, said Assistant Vp Susan Berger. It has no plans to change this approach, she said.

At some companies, it is fashionable to hire MBAs for everything, "but we never did that," she said, stressing the insurer matches jobs to candidates with the relevant skills.

In addition to the investment area, companies that deal in large-account casualty programs "and are doing the kinds of programs that require solid financial backgrounds" want MBAs as well, said Mr. Davis, the recruiter.

And some insurers hire MBAs for non-financial positions.

For instance, Benefit Trust Life Insurance Co. in Lake Forest, Ill., has been hiring one MBA a year for the past five years. Virtually all of the employee work in marketing and sales, said Ray Haase, vp-corporate communications. "It's worked very well for us."

And Municipal Bond Investors Assurance Corp. frequently hires MBAs for underwriting and research and surveillance positions as well as finance jobs, said Hilda Boas, senior vp at the Armonk, N.Y.-based financial guarantee insurer. Of its employ-

ees who hold the position of analyst or higher, more than half hold a graduate degree, primarily an MBA, she said.

Recently, however, because of the economy, more MBAs with work experience are in the market, she noted. This supply of experienced candidates has led MBIA to cut back on the number of recent grads it hires. "We do it, but we do it less than we used to," she said.

Some insurers are not interested in hiring MBAs. They include Ajit Jain, president of the reinsurance division of Berkshire Hathaway Inc. in Stamford, Conn. Hiring brighter MBAs is problematic because it requires competing with Wall Street and consulting firms that offer "unrealistic" salaries, said Mr. Jain, who holds an MBA from Harvard University.

"I am just unwilling to be dragged into a price war." But, if things start slowing down on Wall Street, "I will then jump in there," he added.

Portland, Maine-based UNUM Corp.'s interest in MBAs is "very much on a downward trend," said Peter MacDonald, manager of employment. "We don't feel that the MBA degree is a valuable trade-off for specialized industry expertise."

In the past, he said, when the insurer was less expense-focused, it had hired MBAs because of their potential. But today, with more focused productivity and expense management, the company's hiring priority is the demonstration of necessary skills.

Given two candidates with equal skills, where one has a bachelor of arts and the other an MBA, the MBA would still get the nod, said Mr. MacDonald. But a BA with demonstrated work skills will get the job over a recent MBA.

Tania Flightner, manager of corporate recruiting for Fort Wayne, Ind.-based Lincoln National Group agreed: "Our managers seem to value that real life, hands-on experience." While it has hired a few MBAs in its investment area, "we are not doing any MBA recruiting this year."

Similarly, Cathy Williams, director of university relations for CIGNA Corp. in Philadelphia, said currently only 10 of CIGNA's 48,000 employees are MBAs who were hired right out of school.

CIGNA's management believes the insurance industry is so complex that time and experience working within it is more valuable than case study work at Harvard, she said.

Training

Continued from page 28D
we do things."

John Hancock's newest educational program, "Critical Management Skills," is aimed at strengthening the business administration skills of the insurer's managers, according to Mr. Hemmings.

The program was developed in 1988, a time when "insurance companies were starting to dabble in a broader array of financial services," he explained.

Hancock realized that there was a need for its managers to have knowledge of "core critical management skills," Mr. Hemmings noted.

The program, which takes about 18 months to complete, re-

quires managers to earn 40 hours of credit in a curriculum that offers approximately 100 credit hours. Courses focus on corporate strategy, product knowledge, negotiation, marketing and communication and performance management, among other things. Portions of the program are mandatory for managers and higher-level executives.

A combination of in-house experts and academics drawn from schools in the Boston area teach the courses. "The underlying theme is quality—the quality effort," Mr. Hemmings said of John Hancock's educational program. "We're trying to create an environment where everyone understands the customer." **BI**

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Hitting the books hard

Industry execs praise program for raising issues, refining skills

By MARK A. HOFMANN

MALVERN, Pa.—A partnership between the Insurance Institute of America and the Wharton School of Business is also ready to go to the head of the class professionally to earn some extra credit points.

The partnership, known as the Advanced Executive Education Program, puts senior property/casualty insurance industry executives back in the college

classroom for two two-week sessions. According to James Gatz, the Malvern, Pa.-based institute's vp charged with directing the program, "We defined the target audience as people who report to the chief executive officer" or who are likely to do so.

The program, launched in 1992, is open to senior managers of large brokerages and agencies as well as insurance companies, although Mr. Gatz noted that no agency executives participated in the first classes, held last April and November. No agents have signed up for this

year's program, either. This year's classes will also be held in April and November.

Participants must be nominated by their company's chief executive officer and approved by a committee of the institute's board of trustees. Those accepted into the program live at the Aresty Institute of Executive Education at the University of Pennsylvania in Philadelphia during their sessions. Attendees earn no designation or college credits.

Knowledge is not cheap for the
Continued on next page

Insurer Topics

Continued from previous page executives. Participants whose companies are members of the Insurance Institute of America pay \$15,500. Non-members pay \$17,000. The cost includes tuition, materials, room and board.

Mr. Gatz said that the program stemmed from a chance discussion in 1990 between Norman A. Baglini, president of the insurance institute, and Jerry S. Rosenbloom, chairman of the insurance and risk management program at Wharton.

The two educators happened to be sitting next to one another at a meeting and began talking about creating a "possible synergy" between the Wharton faculty and the institute, said Mr. Gatz. The discussion led to a presentation before the institute's board of trustees, which agreed that "there was a definite need for executive education" said Mr. Gatz.

"We definitely knew the climate would be favorable, so we approached Wharton," said Mr. Gatz. "They would provide the facility, we would provide the audience."

Mr. Gatz, Mr. Rosenbloom and a representative of the Aresty Institute worked out the shape of the program, identifying areas of particular interest to insurance professionals. Although most of the courses were to be taught by Wharton faculty, some outside scholars and specialists were brought in as well.

Forty-four executives signed up for the program, and 40 completed both two-week sessions, said Mr. Gatz. He added that the overwhelming majority of the participants—95%—said they would recommend the program.

The program has five main objectives:

- Evaluating new approaches to organizational strategy.
- Examining current and future trends that could affect the insurance industry. These include changes in the economic, ethical, regulatory, social and technological areas.
- Studying management and organizational issues that will affect the profitability and growth of the industry.
- Learning how personal experiences, goals and values affect leadership results.
- Allowing the exchange of insights and examination of critical issues with other senior executives.

Executives follow a rigorous schedule, with classes beginning at 8 a.m. and formal discussions continuing until 9:30 p.m. on some days.

"The instruction was so good and most of the material was so interesting" that putting in the long hours was not an unbearable burden, said Tom Hite, president of Zurich International-U.S. in Schaumburg, Ill.

Alfred K. Kenyon, executive vp-insurance services group for Kemper National Insurance Cos. in Long Grove, Ill., praised the program for the diversity of executives it brought together. He noted that participants represented both large and small companies, mutual and stock companies, brokerages as well as insurers and even non-U.S. operations.

The international aspect in particular led to thought-provoking discussions, said Mr. Kenyon. As an example, he noted that British and Canadian executives did not always agree with

their U.S. counterparts' views on health care reform.

"It was healthy that you could slug it out in the classroom and then work with that person on a group project the next day," he said.

"I think (the program's) real strength is that it brings together such high-level people and they learn from each other as well as the faculty," said Mr. Gatz. He added that the emphasis on discussion among participants is one of the program's most important qualities.

William Munson, president of The Home Indemnity Co. in New York, said the program managed to avoid a common pitfall experienced in executive education: In many cases, executive education is either all insurance or all

general business theory. The Advanced Executive Education program managed to blend and balance both concerns, he said.

the program for being able to connect business theory with business reality, which is subject to constant change.

The Advanced Executive Education Program's emphasis on understanding change could be a potential lifesaver, says Kemper's Alfred K. Kenyon. 'Unless you understand change and how to cope with it, you're not going to survive.'

Mr. Munson added that instructors were "not overly bookish in the way they did things." In addition, the fact that there were no grades probably actually encouraged learning, he said.

Zurich's Mr. Hite also praised

"It was interesting how consistent the discussion of that was," said Mr. Hite.

The program's emphasis on understanding change could be a potential lifesaver as well, said Kemper's Mr. Kenyon.

"Unless you understand change and how to cope with it, you're not going to survive," he said.

"The future leaders of our industry will have to be comfortable with change, particularly with rapid change," said Home's Mr. Munson.

But not all course work revolved around management theory and attempts to determine the shape of things to come noted Mr. Gatz.

"One of the liveliest sessions had to do with communicating with the press," he said. This session, with an emphasis on dealing with electronic media, taught participants "to cast aside the industry jargon and use a different language" that can be understood by the public. **BI**

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L.A. riots bring competitors together

Transamerica, Gulf Atlantic team up in marketing venture

By LOUISE KERTESZ

LOS ANGELES—An insurance giant is joining forces with a small minority-owned insurer in a unique marketing venture designed in the spirit of rebuilding riot-torn Los Angeles.

Transamerica Occidental Life Insurance Co. and Gulf Atlantic Life Insurance Co., the only Hispanic-owned life insurance company in the United States, will jointly market group life insurance products throughout the country, though the venture's main market will be Southern California.

The venture is born out of the ashes of last April's urban riots.

"I was a student at (the University of Southern California) in 1965 during the riots. I remember what impact they had, having been raised here in L.A. I hoped it would never happen again—and sure enough from our offices in the Transamerica tower, I saw the city on fire" during the riots last April, said Frank Cruz, chairman of Los Angeles-based Gulf Atlantic.

Subsequently, "we wanted to do something with our company that would be in the spirit of rebuilding L.A.," he said.

In the innovative venture, the companies will "jointly underwrite and issue coverage for group products," said Daniel Jund, president of Transamerica Assurance Co., also

based in Los Angeles. The partners hope the Department of Insurance will allow the names of both firms to appear on the contracts, he added.

"We'll be sharing the risk, marketing and administration on a 50-50 basis," said Mr. Jund. The policies will be issued by Transamerica Occidental, an affiliate of Transamerica Assurance. While administration will initially fall to Transamerica Assurance, it ultimately will be equally shared with Gulf Atlantic, he said.

Transamerica Occidental and Transamerica Assurance are two of seven companies that make up Transamerica Life Cos., which wrote \$1.7 billion in premiums in 1991.

By contrast, Gulf Atlantic was acquired in 1991 by management from Nationwide Group for \$5.6 million as a "shell," with no business on its books. Its annual premium volume is around \$5 million to \$6 million, said Mr. Cruz, who led the group that acquired Gulf Atlantic.

The venture is an instance of "competitors helping competitors," Mr. Jund noted. Transamerica brings to the table "the ratings and the financial strength necessary to penetrate the larger-employer market" of companies with more than 1,000 lives.

In addition, Transamerica is licensed to do business in every

U.S. jurisdiction.

Gulf Atlantic, which is domiciled in Texas, has licenses to do business in the Western states, "where we felt that our niche as a Hispanic-owned business presented an opportunity," said Mr. Cruz.

"When we were first forming our business plan... we always felt that what this country needed was a Hispanic-owned life insurance company so that we could go after public- and private-sector entities that wanted to do business with a Hispanic-owned company," he added.

Gulf Atlantic also believed that private-sector companies would be interested in doing business with a Hispanic-owned company "both as a result of demographics and company goals and targets," some of which are mandatory, he noted. For example, California mandates that 15% to 20% of a utility's total procurement dollars must go to women or minority-owned businesses, he explained.

Certain contracts also require private-sector companies to spend a specified amount with minority businesses, Mr. Jund said.

"Gulf Atlantic is very influential

and well-known in the greater Los Angeles area," Mr. Jund added. "Transamerica marketing has been primarily aimed at small to mid-size employers, but we're expanding our markets to larger employers. With this alliance, we're going to be able to get into larger cases and municipalities."

Gulf Atlantic "has already won over many companies under the minority business enterprise concept," Mr. Cruz noted.

For example, insurance giants like Aetna Life Insurance Co. and CIGNA Corp. write most of the group life business for such large Western employers as Coors Brewing Co., The Walt Disney Co., Marriott Corp., Southern California Edison Co., the University of Southern California and Los Angeles County. However, Gulf Atlantic has captured about 10% of the business at each of those companies, Mr. Cruz said.

And it counts on boosting that share. "We hope to serve those companies through the joint venture. We're going to be in a bidding war with the CIGNAs, the Prudentials" and other large insurers, Mr. Cruz asserted.

"In addition to those blue chip-

pers, we're going after cities, counties, school districts and unions. And in the private sector, we're going after companies with a large demographic base of Hispanic workers, such as hotel chains, or those that cater to Hispanics."

Mr. Cruz has high praise for Gulf Atlantic's new partner. "They didn't just cheer us on or pat us on the back. Transamerica has gone a step further. That took a lot of business courage, and that's a rarity," he said.

"I think it's the first time in the history of the insurance business where a major carrier decides to link up 50-50" with a small competitor in a marketing venture, he said. "They've taken us to a level playing field. It would have taken us years to get there. On the other hand, we've brought markets they want to go after."

The venture will market basic group term life insurance, voluntary group term life insurance, basic and voluntary accidental death and dismemberment insurance and corporate travel accident insurance. The life insurance policies include a living benefits rider for terminal illness, which pays 50% of the death benefit to a terminally ill policyholder, Mr. Jund said.

The venture will add group disability insurance in the future, he said. **BI**

Alliance, NAII reopen talks exploring possible merger

By MARK A. HOFMANN

The Alliance of American Insurers and the National Assn. of Independent Insurers are being careful not to raise expectations that exploratory talks about a merger indicate an imminent union.

"I just can't stress enough that it's very embryonic," Lowell R. Beck, president of the Des Plaines, Ill.-based NAII, said about the formation of a joint NAII-Alliance study committee. The nine-member committee was created early this month.

Rodger S. Lawson, president of the Schaumburg, Ill.-based Alliance, said that the effort stems from "a desire to see whether or not some new structure that has a broader base" will be more effective in getting the property/casualty industry's voice heard than two separate associations.

"I don't think it says we're being ineffective now," he said.

The two associations explored a possible merger in early 1989, but the effort foundered for many reasons, the most commonly cited of which was deep differences in corporate culture (*BI*, May 1, 1989; Feb. 20, 1989). The idea remained dormant until late last year, when members of both groups began informal discussions about a possible merger (*BI*, Dec. 28, 1992).

The effort became formal in early February with the formation of the study committee, which is chaired by Bob Pike, general counsel of Allstate Insurance Co. of Northbrook, Ill. Both Mr. Beck and Mr. Lawson serve on the committee.

The committee will examine whether a new association could:

- Strengthen insurers' influence on key public policy issues at both

the state and national levels.

- Enhance communication on behalf of the property/casualty industry.

- Create essential information and educational services for its member companies.

- Function in an efficient and economical manner.

The committee's aim "is to look at the practical aspects of implementing a merger," said Mr. Beck. It is "a working committee, not a policy committee."

He added that the committee's work is preliminary.

"Our respective boards haven't said anything about this one way or another," said Mr. Beck.

Mr. Lawson said that the committee is scheduled to have its report ready by May 1, after which it will be presented to both groups' directors.

Mr. Beck noted that the two groups substantively agree on a variety of issues, including retention of the McCarran-Ferguson Act, which grants states rather than the federal government the right to regulate insurers, and the need for workers compensation reform. But he predicted that the process of merger would not be completed quickly, if at all.

"There are some who would really like to see this. There are others who really don't see the purpose" of a merger, he said. Still other member companies of both groups have adopted a wait-and-see attitude, said the NAII president.

The Alliance has about 180 members, the majority of which are mutual insurers. The NAII has about 560 member companies. The membership of both groups consists largely of midsize and small insurers. **BI**

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Name _____

Title _____

Company _____

Address _____

City _____ State _____ Zip _____

Phone () _____

Continued from previous page

Cost Care Inc.

660 Newport Center Drive, Suite 600,
Newport Beach, Calif. 92660;
714-729-4500; fax: 714-729-4650

Founded: 1981; began providing utilization review services in 1981.

Parent: John Hancock Mutual Life Insurance Co.

UR business: 70% of revenues from service to employers; 20% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, second surgical opinion, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management, patient advocacy hotline, high-risk pregnancy management, provider networks, disability management, home health care management.

Occasional UR services: Retrospective review, hospital bill audits.

Medical services reviewed: Group health, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability, physical therapy, home healthcare, specialty referrals, diagnostic tests, evaluation of HMOs.

UR Staff: 702 total; 468 professionals, including 65 physicians, 226 registered nurses, 25 licensed practical nurses, 152 medical assistants. On retainer: 9,600 physicians.

UR Clients: 629 total; 503 employer clients.

Covered lives: 5.4 million employee benefit plan lives; 96,000 workers compensation lives.

Admissions reviewed: 255,000; 6% diverted for outpatient treatment.

Branch offices: Atlanta; Boston; Hoffman Estates, Ill.; Huntington Beach, Calif.; Jackson, Miss.

1992 gross revenues: \$45.9 million total, \$41.3 million from UR services.

Charges: Per employee, per case, per hour.

Officers: Larry Goelman, president/CEO; Virginia Cirica, senior vp/COO; David Ackley, vp-finance/CFO; Ray Foote, vp-marketing; Dr. Alan Greenfield, vp-medical services.

Contact: Ray Foote.

Crawford & Co. HealthCare Management Group

5620 Glenridge Drive N.E., Atlanta,
Ga. 30342; 404-847-4565;
fax: 404-847-4028

Founded: 1941; began providing utilization review services in 1980.

URAC certified.

UR business: 6% of revenues from service to employers; 18% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management, maternity management, ambulatory management.

Medical services reviewed: Group health, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability, home health, DME, physical therapy.

UR Staff: 2,005 total; 1,092 professionals, including nine physicians, 640 registered nurses, 17 licensed practical nurses, nine medical records technicians. On retainer: 70 physicians.

UR Clients: 2,600 total; 858 employer clients.

Covered lives: 2.2 million employee benefit plan lives; 6.5 million workers compensation lives.

Admissions reviewed: 175,000; 14% diverted for outpatient treatment.

Branch offices: Savannah, Ga.; Schaumburg, Ill.

1992 gross revenues: \$580 million total, \$139 million from UR services.

Charges: Per employee, \$1.50 to \$5.20; per hour, \$70 to \$120.

Officers: P.A. Bollinger, president-HealthCare Management Group; G. Berk Lynch II, vp-health management services; Jean Bisio, assistant vp-health/rehabilitation; Jeff Aycock, vp-HealthCare Management Group; John Potter, vp-health/rehabilitation.

D**DataMed Inc.**

650 W. Dundee Road, Northbrook, Ill.
60062; 708-291-0742;
fax: 708-291-9415

Founded: 1985; began providing utilization review services in 1986.

UR business: 90% of revenues from service to employers.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, hospital bill audits,

outpatient service predetermination, outpatient psychiatric and substance abuse services, case management.

Medical services reviewed: Group health, rehabilitation, psychiatric/substance abuse.

UR Staff: 26 total; 18 professionals, including 10 physicians, eight registered nurses.

UR Clients: 95 total; 87 employer clients.

Covered lives: 19,500 employee benefit plan lives; 4,000 workers compensation lives.

Admissions reviewed: 3,800; 10% diverted for outpatient treatment.

1992 gross revenues: \$290,750 total, \$250,000 from UR services.

Charges: Per employee, \$1.10 to \$2.90.

Officers: Louis R. Morgan, president.

Contact: Jane Lumley.

Disability Management Associates/Physical Therapy Review Services Inc.

100 Diplomat Drive, Ambassador I
Building, Airport Business Center,
Lester, Pa. 19113; 800-388-7877;
fax: 215-521-6893

Founded: 1986; began providing utilization review services in 1986.

UR business: 15% of revenues from service to employers; 75% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, outpatient service predetermination, case management, workers comp precertification.

Medical services reviewed: Group health, dental, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability.

UR Staff: 65 professionals, including three registered nurses. On retainer: 50 physicians, 12 nurses.

UR Clients: 100 total; 30 employer clients.

1992 gross revenues: \$4 million total, \$3.6 million from UR services.

Charges: Per employee, per case, \$150 to \$500; per hour, \$100 to \$150.

Officers: David W. Clifton Jr., president/CEO; Leslie B. Clifton, secretary.

Contact: Jayne McLaughlin.

Continued on page 32

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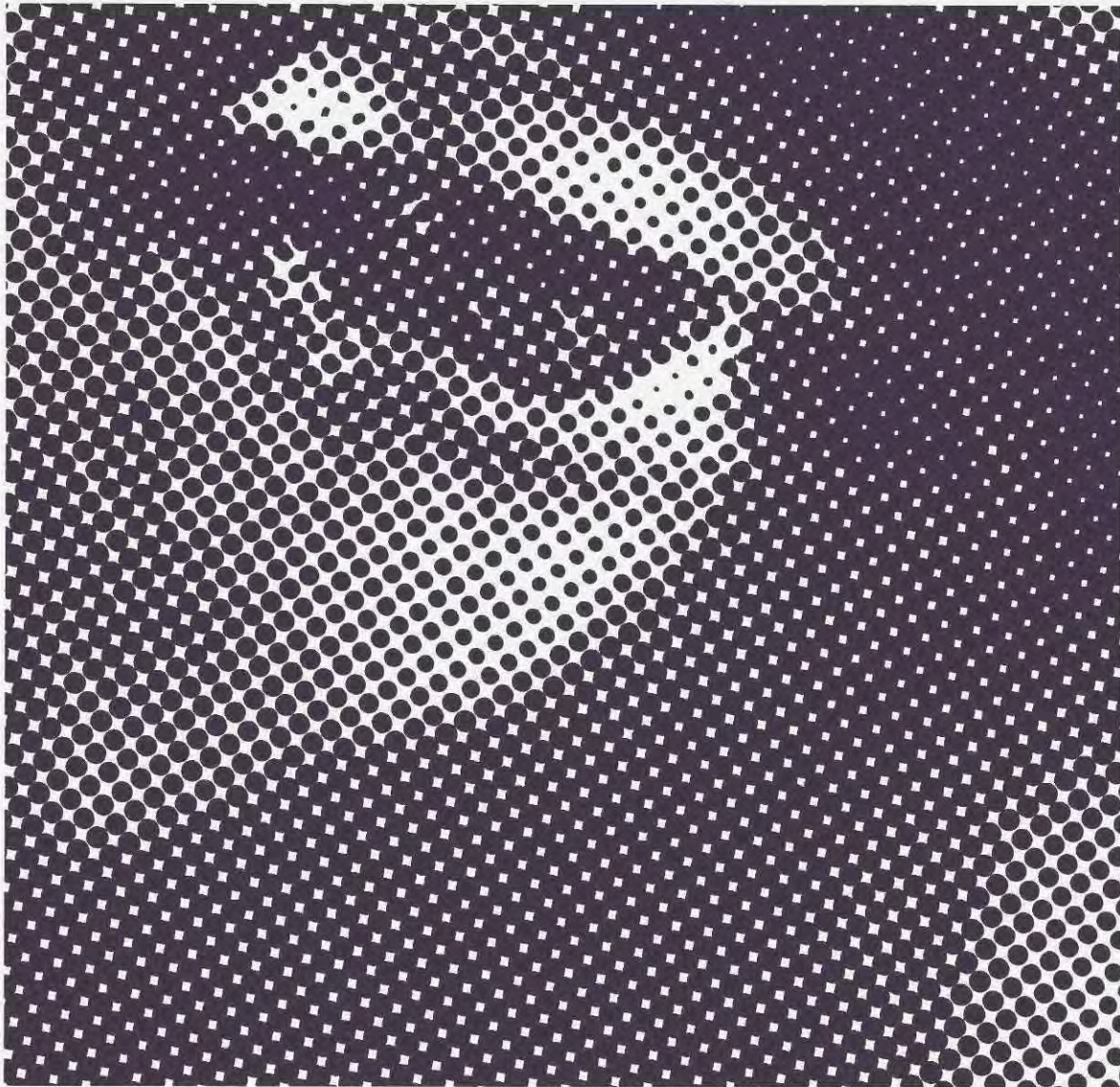
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Beyond 'Nannygate'

Baird's derailed nomination is setback to tort reform effort

By John R. Kessling

THE TRAGEDY OF Zoe Baird's abortive nomination for attorney general, beyond the obvious pain it caused a distinguished member of the profession, is the setback it has brought to tort reform. At the same time, it serves to point up a critical need in the tort reform effort: to continually align the goals of the movement with the public interest.

Zoe Baird's nomination was sunk by the public outcry over her employment of illegal aliens and her failure to pay Social Security tax on their wages. The Clinton administration knew of this but apparently thought it would not generate a widespread negative reaction. It appears Clinton advisers decided there was no organized interest group to create a widespread negative response.

What they failed to realize is that sometimes there's no need for that kind of catalyst. Sometimes, reaction can be spontaneous and, indeed, spontaneity can add to the impact.

At the same time, none of Zoe Baird's professional accomplishments served to offset this misstep in her personal life. She was seen as a representative of big business interests. She was labeled a "corporate" lawyer with the implication being that representing companies automatically places one in opposition to the needs and welfare of the general public.

Her work in the area of tort reform was used as an example. Tort reform was framed as an objective of corporations and therefore automatically against the interests of everyday citizens. Ms. Baird herself did not help the cause. She told senators that while she supported tort reform, she had not looked at the issue from "a public sector perspective."

In these days of instantaneous communications—when people can register their opinions through talk shows and calls and faxes to Capitol Hill offices—such an oversight can be fatal. It proved to be true in the Baird nomination and will prove to be true in the campaign for tort reform if the industry fails to

follow some basic rules of issues management:

- **Rule One: Monitor the public pulse.**

Clinton advisers thought they knew how the public would react to the Baird nomination—or thought there wouldn't be a reaction. How wrong they were. Similarly, how are we to know that the public supports the goals of tort reform? Can we be sure the support will continue? Tort reform is a long-range goal. The insurance industry must take continual soundings to measure the changing public mood and update its messages and strategies to conform with new priorities.

By its very nature, the industry is well-equipped to do so. Toll-free numbers can be used to collect valuable information on ever-changing public attitudes. Similarly, local agents also can serve as a network of "coast watchers" to alert the industry to grass root-level trends and movements.

There is no better way to demonstrate concern about the public than by seeking the public's opinion on matters of mutual concern.

- **Rule Two: Express the impact in human terms.**

For all the billions of dollars in unnecessary litigation costs, what does it mean to us individually? How can we expect people to perceive its impact without expressing it in terms that they can relate to and understand? For years, the major television networks ignored economic stories because statistics are impersonal and unconnected to the experiences of everyday life. Then, producers got smart. Now, series like "The Money Crunch" on CBS are nightly features because they examine economic trends through the human experience: how individual families struggle to buy homes and save for their children. The costs of our legal system must be expressed in similar common denominators.

- **Rule Three: Seek third-party alliances.**

The pundits were quick to point out that no natural constituencies rallied to the defense of the Baird nomination. Women's groups and civil rights organizations saw no confluence of interest.

Coalition building is critical to the success of tort reform. The industry must recruit a variety of voices to speak for the issue—with sincerity and out of plausible, natural self-interest. Members of Congress have become jaded to unilateral, overly orchestrated letter-writing campaigns. This was the reason the public reaction to the Baird nomination had such an impact. It was unrehearsed and unscripted. It reflected the honest-to-God feelings of those who called and telegraphed.

- **Rule Four: Understand the "New Media."**

"Fueled by Radio and TV, Outcry Became Uproar," read the headline in a New York Times story about the unraveling of the Baird nomination. Sitting down with a newspaper editorial board and securing a story on the local evening news are no longer adequate to influence public opinion. There are new and powerful channels of communication that must be effectively employed to get the message across. In the communications field, they have come to be known as "The New Media."

Bill Clinton and Ross Perot demonstrated the impact of the new media—broadcast talk shows, entertainment programs and paid-for television time—in delivering their message direct to the public, bypassing traditional journalistic filters.

The Zoe Baird case hurt tort reform because it was framed as the cause of special interests. But this setback may be temporary. After all, Bill Clinton won the election because he convinced the nation it was time to change. Tort reform can also win support if it is similarly positioned.

BI



John R. Kessling is vp-director of strategic services at Ketchum Public Relations in New York. He has represented several insurance-related companies.

Managed care means more than HMOs

By Stephen L. Brown

A NATIONAL CONSENSUS has been reached on the need to reform the health care system. The goal is to assure quality medical care to all at an affordable cost. However, no consensus has yet been reached on how to achieve that goal.

In campaign speeches, President Clinton spoke in general terms about a solution that relied on both managed competition and managed care. While much more detail will have to be provided, these concepts do offer a promising foundation on which to build an improved health care system.

Although many people associate managed care with health maintenance organizations, they are only one aspect of the managed care philosophy. In its best sense, managed care is a clinical review of medical cases that takes into account value, cost, quality and appropriateness. That review can take place within an HMO, preferred provider organization, or other organized delivery system.

True managed care is not equivalent to offering care under one roof or negotiating a discount from providers

based on volume of services. Although discounts do help contain costs, no amount of discount is appropriate for inappropriate care. The critical element of managed care is neither a discount nor a particular delivery system; it is a concentrated focus on appropriate, quality care in the right setting at the right cost.

Thus far, HMOs have attracted mostly younger, healthier people and have benefited from state incentives and group discounting, thus shifting many costs to other parts of the system. Therefore, it is difficult to actually measure their success. When access is expanded, cost shifting is eliminated and everyone is subject to some type of managed care, the advantages enjoyed by HMOs will disappear. While HMOs do have a constructive role to play in the health care system, they are not, and should not become, the only mechanism through which managed care is delivered.

As we move toward a new environment in which managed care is universal, we will be able to focus on other aspects of health care that merit attention. Today, treatment can still vary dramatically by geographic

region. Advances in medicine are so constant that it is often difficult for doctors to stay abreast of the latest procedures. Managed care systems that can collect the latest medical research and help physicians assure the most effective treatment add value and eliminate unnecessary costs.

The best of the managed care companies assemble networks of providers and employ doctors trained in managed care techniques. The doctors review both diagnoses and treatment plans and have access to the most current research.

This is a constructive development that needs to be preserved and encouraged in a reformed health care system. In fact, the system can be improved by extending this process to include outcomes research. Both HMOs and other managed networks provide the opportunity to conduct outcomes research. Using outcomes data would contribute to our knowledge of the effectiveness of treatment plans used for specific illnesses and would allow us to better evaluate the quality of managed care networks (including HMOs) over time.

As we redesign the U.S. health care

system, it is critical that we leave room for different approaches that can compete, evolve and refine their functions. That, after all, is the point of making both managed care and managed competition the cornerstones of the new health care paradigm. HMOs are only one of the many managed care networks that have been evolving and competing to provide quality, cost-effective health care.

This process should be allowed to continue. Our goal should not be to mandate HMOs or any other specific delivery system throughout this country. Rather, we should encourage the development of managed care processes in the marketplace that will compete, offer choices to consumers and deliver quality health care at an affordable cost.

BI



Stephen L. Brown is chairman and chief executive officer of Boston-based John Hancock Financial Services.

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E

EBC Review

5235 N. Ironwood, Glendale, Wis.
 53024; 414-962-7771;
 fax: 414-962-2975

Founded: 1987; began providing utilization review services in 1987.

Parent: Safeco Life Insurance Co.

UR business: 100% of revenues from service to employers.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review.

Occasional UR services: Second surgical opinion, hospital bill audits, outpatient psychiatric and substance abuse services, case management.

Medical services reviewed: Group health, chiropractic, rehabilitation, psychiatric/substance abuse.

UR Staff: Five total; four professionals, including two registered nurses, two medical records technicians. On retainer: one nurse.

UR Clients: 300 total, all employer clients.

Covered lives: 35,000 employee benefit plan lives.

Admissions reviewed: 15% diverted for outpatient treatment.

Charges: Per employee, \$1.30 to \$2; per hour, \$25 to \$50.

Officers: Larry Pych, president; John A. Feith, vp.

E.M. Associates

P.O. Box 347, 520 Columbus Drive,
 Johnson City, N.Y. 13790;
 607-770-0070; fax: 607-770-8709

Founded: 1987; began providing utilization review services in 1987.

UR business: 25% of revenues from service to employers; 50% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management.

Medical services reviewed: Group health, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability, auto.

UR Staff: 15 total; 12 professionals, including one physician, eight registered nurses, one licensed practical nurse, two medical records technicians. On retainer: nine physicians.

UR Clients: 30 total; three employer clients.

Covered lives: 2,000 employee benefit plan lives.

Branch offices: Rochester and Syracuse, N.Y.

Charges: Per employee, \$1.50 to \$2.10; per hour, \$60 to \$150.

Officers: Kathleen A. Ernst, president; Joanne Howland, director-case management; Sharon Miller, director-utilization management; Sherry Kestenis, director-business development/medical audits.

Contact: Sherry Kestenis.

Employee Benefit Management Services/CARE LINK

P.O. Box 21367, Billings, Mont.
 59104-1367; 406-245-3575;
 fax: 406-259-7871

Founded: 1980; began providing utilization review services in 1989.

UR business: 7% of revenues from service to employers; 1% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, case management.

Occasional UR services: Retrospective review, second surgical opinion, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, health information hotline.

Medical services reviewed: Group health, rehabilitation, psychiatric/substance abuse.

UR Staff: Two total, both registered nurses.

UR Clients: 59 total.

Covered lives: 15,700 employee benefit plan lives.

Admissions reviewed: 850; 2% diverted for outpatient treatment.

1992 gross revenues: \$2.5 million total, \$200,000 from UR services.

Charges: Per employee, \$1 to \$1.75; per hour, \$63 to \$75; prepaid annual fee, \$2,000.

Officers: Rick Larson, president; Rob Hunter, CEO; Nicki Larson, secretary/treasurer.

Contact: Rob Hunter.

The Ethix Corp.

12655 S.W. Center St., Suite 540,
 Beaverton, Ore. 97005; 503-644-7092;
 fax: 503-643-9943

Founded: 1982; began providing utilization review services in 1986.

UR business: 9% of revenues from service to employers; 21% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management, comprehensive maternity management, workers compensation management, chronic care management, disability management, onsite utilization management, customized client specific utilization management.

Occasional UR services: Hospital bill audits.

Medical services reviewed: Group health, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability, high risk maternity management, medical case management.

UR Staff: 124 total, all professionals, including 15 physicians, 102 registered nurses. On retainer: 97 physicians.

UR Clients: 134 total; 119 employer clients.

Covered lives: 2,031,624 employee benefit plan lives; 58,000 workers compensation lives.

Admissions reviewed: 152,173; 10% diverted for outpatient treatment.

Branch offices: Bloomfield and Clinton Township, Mich.; Bloomington, Minn.; Charlotte, N.C.; Clearwater, Fla.; Covington, La.; Dublin, Ohio; Ft. Worth and San Antonio, Texas; Indianapolis; Jackson, Miss.; Langhorne and Wayne, Pa.; Linwood and Princeton, N.J.; Lombard, Ill.; Memphis, Tenn.; Midvale and Salt Lake City, Utah; Portland, Ore.; Seattle; St. Louis and Webster Groves, Mo.; Westbrook, Maine.

1992 gross revenues: \$25.6 million total, \$7.6 million from UR services.

Charges: Per employee, per case, per hour.

Officers: Stephen A. Gregg, chairman; Peter Linder, president; Dale White, senior vp; Fred Davidson, secretary.

Contact: Chris Palmedo, 503-626-4470.

F

First Health

6975 Union Park Center, Suite 600,
 Salt Lake City, Utah 84047;
 801-568-5500; fax: 801-568-5652

Founded: 1960; began providing utilization review services in 1987.

Parent: First Financial Management Corp.

UR business: 8% of revenues from service to employers; 1% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management, preauthorization of services, predetermination of fees, hospital fee negotiation, admission review, disability management, helpline, dental utilization management, claims review, quality assurance studies, PPO steering.

Medical services reviewed: Group health, dental, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability, podiatric, home health/hospice, extended care facilities, high risk maternity.

UR Staff: 149 professionals, all registered nurses. On retainer: 135 physicians.

UR Clients: 750 total; 748 employer clients.

Covered lives: 1,480,000 employee benefit plan lives; 630,000 workers compensation lives.

Admissions reviewed: 89,971.

Branch offices: Atlanta, Milwaukee, Pittsburgh.

1992 gross revenues: \$250 million total, \$19.8 million from UR services.

Charges: Per employee, per case, per hour.

Officers: W. Terry Nofsinger, chairman/CEO; Harlan F. Seymour, president/COO; Sidney C. Paulson, George Dreisbach, executive vps; Linda Gerbig, senior vp.

Contact: Linda Gerbig.

Florida Psychiatric Management Inc.

1276 Minnesota Ave., Winter Park, Fla.
 32789; 407-647-1781 or
 800-782-2052; fax: 407-647-0668

Founded: 1978; began providing utilization review services in 1987.

UR business: 62% of revenues from service to employers; 27% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management.

Occasional UR services: Retrospective review, hospital bill audits.

Medical services reviewed: Psychiatric/

substance abuse.

UR Staff: 37 total; 16 professionals, including three physicians, five registered nurses. On retainer: one physician.

UR Clients: 14 total; nine employer clients.

Covered lives: 350,000 employee benefit plan lives.

Branch offices: Miami.

Charges: Per employee, per case, per hour.

Officers: Dr. Martin Lazoritz, president/CEO; I. Paul Mandelkern, senior vp; Dr. Robert W. Pollack, medical director; David Cunningham, Christina R. Magaz, vps-operations.

Contact: I. Paul Mandelkern.

FOCUS Healthcare Management Inc.

7101 Executive Center Drive, Suite
 375, Brentwood, Tenn. 37027;
 615-377-9936 ext. 1243;
 fax: 615-377-6773

Founded: 1986; began providing utilization review services in 1986.

UR business: 2% of revenues from service to employers; 30% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, retrospective review, hospital bill audits, outpatient service predetermination, medical treatment review of other casualty lines.

Occasional UR services: Discharge planning, second surgical opinion, outpatient psychiatric and substance abuse services, case management.

Medical services reviewed: Chiropractic, rehabilitation, workers comp/disability, auto and general liability.

UR Staff: 82 total; 50 professionals, including three physicians, 40 registered nurses, five licensed practical nurses, two medical records technicians.

UR Clients: 300 total; 10 employer clients.

Covered lives: 40,000 workers compensation lives.

Admissions reviewed: 12,000; 8% diverted for outpatient treatment.

Branch offices: Arlington, Texas; Maitland, Fla.

1992 gross revenues: \$22.5 million total, \$7 million from UR services.

Charges: Per employee, \$1.70 to \$3.50; per case, \$75 to \$600; per hour, \$70; physician consultant/advisory services, \$60 to \$400.

Officers: Stryker Warren Jr., CEO; David S. Iskove, president/COO/CFO; Dr. Richard M. Cooper, medical director; James V. Lackey, Mitchell Weinstein, senior vps.

Contact: Kim Riley, executive assistant.

Foundation Health Preferred Administrators

P.O. Box 10009, Palo Alto, Calif.
 94303-0901; 415-856-1520

Founded: 1986; began providing utilization review services in 1986.

Parent: Foundation Health Corp.

UR business: 5% of revenues from service to employers.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management.

Occasional UR services: Second surgical opinion, hospital bill audits.

Medical services reviewed: Group health, dental, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability.

UR Staff: Eight total; six professionals, including two physicians, four registered nurses.

UR Clients: 19 total; 15 employer clients.

Covered lives: 60,000 employee benefit plan lives.

Admissions reviewed: 10% diverted for outpatient treatment.

Branch offices: Sacramento, Calif.

Charges: Per employee, per hour.

Officers: Dan Crowley, Kirk Benson, Jeffrey Elder, corporate directors; Alan Maribito, corporate secretary; Denise Shull, president/COO.

Contact: Denise Shull.

Frontline Health Management Services

401 N. Executive Drive, Brookfield,
 Wis. 53008; 414-797-5000;
 fax: 414-797-5035

Founded: 1993; provided utilization review services on an in-house basis under the Mutual Group (U.S.) name since 1987.

Parent: The Mutual Group (U.S.) Employee Benefits.

URAC certified.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management, HPR's Code Review Procedure Code unbundling detection service bureau, PPO network management ser-

vices.

Medical services reviewed: Group health, rehabilitation, psychiatric/substance abuse, workers comp/disability.

UR Staff: 28 total, all professionals, including two physicians, 21 registered nurses, five medical service representatives.

Covered lives: 154,700 employee benefit plan lives.

Admissions reviewed: 10,036.

Charges: Per employee, per hour, percent of savings.

Contact: James B. Meyers, executive director-managed care development.

G

Green Spring Health Services Inc.

10500 Little Patuxent Parkway, Suite
 700, Columbia, Md. 21044;
 410-740-9501; fax: 410-740-8573

Founded: 1989; began providing utilization review services in 1989.

Parent: Blue Cross & Blue Shield of Maryland and Blue Cross of Western Pennsylvania.

URAC certified.

UR business: 15% of revenues from service to employers; 80% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management, national provider network, employee assistance program.

Medical services reviewed: Psychiatric/substance abuse.

UR Staff: 83 total, all professionals, including six physicians, 26 registered nurses, 19 medical records technicians. On retainer: 59 professionals.

UR Clients: 27 total; 20 employer clients.

Covered lives: 5 million employee benefit plan lives.

Admissions reviewed: 15,825; 16% diverted for outpatient treatment.

Branch offices: Chicago; Cincinnati; Parsippany, N.J.; Pittsburgh; Portland, Maine; Providence, R.I.

1992 gross revenues: \$47 million total, \$44.7 million from UR services.

Charges: Shared savings.

Officers: Paul G. Shoffett, president/CEO; Dr. Henry T. Harbin, executive senior vp/COO; Terrence Hardcastle, senior vp-business development; Clarissa Marques, senior vp/chief clinical officer; Daniel J. Klein, senior vp-strategic planning/development.

Contact: Terrence Hardcastle.

H

HHS Inc.

5363 44th St. S.E., Grand Rapids,
 Mich. 49512; 616-956-9440;
 fax: 616-956-6843

Founded: 1980; began providing utilization review services in 1986.

URAC certified.

UR business: 77% of revenues from service to employers; 2% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, second surgical opinion, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management.

Occasional UR services: Retrospective review, hospital bill audits.

Medical services reviewed: Group health; chiropractic; rehabilitation; psychiatric/substance abuse; workers comp/disability; physical, speech and occupational therapies; podiatric services; home care services; nursing home admissions; rehabilitative admissions.

UR Staff: 27 total, all registered nurses. On retainer: two physicians.

UR Clients: 264 total; 262 employer clients.

Covered lives: 100,000 employee benefit plan lives; 10 workers compensation lives.

Admissions reviewed: 10,000; 2% diverted for outpatient treatment.

Charges: Per employee, per case, per hour.

Officers: Marguerite Mojzjak, chairperson; Eleanor Nielsen, vice-chairperson; Veenese Chandler, treasurer; Constance Christenson, secretary; David G. Cuneo, president.

Contact: Cecilia C.M. Vander Hoff, director-marketing.

Health Benefit Management

7600 Chevy Chase Drive, Suite 500,
 Austin, Texas 78752; 800-580-4567;
 fax: 800-580-3123

Founded: 1986; began providing utilization review services in 1986.

Parent: Close Corp.

UR business: 20% of revenues from service to employers; 80% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, retrospective review, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management, disability impairment review.

Occasional UR services: Discharge planning, second surgical opinion.

Medical services reviewed: Group health, dental, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability, personal injury, physical therapy, 24 hour plans.

UR Staff: 135 total; 102 professionals, including two physicians, 68 registered nurses, 17 licensed practical nurses. On retainer: 130 physicians.

UR Clients: 85 total; eight employer clients.

Covered lives: 60,000 employee benefit plan lives; 400,000 workers compensation lives.

Admissions reviewed: 22,000.

Branch offices: Dallas, El Paso, Houston, Lubbock and San Antonio, Texas; Tampa, Fla.

1992 gross revenues: \$7.5 million total, all from UR services.

Charges: Per employee, 60 cents to \$3.10; per case, \$39 to \$149; per hour, \$65 to \$73; composite fee structures.

Officers: Ronald T. Luke, CEO; Larry Mattingly, president; Phil Feick, vp-sales/marketing.

Contact: Phil Feick.

Health Care 2000 Inc.

660 Kenilworth Drive, Towson, Md.
 21204; 410-296-8326;
 fax: 410-296-8363

Founded: 1984; began providing utilization review services in 1984.

Parent: Fidelity Health Systems Inc.

UR business: 20% of revenues from service to employers; 10% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management.

Medical services reviewed: Group health.

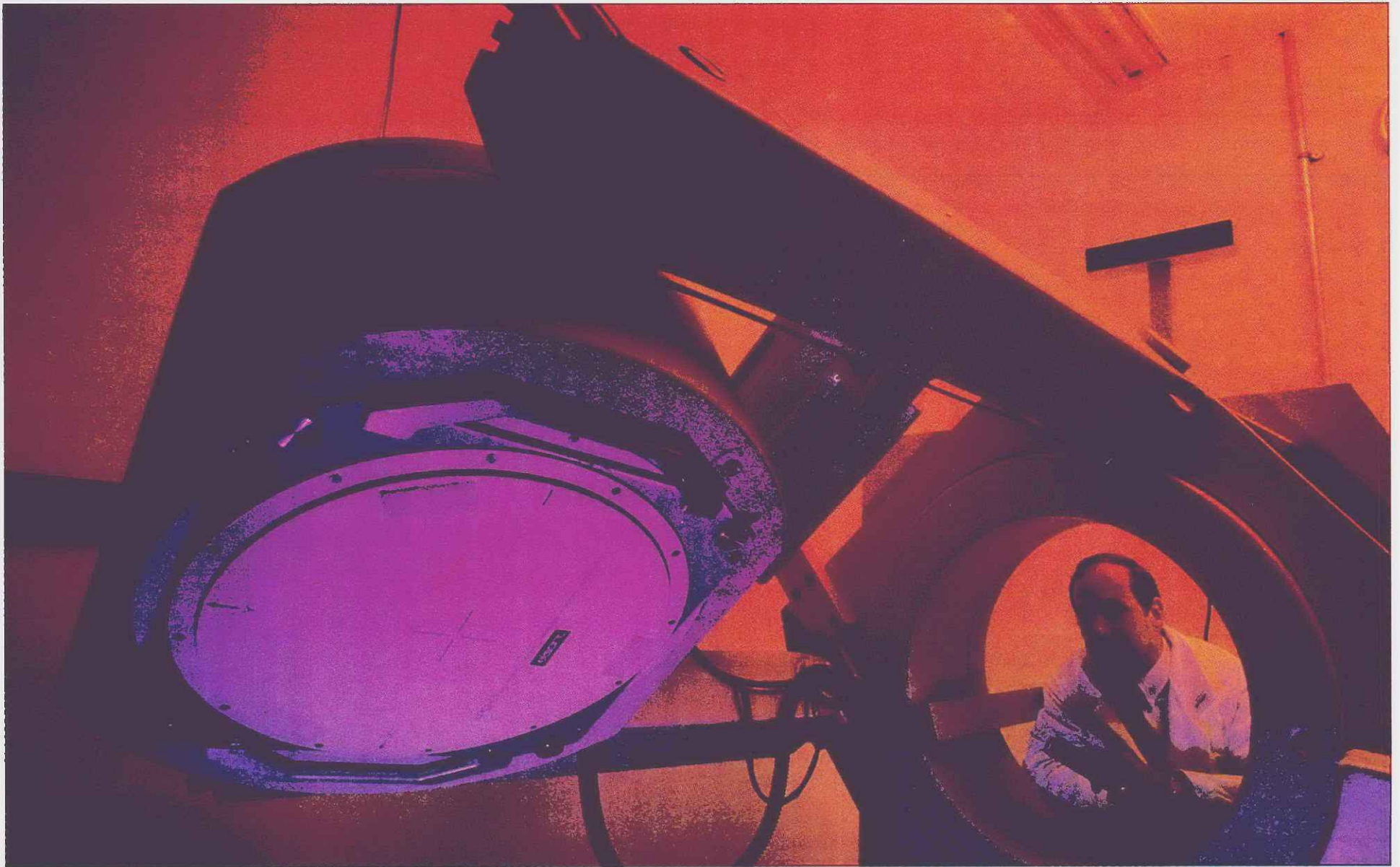
UR Staff: Five total; three professionals, including two physicians, one registered nurse.

UR Clients: Eight total; seven employer clients.

Covered lives: 60,000 employee benefit plan lives.

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certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management, select medical claims review, mental health/chemical dependency case management, high risk pregnancy case monitoring.

Medical services reviewed: Group health, dental, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability, skilled nursing facility.

UR Staff: 64 total; 48 professionals, including two physicians, 27 registered nurses, nine licensed practical nurses, 10 medical records technicians. On retainer: 209 physicians, six nurses.

UR Clients: 70 total; 62 employer clients.

Covered lives: 400,000 employee benefit plan lives; 80,000 workers compensation lives.

Admissions reviewed: 39,000; 15% diverted for outpatient treatment.

Branch offices: Bakersfield, Fresno, Sacramento, San Francisco and Bay Area, Calif.

1992 gross revenues: \$3 million total, \$2.9 million from UR services.

Charges: Per employee, \$1 to \$2.50; per case, \$46 to \$75; per hour, \$50 to \$90.

Officers: Bernice Wahler, president; Dr. George Williams, vp; Dr. John Kellar, secretary/treasurer/medical director; Jeff Roby, executive director.

Contact: Stefan Paciotti, director-marketing, 3026 Baker St., San Francisco, Calif. 94123, 415-771-9152.

Health Care Review Inc.

18587 Sigma Road, Suite 200, San Antonio, Texas 78258; 210-490-9008; fax: 210-490-4948

Founded: 1986; began providing utilization review services in 1986.

UR business: 3.6% of revenues from service to employers; 49.3% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management.

Medical services reviewed: Group health, dental, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/

disability.

UR Staff: 19 total; 10 professionals, including one physician, five registered nurses, three licensed practical nurses, one medical records technician. On retainer: 66 physicians, five nurses.

UR Clients: 101 total; nine employer clients.

Covered lives: 1,627 employee benefit plan lives; 3,673 workers compensation lives.

Admissions reviewed: 1,280; 2% diverted for outpatient treatment.

1992 gross revenues: \$1.8 million total, \$953,762 from UR services.

Charges: Per employee, \$1 to \$1.60; per case, \$35 to \$125; per hour, \$60 to \$75.

Officers: Robert D. Brown, CEO; Dolores Reinhardt, president; Maureen Brown, finance officer; Carmalt B. Jackson Jr., medical director.

Contact: Maureen Brown.

Health Cost Consultants Inc.

1945 Old Gallows Road, Suite 350, Vienna, Va. 22182; 703-883-0217; fax: 703-883-2956

Founded: 1983; began providing utilization review services in 1983.

Parent: INOVA Health Systems.

URAC certified.

UR business: 40% of revenues from service to employers; 60% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management, medical chart consulting.

Occasional UR services: Hospital bill audits.

Medical services reviewed: Group health, chiropractic, psychiatric/substance abuse, workers comp/disability, high risk pregnancy.

UR Staff: 40 total, all professionals, including four physicians, 24 registered nurses, one licensed practical nurse, five medical records technicians. On retainer: 105 physicians, 20 nurses.

UR Clients: 55 total; 10 employer clients.

Covered lives: 295,000 employee benefit plan lives; 11,000 workers compensation lives.

Admissions reviewed: 17,995; 10% diverted for outpatient treatment.

Branch offices: Fort Lauderdale, Fla.

1992 gross revenues: \$49 million total.

Charges: Per employee, per case, per hour.

Officers: Debbie Scheff, president; Sally Ann Polson, vp-marketing; Dr. Louis Pugsley, vp-medical affairs; Ann Meyer, director-operations; Laure Lamy, marketing manager.

Health Design Plus

15 Atterbury Blvd., Suite 9, Hudson, Ohio, 44236; 216-656-9371 or 800-877-5843; fax: 216-656-9387

UR business: 90% of revenues from service to employers.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management.

Occasional UR services: Second surgical opinion.

Medical services reviewed: Group health, rehabilitation, psychiatric/substance abuse.

UR Staff: Four total, all professionals, including one physician, three registered nurses.

UR Clients: 11 total, all employer clients.

Covered lives: 8,200 employee benefit plan lives.

Charges: Per employee, \$2.75 to \$3; per hour, \$85 to \$125.

Officers: M. Ruth Coleman, president; Constance Jones, director-managed care; Dr. Morton Grossman, medical director.

Contact: Karen W. Tercek.

Health Direct Inc.

1011 E. Touhy Ave., Suite 500, Des Plaines, Ill. 60018; 708-391-9500; fax: 708-390-7715

Founded: 1980; began providing utilization review services in 1980.

Parent: Evangelical Health Systems/Lutheran General Health Systems.

URAC certified.

UR business: 40% of revenues from service to employers; 40% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management, PPO network, high risk maternity screening, surgical case review, special case review, medical information help line.

Occasional UR services: Hospital bill audits.

Medical services reviewed: Group health, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability, podiatric.

UR Staff: 120 total; 110 professionals, including three physicians, 107 registered nurses. On retainer: 10 physicians, 14 nurses.

UR Clients: 400 total; 340 employer clients.

Covered lives: 1 million employee benefit plan lives.

Admissions reviewed: 30,000.

Charges: Per employee, \$1.50 to \$3.50; per case, \$50 to \$150; per hour, \$115 to \$225; hourly consulting fees; percent of savings; risk sharing.

Officers: Charles Stark, CEO; Jenifer Cline, CFO; Kerry Finnegan, vp-sales/marketing; Jay Gore, vp-technical services; Steven Tiwald, vp-networks/consulting.

Contact: Julie Barth.

Health Economics Corp.

1300 W. Mockingbird Lane, Dallas, Texas 75247; 214-905-4444; fax: 214-905-4412

Founded: 1984; began providing utilization review services in 1984.

Parent: Equifax Inc.

URAC certified.

UR business: 13% of revenues from service to employers.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, second surgical opinion, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management, high risk pregnancy services.

Occasional UR services: Retrospective review, hospital bill audits.

Medical services reviewed: Group health, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability.

UR Staff: 50 total; 46 professionals, including three physicians, 28 registered nurses, 15 licensed practical nurses. On retainer: 12 physicians.

UR Clients: 68 total, all employer clients.

Covered lives: 500,000 employee benefit plan lives; 100,000 workers compensation lives.

Admissions reviewed: 27,000; 5% diverted for outpatient treatment.

Branch offices: Houston.

1992 gross revenues: \$26 million total, \$3.5 million from UR services.

Continued on next page

This announcement is under no circumstances to be construed as an offer to sell or as a solicitation of an offer to buy any of these securities. The offering is made only by the Prospectus.

New Issue

January 28, 1993

11,600,000 Shares



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S.G. Warburg Securities

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Charges: Per employee, per case, per hour.

Officers: Dick Herrmann, president/CEO; Parks Houser, senior vp/COO; John Stevenson, vp-marketing; James R. McPhail, vp-managed health care; Tom Duboski, vp-controller.

Contact: Christine Platt.

Health International Inc.

1840 Century Park East, Suite 770,
Los Angeles, Calif. 90067;
800-333-3760; fax: 602-948-2523

Founded: 1985; began providing utilization review services in 1987.

URAC certified.

UR business: 80% of revenues from service to employers; 20% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management, surgi-center networks, psychiatric/chemical dependency networks, high risk maternity screening and case management, on-line access to performance statistics, service questionnaires on every case, case management, exclusive delivery networks, tertiary procedure networks, claims analysis to confirm savings.

Medical services reviewed: Group health, dental, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability.

UR Staff: 52 total; 34 professionals, including three physicians, 31 registered nurses. On retainer: 18 physicians.

UR Clients: 325 total.

Covered lives: 300,000 employee benefit plan lives; 100,000 workers compensation lives.

Admissions reviewed: 50% diverted for outpatient treatment.

Branch offices: Scottsdale, Ariz.

1992 gross revenues: \$4 million total, all from UR services.

Charges: Per employee, experience rated capitated fees for workers comp case management.

Officers: Dr. Donald K. Kelly, chairman/CEO; Suzanne D. Kelly, vice chairman/corporate secretary; Michael C. Peerboom, president/COO; Donald G. Lightfoot, senior vp/marketing.

Health Management

Strategies International Inc.

1725 Duke St., Suite 300, Alexandria,
Va. 22314; 703-706-4100;
fax: 703-706-4803

Founded: 1985; began providing utilization review services in 1985.

Parent: Group Hospitalization & Medical Services Inc.

UR business: 65% of revenues from service to employers; 30% from service to others.

Frequent UR services: Preadmission certification; concurrent hospital treatment review; length of stay determination; discharge planning; retrospective review; second surgical opinion; hospital bill audits; outpatient service predetermination; outpatient psychiatric and substance abuse services; case management; consulting on benefit plan design, claims cost/utilization analysis, mental health/substance abuse services.

Medical services reviewed: Group health, chiropractic, rehabilitation, psychiatric/substance abuse.

UR Staff: 173 total, all professionals, including five physicians, 168 registered nurses. On retainer: 27 physicians.

UR Clients: 17 total; 10 employer clients.

Covered lives: 7 million employee benefit plan lives.

1992 gross revenues: \$29 million total, \$27.5 million from UR services.

Charges: Per employee, per case, per hour.

Officers: E. Seton Shields, president/CEO; William R. Vandervennet Jr., COO; Dr. Alan B. Zients, senior vp/medical director; Joseph Avellar, vp.

Contact: William R. Vandervennet Jr.

Health Resources Ltd.

P.O. Box 246, Pittsfield, Maine 04967;
207-487-5135; fax: 207-487-2496

Founded: 1979; began providing utilization review services in 1984.

UR business: 100% of revenues from service to employers.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, second surgical opinion, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management.

Medical services reviewed: Group health, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability.

UR Staff: 13 total, all professionals, including one physician, nine registered nurses, three licensed practical nurses. On retainer: one physician.

UR Clients: 26 total, all employer cli-

ents.

Branch offices: Portland, Maine.

Charges: Per employee, per hour.

Officers: Elizabeth Hamel, operations manager; Debora Seneca, case management.

Health Service Review Inc.

6730 Roosevelt, Franklin, Ohio 45005;
513-422-0063; fax: 513-422-1281

Founded: 1983; began providing utilization review services in 1983.

UR business: 85% of revenues from service to employers; 5% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management, physician fee review.

Occasional UR services: Retrospective review, second surgical opinion, hospital bill audits.

Medical services reviewed: Group health, dental, chiropractic, rehabilitation, psychiatric/substance abuse.

UR Staff: 29 total; 20 professionals, all registered nurses. On retainer: 27 physicians, two nurses.

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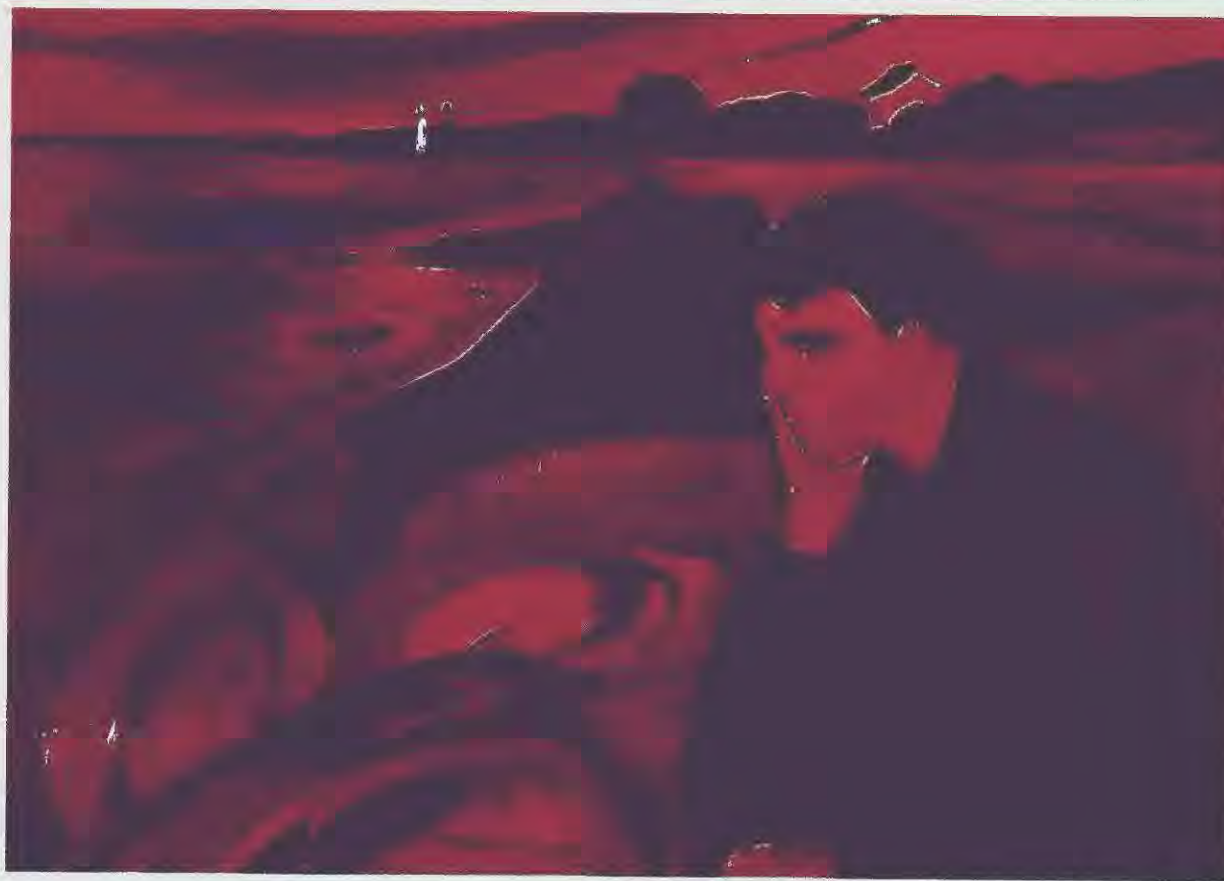
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Continued from previous page
UR Clients: 202 total; 191 employer clients.

Covered lives: 211,500 employee benefit plan lives.

Admissions reviewed: 12,251; 6% diverted for outpatient treatment.

Charges: Per employee, \$1.45 to \$2.05; case management, \$95 per hour.

Officers: Thomas L. Wiley, president; Donald J. Barker, Karen L. Mehl, vps.

Health Services

Advisory Group Inc.

301 E. Bethany Home Road, Suite B-157, Phoenix, Ariz. 85012; 602-264-6382; fax: 602-241-0757

Founded: 1979; began providing utilization review services in 1979.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, hospital bill audits, outpatient psychiatric and substance abuse services, case management, durable medical equipment review.

Occasional UR services: Outpatient psychiatric and substance abuse services.

Medical services reviewed: Group health, dental, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability, automobile injury, physical therapy, podiatric, home health review.

UR Staff: 73 total; 42 professionals, including three physicians, 38 registered nurses, one medical records technician. On retainer: 200 physicians.

UR Clients: 21 total; 19 employer clients.

Covered lives: 8,325 employee benefit plan lives; workers comp lives serviced.

Admissions reviewed: 12,734; 5% diverted for outpatient treatment.

Officers: Dr. Lawrence J. Shapiro, president/CEO; Dr. Herbert S. Rigberg, medical director; Nadine J. Harris, COO; Paula L. Hann, CFO; Mary Ellen Dalton, director-private review.

Contact: Mary Ellen Dalton.

Health Value Management Inc.

500 W. Main St., Louisville, Ky. 40202; 800-732-3333; fax: 502-580-6340

Founded: 1992; began providing utilization review services under the Humana name in 1987.

Parent: Humana.

URAC certified.

UR business: 25% of revenues from service to employers; 75% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, discharge planning, retrospective review, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management.

Medical services reviewed: Group health, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability, HMO after-hours triage support.

UR Staff: 200 total; professionals include seven physicians, 40 registered nurses, 10 licensed practical nurses. On retainer: 108 physicians.

Covered lives: 1.5 million employee benefit plan lives.

Admissions reviewed: 250,000.

Charges: Per employee, per case, per hour.

Officers: Dr. Ronald Lankford, vp; Bill Geddings, business development; Sue Mattingly, transplant; Jolene Tate, preadmission certification; Dr. Bill Runyon, case management.

Contact: Bill Geddings

Healthcare Advantage

4427 S. Robertson, New Orleans, La. 70115; 504-899-8686

Founded: 1989; began providing utilization review services in 1989.

Parent: Touro Infirmary.

UR business: 20% of revenues from service to employers; 13% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, outpatient service predetermination, case management.

Occasional UR services: Second surgical opinion, outpatient psychiatric and substance abuse services.

Medical services reviewed: Group health, dental, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability.

UR Staff: 12 total, all professionals, including seven registered nurses, one licensed practical nurse, four medical records technicians. On retainer: 15 physicians.

UR Clients: 60 total; 40 employer clients.

Covered lives: 82,700 employee benefit plan lives; 30,459 workers compensation lives.

Branch offices: Jackson, Miss.

1992 gross revenues: \$1.5 million total, \$500,000 from UR services.

Charges: Per employee, \$1.45 to \$1.55; per case, \$100; per hour, \$85 to \$175.

Officers: Gary Stein, president; Jane Cooper, vp.

Contact: Chris Peterson, director-business development.

Healthcare COMPARE Corp.

3200 Highland Ave., Downers Grove, Ill. 60515; 708-241-7900; fax: 708-241-7856

Founded: 1982; began providing utilization review services in 1982.

URAC certified.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, hospital bill audits, outpatient psychiatric and substance abuse services, case management, physical medicine review, practitioner bill audits, workers comp managed care, MaternityLine, CareLine.

Occasional UR services: Outpatient service predetermination.

Medical services reviewed: Group health, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability.

UR Staff: 1,351 total; 300 professionals, including 25 physicians, 158 registered nurses, 40 licensed practical nurses.

UR Clients: 2,805 total; 954 employer clients.

Covered lives: 10.3 million employee benefit plan lives; 6.1 million workers compensation lives.

Admissions reviewed: 396,200; 2.5% diverted for outpatient treatment.

1992 gross revenues: \$135 million total.

Charges: Per employee/per month, \$1.47 to \$2.24; per hour, \$210.

Officers: James C. Smith, president/CEO; John L. Krakauer, executive vp/COO; Daniel S. Brunner, executive vp/COO-government affairs & policy; Edward L. Wristen, executive vp-provider networks; Joseph E. Whitters, vp-finance/CFO.

Healthcare Monitor

5601 N. MacArthur Blvd., Suite 300, Irving, Texas 75038; 214-751-0047; fax: 214-518-2554

Founded: 1988; began providing utilization review services in 1988.

Parent: North Texas Healthcare Network.

UR business: 25% of revenues from service to employers; 75% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, outpatient service predetermination, case management, PPO channelling.

Occasional UR services: Outpatient psychiatric/substance abuse services.

Medical services reviewed: Group health, chiropractic/substance abuse.

UR Staff: 10 total, all professionals, including one physician, nine registered nurses. On retainer: one physician.

UR Clients: 32 total; 10 employer clients.

Covered lives: 38,000 employee benefit plan lives.

Admissions reviewed: 2,500; 7.5% diverted for outpatient treatment.

Charges: Per employee/per month, \$1.75.

Officers: Charles Coil, president/CEO; David Hitt, chairman; Doug Hawthorne, secretary/treasurer.

Contact: Sara Neese.

Healthcare Review Corp.

9200 Shelbyville Road, Suite 722, Louisville, Ky. 40222; 502-426-4888; fax: 502-429-5233

Founded: 1986; began providing utilization review services in 1986.

UR business: 22% of revenues from service to employers; 76% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management, special pre-natal screening service to identify high risk pregnancies.

Occasional UR services: Hospital bill audits.

Medical services reviewed: Group health, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability, nursing home care, home health services, outpatient diagnostic and surgical services.

UR Staff: 86 total, all professionals, including 10 physicians, 74 registered nurses, 20 licensed practical nurses. On retainer: 25 physicians, four nurses.

UR Clients: 25 total; seven employer clients.

Covered lives: 150,000 employee benefit plan lives; 90,000 workers compensation lives.

Admissions reviewed: 18,000.

1992 gross revenues: \$4.4 million total.

Charges: Per employee, \$1.25 to \$1.85; workers comp, \$200 per inpatient admission and \$125 per outpatient service.

Officers: James C. Rogers, president; Dr. Barbara M. Freeman, vp/medical director.

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FREE LITERATURE FOR READERS

Issue Date: FEBRUARY 15, 1993
Card Expiration: APRIL 12, 1993

All questions must be answered to process inquiries.
PLEASE CHECK ONE ITEM FOR EACH CATEGORY:

1. My organization is best described as:

- ☐ A | Mfg/Svcs ☐ F | Ins Agent ☐ K | Adj/Apprs
☐ B | Association ☐ G | Ins Broker ☐ L | TPA
☐ C | Union ☐ H | Ins/Reins Co ☐ M | Healthcare Inst
☐ D | Government ☐ J | Actry/Conslt ☐ N | Other
☐ E | Educational Inst ☐ I | Attorney

2. Number of employees:

- ☐ 1 | 150 or less ☐ 2 | 151 - 499 ☐ 3 | 500 - 999
☐ 4 | 1,000 - 4,999 ☐ 5 | 5,000 or more ☐ 6 | Unknown

3. My title is best defined as:

- ☐ A | Administrative Mgt ☐ D | Benefits Mgt
☐ B | Financial Mgt ☐ E | Loss prevention Mgt
☐ C | Risk Mgt ☐ F | Other

4. My purchasing involvement for the requested products is to:

- ☐ 1 | Recommend only ☐ 2 | Specify ☐ 3 | Approve

5. Do you now receive a personally addressed copy of Business Insurance?

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Title _____
Company _____
Address _____
City _____ State _____ Zip _____
Phone () _____

Continued from previous page

HealthCare Strategies Inc.

9841 Broken Land Parkway, Columbia, Md. 21046; 410-381-5430; fax: 410-290-9721

Founded: 1984; began providing utilization review services in 1984.

Parent: TPA of America Inc.

UR business: 60% of revenues from service to employers; 30% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, discharge planning, retrospective review, second surgical opinion, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management, prospective fee negotiation, smoking cessation programs, prenatal education and management, stress management programs, managed wellness benefit.

Medical services reviewed: Group health, chiropractic, rehabilitation, psychiatric/substance abuse, home health care.

UR Staff: 50 total; 36 professionals, including two physicians, 32 registered nurses. On retainer: 15 physicians, 10 nurses.

UR Clients: 120 total; 52 employer clients.

Covered lives: 330,000 employee benefit plan lives.

Admissions reviewed: 33,000; 4% diverted for outpatient treatment.

Charges: Per employee, \$1 to \$3.60; per case/maternity, \$250 to \$500; per hour/large case management, \$95 to \$350.

Officers: Janice K. Albert, president/CEO; William P. Keenan, senior vp.

Contact: William P. Keenan.

Healthmarc

9705 Data Park Drive, Minnetonka, Minn. 55343; 612-945-6780; fax: 612-945-6259

Founded: 1983; began providing utilization review services in 1983.

Parent: United HealthCare Corp.

URAC certified.

UR business: 85% of revenues from service to employers; 15% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management, outpatient case management for chronic cases, 24 hour nurse line, PPO integration, claims interface, outpatient procedure review, high risk pregnancy screening and management, full service mental health/substance abuse, flexibility to integrate with EAPs and PPO networks.

Occasional UR services: Hospital bill audits.

Medical services reviewed: Group health, dental, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability, outpatient maternity.

UR Staff: 450 total, all professionals, including 270 registered nurses, four licensed practical nurses, eight medical records technicians. On retainer: 100 physicians.

UR Clients: 584 employer clients.

Covered lives: 2.2 million employee benefit plan lives; 2.5 million workers compensation lives.

Admissions reviewed: 102,000; 5% diverted for outpatient treatment.

Branch offices: Charleston, W.Va.; Minneapolis, Minn.; Pasadena, Calif.

Charges: Per employee, \$2.70 minimum; per case, \$155 minimum; per hour, \$130 minimum.

Officers: Mark W. Tierney, president; Deanna Rohde, vp-policy/administration; John Davis, COO; Tim Temple, vp-sales/marketing.

Contact: Tim Temple.

HealthNetwork Inc.

1420 Kensington Road, Suite 203, Oak Brook, Ill. 60521-2106; 708-954-2900; fax: 708-954-1518

Founded: 1985; began providing utilization review services in 1985.

Parent: Little Company of Mary Hospital & Health Care Centers, Illinois Masonic Medical Center, Mercy Hospital & Medical Center, West Suburban Hospital Medical Center.

UR business: 5.4% of revenues from service to employers.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, second surgical opinion, outpatient service predetermination, outpatient psychiatric and substance abuse services.

Occasional UR services: Retrospective review, hospital bill audits, case management.

Medical services reviewed: Group health, rehabilitation, psychiatric/substance abuse.

UR Staff: 6.5 total, all professionals, one part-time physician, five registered nurses, one medical records technician.

UR Clients: 36 total; 13 employer clients.

Covered lives: 73,411 employee benefit plan lives.

Admissions reviewed: 8,290; 2% diverted for outpatient treatment.

1992 gross revenues: \$3.7 million total, \$218,000 from UR services.

Charges: Per employee, \$1.85 to \$2.50.

Officers: George C. Phillips Jr., president; Donna Wolak, vp-finance; Robert Wright, assistant vp-general services; Lore Vogelant, assistant vp-operations; Rufina Salvanera, director-utilization management.

Contact: Thomas G. Galvan, controller, 708-954-2900 ext. 203.

HealthPro

10 Mechanic St., Worcester, Mass. 01608; 508-757-5440; fax: 508-753-2337

Founded: 1975; began providing utilization review services in 1975.

Parent: United HealthCare Management Co. Inc.

UR business: 85% of revenues from service to employers; 5% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management.

Medical services reviewed: Group health, rehabilitation, psychiatric/substance abuse, workers comp/disability.

UR Staff: 168 total; 63 professionals, including one physician, 59 registered nurses. On retainer: nine physicians, five nurses.

Covered lives: 2.5 million employee benefit plan lives; 10 million workers compensation lives.

Branch offices: Columbus, Ohio.

Charges: Per employee, \$1.25 to \$2.25.

Officers: Gary N. Lapidus, president/CEO; Katherine Shocas, vp/COO; Barbara Ladon, senior vp-marketing; Norman Yvon, vp-finance.

Contact: Stanley Hill, accounts manager.

The Holman Group

6900 Owensmouth Ave., Canoga Park, Calif. 91303; 818-704-1444 or 800-824-2932; fax: 818-593-2529

Founded: 1979; began providing utilization review services in 1979.

URAC certified.

UR business: 7.5% of revenues from service to employers; 7.5% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management.

Occasional UR services: Retrospective review, hospital bill audits.

Medical services reviewed: Psychiatric/substance abuse, workers comp/disability.

UR Staff: 120 total; 13 professionals, including five physicians, one registered nurse, two licensed practical nurses, five medical records technicians. On retainer: 50 physicians, three nurses.

UR Clients: 100 total; 43 employer clients.

Covered lives: 600,000 employee benefit plan lives; 100 workers compensation lives.

Admissions reviewed: 1,200; 6.5% diverted for outpatient treatment.

Branch offices: Las Vegas, Nev.

1992 gross revenues: \$7.9 million total, \$1.2 million from UR services.

Charges: Per employee, 75 cents to \$3.50; per case, \$160 to \$450.

Officers: Dr. Ron Holman, president/CEO; Linda Holman, vp/CEO; Marilyn Kingston, senior vp; Marcus Sola, administrator-clinical services.

I
IPRO National Medical Review

1979 Marcus Ave., 1st Floor, Lake Success, N.Y. 11042; 516-326-7767; fax: 516-328-2830

Founded: 1983; began providing utilization review services in 1983.

Parent: Island Peer Review Organization.

UR business: 20% of revenues from service to employers; 70% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management, DRG validation, outcome studies, data analysis, quality assurance analysis.

Medical services reviewed: Group health, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability, physician.

UR Staff: 400 total; 311 professionals, including six physicians, 280 registered nurses, 25 medical records technicians. On retainer: 550 physicians.

UR Clients: 40 total; 10 employer clients.

ents.

Covered lives: 3 million employee benefit plan lives; 300,000 workers compensation lives.

Branch offices: Albany, Buffalo, Rochester and Syracuse, N.Y.

1992 gross revenues: \$30 million total; \$27 million from UR services.

Charges: Per employee, per case, per hour.

Officers: Dr. Thomas J. Sheeny, president; Theodore O. Will, executive vp; Raphael P. Nenner, vp-medical affairs.

Contact: Lisa Astor, vp, 516-326-7767 ext. 515.

Integrated Benefit Services Inc.

1630 S. Sixth St., Springfield, Ill. 62703; 217-522-3736; fax: 217-522-8838

Founded: 1989; began providing utilization review services in 1990.

Parent: VHA Great Rivers and Casper, Bartholf & Associates Inc.

UR business: 1% of revenues from service to employers; 11.8% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, hospital bill audits, case management.

Occasional UR services: Retrospective review, second surgical opinion, outpatient service predetermination, outpatient psychiatric and substance abuse services.

Medical services reviewed: Group health, dental, chiropractic, rehabilitation, psychiatric/substance abuse.

UR Staff: Three professionals, including two registered nurses, one medical records technician. On retainer: one physician.

UR Clients: 11 total; one employer client.

Covered lives: 10,000 employee benefit plan lives.

Charges: Per employee, \$1.65 to \$2; per hour, \$75 to \$100.

Officers: Peter Casper, president; Steven Bartholf, secretary/treasurer.

Contact: Bea Furgeson.

Intracorp

1205 Westlakes Drive, Suite 300, Berwyn, Pa. 19312; 215-889-2600; fax: 215-889-2621

Founded: 1970; began providing utilization review services in 1984.

Parent: CIGNA.

URAC certified.

UR business: 4.6% of revenues from service to employers; 37.5% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management, personal health management, PPOs, provider bill auditing, DRG review.

Medical services reviewed: Group health, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability, auto liability.

UR Staff: 4,284 total, all professionals, including 30 physicians, 1,500 registered nurses. On retainer: 300 physicians.

UR Clients: 30,032 total; 16,217 employer clients.

Covered lives: 23.3 million employee benefit plan lives; 2.8 million workers compensation lives.

Admissions reviewed: 975,994; 8.9% diverted for outpatient treatment.

Branch offices: Atlanta; Chicago; Dallas; Los Angeles; Philadelphia; Pittsburgh.

1992 gross revenues: \$276 million total, \$116 million from UR services.

Charges: Per employee, per case.

Officers: Dr. S. Jeffrey Ackerman, president/CEO; Dr. Dorothy Dugger, chief medical officer; Kenneth R. Ross, senior vp-operations; Donald M. Duford, senior vp-marketing/sales; Katherine Perry, senior vp/CFO.

K**Kemper National Services Inc.**

P.O. Box 22330, 1800 Eller Drive, Fort Lauderdale, Fla. 33335-2330; 305-779-2600; fax: 305-779-2667

Founded: 1989; began providing utilization review services in 1992.

Parent: Lumbermen's Mutual Casualty Co.

UR business: 5% of revenues from service to employers.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, hospital bill audits, outpatient service predetermination, case management, health care coordination.

Occasional UR services: Outpatient psychiatric and substance abuse services.

Medical services reviewed: Group health, chiropractic, rehabilitation, workers

comp/disability, physical therapy.

UR Staff: 62 professionals, including two physicians, 60 registered nurses. On retainer: 125 professionals.

UR Clients: 600 total.

Covered lives: 20,000 employee benefit plan lives; 7 million workers compensation lives.

1992 gross revenues: \$25 million total, \$1.5 million from UR services.

Charges: Per employee, per case, per hour.

Officers: Tom Chapman, president/CEO.

Contact: John Miskel, 800-526-8898.

Kepple & Co. Inc.

P.O. Box 1986, Peoria, Ill. 61656-1986; 309-673-7330; fax: 309-673-7369

Founded: 1982; began providing utilization review services in 1986.

Parent: Proctor Healthcare Inc.

UR business: 11.75% of revenues from service to employers.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, case management.

Occasional UR services: Hospital bill audits.

Medical services reviewed: Group health, psychiatric/substance abuse.

UR Staff: 5.5 total, all professionals, including 4.5 licensed practical nurses, one medical records technician.

UR Clients: 55 total, all employer clients.

Covered lives: 20,130 employee benefit plan lives.

1992 gross revenues: \$4.2 million total, \$492,000 from UR services.

Charges: Per employee, \$1.50 to \$2.45; per hour, \$200.

Officers: Philip C. Walker II, president; Gloria J. Towles, comptroller; Jamie Stevenson, vp-marketing; Patti Thornton, claims director.

M**Managed Care Programs Inc.**

4830 W. Kennedy Blvd., Suite 450, Tampa, Fla. 33609; 813-282-8424; fax: 813-282-8034

Founded: 1991; began providing utilization review services in 1991.

UR business: Services available to employers; 100% of revenue from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management.

Occasional UR services: Hospital bill audits.

Medical services reviewed: Psychiatric/substance abuse.

UR Staff: 5.5 total, all professionals, including 1.5 physicians, two registered nurses, two medical records technicians. On retainer: one physician.

UR Clients: Five total.

Covered lives: 125,000 employee benefit plan lives.

Admissions reviewed: 95% diverted for outpatient treatment.

Branch offices: Louisville, Ky.

Charges: Per employee, 20 to 35 cents; per case, \$200 to \$400; per hour, \$95 to \$150.

Officers: Jim Kent, president/CEO; John Kelly, vp-operations.

Contact: John Kelly; Patt Reed, marketing.

Managed Health Network Inc.

5100 W. Goldleaf Circle, Suite 300, Los Angeles, Calif. 90056; 213-299-0999; fax: 213-290-1274

Founded: 1987; began providing utilization review services in 1987.

UR business: 68% of revenues from service to employers; 6% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management.

Occasional UR services: Retrospective review, hospital bill audits.

Medical services reviewed: Psychiatric/substance abuse.

UR Staff: 43 total; 18 professionals, including two physicians, 12 registered nurses, one medical records technician.

UR Clients: 142 total; 137 employer clients.

Covered lives: 1.7 million employee benefit plan lives.

Admissions reviewed: 3,000; 12% diverted for outpatient treatment.

Branch offices: Dallas, New York.

1992 gross revenues: \$37 million total.

Charges: Per employee, 90 cents to \$1.50.

Officers: Ronald W. Moreland, president/CEO; Gary Velasquez, CFO; H.G. Whittington, medical director; Dave Buhler, vp-finance; Nelson Kahn, vp-sales/marketing.

Massachusetts Peer Review Organization

300 Bear Hill Road, Waltham, Mass. 02154; 617-890-0011; fax: 617-890-5485

Founded: 1985; began providing utilization review services in 1986.

Parent: Massachusetts Medical Society.

UR business: 1% of revenues from service to employers; 99% of services to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, retrospective review, hospital bill audits, outpatient service predetermination, quality review, DRG validation.

Occasional UR services: Discharge planning, second surgical opinion.

Medical services reviewed: Group health, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability.

UR Staff: 120 total; 69 professionals, including two physicians, 65 registered nurses, two medical records technicians. On retainer: 390 physicians.

UR Clients: Six total, one employer client.

Admissions reviewed: 65,000.

1992 gross revenues: \$7 million total, all from UR services.

Charges: Per case, \$65 to \$300; per hour, \$65 to \$300; fixed rate.

Officers: Dr. Brenda Richardson, president; Dr. Guenter Spankabel, vp; Dr. Irving Weissman, treasurer; Eugene La Londe, clerk.

Contact: Patricia McDonald.

Med-Valu Inc.

Continued from the previous page
vice to employers; 55% from others.

Frequent UR services: Retrospective review, retrospective loss time analysis, medical and utilization review consulting to federal government/state workers comp funds, utilization review software.

Occasional UR services: Concurrent hospital treatment review, length of stay determination, second surgical opinion, hospital bill audits, outpatient service predetermination, case management.

Medical services reviewed: Dental, chiropractic, workers comp/disability, automobile coverages.

UR Staff: 38 total; 22 professionals, including four physicians, five registered nurses, one licensed practical nurse, eight medical records technicians. On retainer: 75 physicians, 25 nurses.

UR Clients: 650 total; 12 employer clients.

Officers: Dr. Ronald E. Gots, chairman; Peter Garahan, president/CEO; Thomas McCarthy, Dr. Alfred Taricco, executive vps; Michele French, John Madigan, vps.
Contact: John J. Madigan.

Medical Cost Management

122 S. Michigan Ave., Chicago, Ill.
60603; 312-341-0217;
fax: 312-341-9283

Founded: 1986; began providing utilization review services in 1986.

UR business: 60% of revenues from service to employers; 40% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management, high risk maternity management.

Medical services reviewed: Group health, dental, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability.

UR Staff: 18 total, all professionals, including five physicians, seven registered nurses. On retainer: 53 physicians, 45 nurses.

UR Clients: 250 total.

Charges: Per employee, per case, per hour.

Officers: Michael J. O'Connor, president; Dr. Andrew J. Brislen, Dr. David S. Fox, Dr.

C. Larkin Flanagan, Dr. Lawrence L. Kerns, directors.

Medical Foundation Services Inc.

3625 N.W. 82nd Ave., Suite 211,
Miami, Fla. 33166; 305-387-2308;
fax: 305-477-6622

Founded: 1973; began providing utilization review services in 1973.

URAC certified.

UR business: 20% of revenues from service to employers; 70% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management.

Medical services reviewed: Group health, dental, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability.

UR Staff: 55 total, all professionals, including five physicians, 30 registered nurses, 15 licensed practical nurses, five medical records technicians. On retainer: 30 physicians.

UR Clients: 52 total; 12 employer clients.

Covered lives: 100,000 employee benefit plan lives; 5,000 workers compensation lives.

Admissions reviewed: 16,000; 6% diverted for outpatient treatment.

1992 gross revenues: \$2 million total, \$1.8 million from UR services.

Charges: Per employee, \$1 to \$1.95; per case, \$50 to \$150; per hour, \$75 to \$125.

Officers: Rose Strain, executive director; Dr. Robert Furlong, medical director; Richard N. Dietrich, marketing director; Carla Feilbach, director-review.

Medical Review Corp.

1240 Sussex Turnpike, Randolph, N.J.
07869; 201-895-2244;
fax: 201-895-2266

Founded: 1982; began providing utilization review services in 1984.

UR business: 70% of revenues from service to employers; 15% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, dis-

charge planning, second surgical opinion, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management.

Occasional UR services: Retrospective review, fee negotiation.

Medical services reviewed: Group health, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability, podiatric.

Charges: Per employee, \$1.35 to \$3.50; per case, \$65 to \$95; per hour, \$75 to \$150; percent of savings for DRG validation and audits.

Officers: Marc Allen, chairman/CEO; Judy Luray, vp.

Medical Review Institute of America

670 E. 3900 South, Suite 300, Salt
Lake City, Utah 84107; 800-654-2422;
fax: 801-261-3189

Founded: 1982; began providing utilization review services in 1982.

UR business: 8% of revenues from service to employers; 90% from service to others.

Frequent UR services: Length of stay determination, retrospective review, outpatient psychiatric/substance abuse services.

Occasional UR services: Preadmission certification, second surgical opinion, outpatient service predetermination.

Medical services reviewed: Group health, dental, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability, casualty, physical therapy, home health care, prescriptions, durable medical equipment.

UR Staff: 50 professionals, including three physicians, two registered nurses, one licensed practical nurse. On retainer: 323 physicians, two nurses.

UR Clients: 825 total; 15 employer clients.

Charges: Per case, \$45 minimum.
Officers: William Low, president; Diane Hoyle, executive vp.

Medical Review Systems

1040 Crown Pointe Parkway, Suite
450, Atlanta, Ga. 30338;
404-551-4440; fax: 404-551-4441

Founded: 1990; began providing utilization review services in 1991.

UR business: 80% of revenues from service to employers; 20% from service to others.

Frequent UR services: Length of stay

determination, retrospective review, review of hospital/physician bills for reasonableness of charges and appropriateness of services.

Occasional UR services: Concurrent hospital treatment review, discharge planning, case management.

Medical services reviewed: Group health, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability, Jones Act, protection and indemnity.

UR Staff: 52 total; 19 professionals, including eight registered nurses, two licensed practical nurses, nine medical records technicians. On retainer: two physicians, three nurses.

UR Clients: 108 total; 40 employer clients.

Admissions reviewed: 2,800.

Branch offices: Seattle.

1992 gross revenues: \$1.6 million total, all from UR services.

Charges: 4.5% of face amount of bill.

Officers: Scott Smith, chairman; Ed Jones, executive vp; Demmie Hicks, vp-sales; Denise Shaw, vp-clinical services; Clyde Morris, vp-legal services.

Contact: Ed Jones.

Medicus Resource Management Inc.

P.O. Box 16052, Reading, Pa. 19612;
215-372-8417 or 800-647-2500

Founded: 1989; began providing utilization review services in 1989.

Parent: Berkshire Health Plan.

UR business: 80% of revenues from service to employers; 20% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, second surgical opinion, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management, claims review.

Occasional UR services: Discharge planning, retrospective review.

Medical services reviewed: Group health, psychiatric/substance abuse.

UR Staff: Five total; four professionals, including one physician, three registered nurses.

UR Clients: 40 total; 38 employer clients.

Covered lives: 14,270 employee benefit plan lives.

Admissions reviewed: 3,800; 2.5% diverted for outpatient treatment.

1992 gross revenues: \$356,158 total, all from UR services.

Charges: Per employee, \$1.50 to \$1.75.

Officers: Edward J. Wargo, president; Dr. C. Harold Cohn, medical director; Linda Kloap-Price, utilization review supervisor.

MEDIQ Review Services Inc.

12000 J Commerce Parkway, Mt.
Laurel, N.J. 08054; 609-231-7400;
fax: 609-231-7401

Founded: 1986; began providing utilization review services in 1986.

Parent: MEDIQ Inc.

UR business: 20% of revenues from service to employers; 75% from service to others.

Frequent UR services: Preadmission certification; concurrent hospital treatment review; length of stay determination; discharge planning; retrospective review; second surgical opinion; hospital bill audits; outpatient service predetermination; outpatient psychiatric and substance abuse services; case management; outpatient utilization review; comprehensive, prospective, third party and IME/ICE reviews.

Medical services reviewed: Group health, dental, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability.

UR Staff: 42 total; 15 professionals, including six physicians, nine registered nurses. On retainer: four physicians, two nurses.

UR Clients: 293 total; 40 employer clients.

Covered lives: 45,000 employee benefit plan lives; 80,000 workers compensation lives.

Admissions reviewed: 7,000.

Charges: Per employee, per case, per hour.

Officers: Barbara J. Gutstadt, president/CEO; Dr. Mark Stern, vp-clinical affairs; Dr. Richard Derrickson, director-chiropractic; Dave Bukstel, vp-operations; Sharon Shecter Cohen, vp-managed care/marketing.
Contact: Sharon Shecter Cohen.

MedTrac Inc.

P.O. Box 290429, Nashville, Tenn.
37229-0429; 615-872-6300;
fax: 615-872-6310

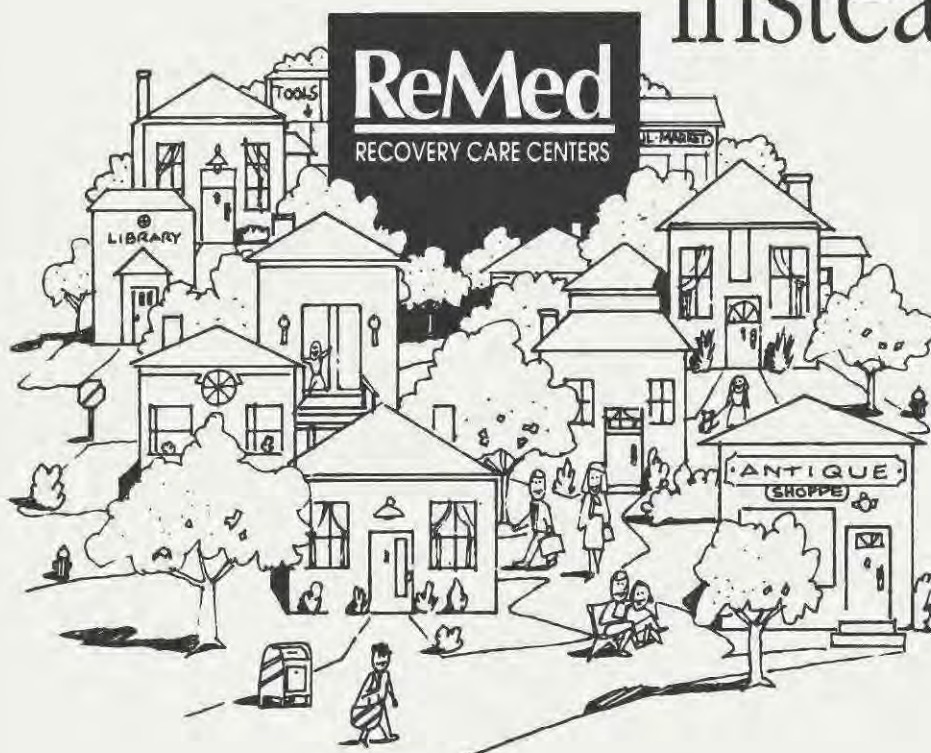
Founded: 1969; began providing utilization review services in 1969.

Parent: Willis Corroon P.L.C.

URAC certified.

Continued on next page

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Continued from previous page

UR business: 32% of revenues from service to employers; 66% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management.

Medical services reviewed: Group health, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability.

UR Staff: 58 total; 31 professionals, all registered nurses. On retainer: two physicians.

UR Clients: 102 total; 52 employer clients.

Covered lives: 260,000 employee benefit plan lives; 180,000 workers compensation lives.

Admissions reviewed: 22,000; 0.8% diverted for outpatient treatment.

Branch offices: Minneapolis; North Hollywood, Calif.; Spartanburg, S.C.; Wichita, Kan.

1992 gross revenues: \$2.7 million total, \$2.6 million from UR services.

Charges: Per employee, \$1.15 to \$1.94; per hour, \$65 to \$170.

Officers: Terry W. Warren, president/CEO; John Lanier, vp-operations; Robert Coffee, secretary.

MedView Services Inc.

32991 Hamilton Court, Farmington Hills, Mich. 48334; 313-488-5260; fax: 313-488-5262

Founded: 1983; began providing utilization review services in 1984.

Parent: Prescription Management Services Inc.

UR business: 4% of revenues from service to employers; 7% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, outpatient service predetermination.

Occasional UR services: Second surgical opinion, hospital bill audits, outpatient psychiatric and substance abuse services.

Medical services reviewed: Group health, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability, auto medical, general liability.

UR Staff: 12 total; nine professionals, including two physicians, five registered nurses, two medical records technicians.

UR Clients: 19 total; 12 employer clients.

Branch offices: Tampa, Fla.

Charges: Per employee, \$1.50 to \$2.25; per case, \$165 to \$185; per hour, \$72 to \$200.

Officers: Robert H. Marks, president; Debra Cerre-Ruedisili, senior vp/COO; Polly Jantzen, Russell Whatmore, Valerie Wilson, Gerald Page, vps.

Medwatch Inc.

101 Sunnyside Road, Suite 212, Casselberry, Fla. 32707; 407-331-1500; fax: 407-260-5682

Founded: 1988; began providing utilization review services in 1988.

UR business: 55% of revenues from service to employers; 45% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management.

Occasional UR services: Hospital bill audits.

Medical services reviewed: Group health, chiropractic, psychiatric/substance abuse, workers comp/disability.

UR Staff: 10 total; seven professionals, all registered nurses. On retainer: 24 physicians.

UR Clients: 50 total; 20 employer clients.

Covered lives: 110,000 employee benefit plan lives; 10,000 workers compensation lives.

Admissions reviewed: 5,000; 25% diverted for outpatient treatment.

Charges: Per employee, \$1.20 to \$1.60; per hour, \$50 to \$75.

Officers: Lynn Jennings, president; Bill Laurie, Arlene McKechnie, vps.

Contact: Judith Garber, 407-260-6566.

Memphis Business Group on Health

2675 Union Extended, Memphis, Tenn. 38112; 901-323-1808; fax: 901-458-0709

Founded: 1985; began providing utilization review services in 1987.

UR business: 64% of revenues from service to employers.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, outpatient service predetermination, outpatient psychiatric and

substance abuse services, case management including obstetrics.

Occasional UR services: Hospital bill audits.

Medical services reviewed: Group health, rehabilitation, psychiatric/substance abuse, workers comp/disability.

UR Staff: 11 total; nine professionals, including six registered nurses, one licensed practical nurse. On retainer: 46 physicians.

UR Clients: 25 employer clients.

Covered lives: 112,235 employee benefit plan lives; 6,900 workers compensation lives.

Admissions reviewed: 4% diverted for outpatient treatment.

1992 gross revenues: \$651,098 total, \$415,969 from UR services.

Charges: Per employee/per month, \$1.85

for utilization review, 74 cents for psychiatric, 77 cents for workers comp/disability; per case, \$250 for psychiatric; per hour, \$50 for workers comp/disability.

Officers: Donna Miller, CEO; Bonnie McKeever, president; Barbara Halliburton, vp; Fred Bowman, treasurer; Linda Lucas, secretary.

Contact: Donna Miller.

Metropolitan Life Insurance Co.-Managed Care Services

1 Madison Ave., New York, N.Y. 10010-0010; 212-578-2211

Founded: 1868; began providing utilization review services in 1984.

Frequent UR services: Preadmission

certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management, healthy pregnancy program, centers of quality transplant network.

Medical services reviewed: Group health, psychiatric/substance abuse.

UR Staff: 824 total, professionals include 29 physicians, 443 registered nurses. On retainer: 15 physicians.

UR Clients: 3,700 total, all employer clients.

Covered lives: 5.5 million employee benefit plan lives.

Admissions reviewed: 227,500.

Branch offices: Albuquerque, N.M.; At-

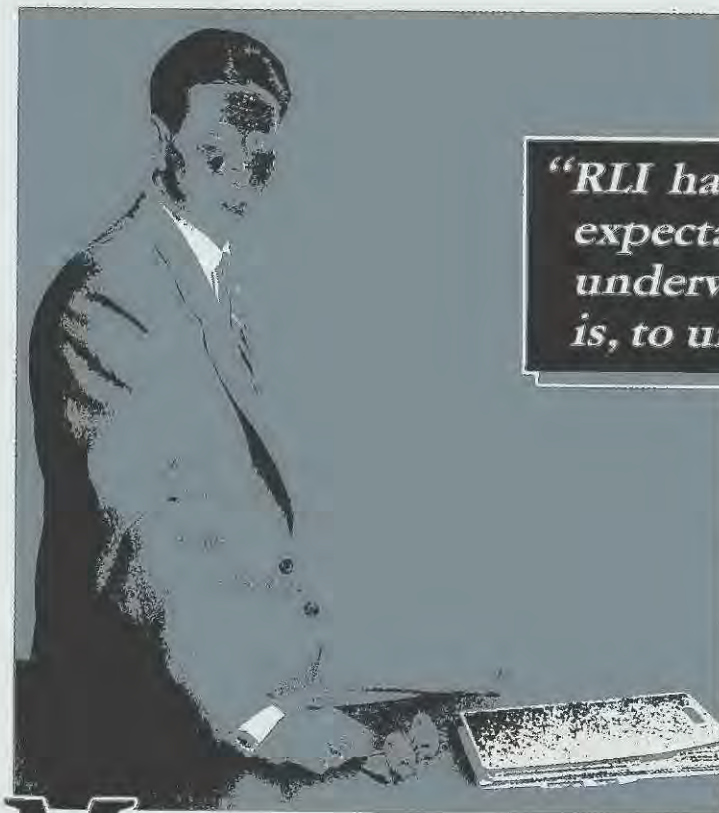
lanta; Austin, Dallas and Houston, Texas; Chicago and Lisle, Ill.; Cincinnati, Cleveland, Dayton and Fairlawn, Ohio; Denver; Hauppauge, N.J.; Kingston and Utica, N.Y.; Long Beach, Orange and San Francisco, Calif.; Miami, Orlando and Tampa/Clearwater, Fla.; Milwaukee; Minneapolis; Pittsburgh; Phoenix; St. Louis; Tulsa, Okla.; Wilmington, Del.

Charges: Per employee.

Mid-Atlantic Benefit Administrators

1300 Piccard Drive, Suite 104, Rockville, Md. 20850; 301-990-1900; fax: 301-990-7076

Founded: 1988; began providing utilization review services in 1988.



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James D. Streeves, CPCU
Vice President
RLI Midwest Regional Office
St. Paul, MN

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RLI

9025 N. Lindbergh Drive Peoria, IL 61615
800/445-5468

Continued from previous page
 zation review services in 1988.

URAC certified.
Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning.

Occasional UR services: Retrospective review, second surgical opinion, hospital bill audits, outpatient psychiatric and substance abuse services, case management.

Medical services reviewed: Group health, chiropractic, psychiatric/substance abuse.

UR Staff: Two total, both registered nurses. On retainer: two physicians.

UR Clients: 30 total, all employer clients.

Covered lives: 3,500 employee benefit plan lives.

Admissions reviewed: 2.5% diverted for outpatient treatment.

1992 gross revenues: \$120,000 from UR services.

Charges: Per employee, \$2.50; per hour, \$65 for review services and case management.

Officers: Darlene Marinello, president; Stephen Phillips, controller; Deborah Valentine.

Contact: Darlene Marinello.

Mountain Medical Affiliates Inc.

1355 S. Colorado Blvd., Suite 900,
 Denver, Colo. 80222; 303-782-9696;
 fax: 303-782-9009

Founded: 1980; began providing utilization review services in 1990.

UR business: 5% of revenues from service to employers; 5% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management, prenatal registry.

Occasional UR services: Second surgical opinion, hospital bill audits.

Medical services reviewed: Group health, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability.

UR Staff: One physicians, 1.5 registered nurses, one licensed practical nurse. On retainer: 18 physicians.

UR Clients: 14 total; 12 employer clients.

Covered lives: 8,500 employee benefit plan lives.

Admissions reviewed: 550; 20% diverted for outpatient treatment.

Charges: Per employee, \$1.50 to \$2.25; per case, \$60; per hour, \$85.

Officers: Barbara Brett, CEO; Michael Bowman, CFO; Dr. Peter Durante, medical director.

MultiPlan Managed Care Inc.

17 W. 17th St., New York, N.Y.
 10011-5510; 212-727-9777;
 fax: 212-675-9076

Founded: 1971; began providing utilization review services in 1981.

UR business: 10% of revenues from service to employers; 10% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, second surgical opinion, outpatient psychiatric and substance abuse services, case management, high risk pregnancy program, employee assistance program, early employee contact and disability management for workers comp.

Occasional UR services: Retrospective review, hospital bill audits, outpatient service predetermination.

Medical services reviewed: Group health, rehabilitation, psychiatric/substance abuse, workers comp/disability.

UR Staff: 50 total; professionals include two registered nurses, five medical records technicians. On retainer: 10 physicians, 30 nurses.

UR Clients: 24 total; 20 employer clients.

Charges: Per employee, per case, per hour, percent of savings.

Officers: Michael Lardiere, president/CEO; Kathleen Sullivan, senior vp; Lorraine C. Woods, vp-marketing.

Contact: Lorraine C. Woods.

Mutual of Omaha Cos.

Mutual of Omaha Plaza, Omaha, Neb.
 68175; 800-877-1052;
 fax: 402-978-5202

Founded: 1909; began providing utilization review services in 1985.

Frequent UR services: Inpatient and outpatient psychiatric services only are offered on an unbundled basis. Services available in conjunction with insurance products: preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management.

Medical services reviewed: Psychiatric/substance abuse, group health available in conjunction with insurance products.

UR Staff: 80 professionals, including five physicians, 75 registered nurses. On retainer: 25 physicians.

UR Clients: 1,068 employer clients.

Covered lives: 305,757 employee benefit plan lives.

Admissions reviewed: 50,631; 1% diverted for outpatient treatment.

1992 gross revenues: \$4.5 million from UR services.

Charges: Per employee, \$1.90 to \$2.25.

Officers: Thomas J. Skutt, chairman/CEO; John W. Weekly, president/COO; Richard Sampson, senior executive vp/director-group operations.

Contact: Pat Moeschler, vp/director-group marketing.

N

NHA Review Services Inc.

770 S. Post Oak Lane, Suite 445,
 Houston, Texas 77056; 713-439-0123;
 fax: 713-439-7529

Founded: 1988; began providing utilization review services in 1988.

Parent: National HealthCare Alliance Inc.

UR business: 1% of revenues from service to employers; 99% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, second surgical opinion, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management, occupational case management.

Occasional UR services: Retrospective

review, hospital bill audits.

Medical services reviewed: Group health, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability.

UR Staff: 5.5 total, all professionals, including 0.5 physician, 5 registered nurses. On retainer: 14 physicians.

UR Clients: 14 total; two employer clients.

Covered lives: 28,500 employee benefit plan lives; 475 workers compensation lives.

Admissions reviewed: 5% diverted for outpatient treatment.

1992 gross revenues: \$428,006 total, all from UR services.

Charges: Per employee, \$1.25 to \$1.50.

Officers: Robert Woolfolk, CEO; Melvin Q. Thorne, COO; Lanis McKinney, vp.

National Case Management/CIAS

300 Esplanade Drive, Suite 1240,
 Oxnard, Calif. 93030; 805-983-2242;
 fax: 805-485-0663

Founded: 1983; began providing utilization review services in 1989.

UR business: 25% of revenues from service to employers; 75% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, hospital bill audits, case management.

Medical services reviewed: Group health, chiropractic, rehabilitation, workers comp/disability.

UR Staff: 15 total, all professionals, including 10 registered nurses, five medical records technicians.

UR Clients: 40 total; 10 employer clients.

Covered lives: 30,000 employee benefit plan lives; 250,000 workers compensation lives.

Admissions reviewed: 400.

Branch offices: Seal Beach and Fresno, Calif.

1992 gross revenues: \$1.3 million total, all from UR services.

Charges: Per employee, \$1.10 to \$1.65; per case, \$100; per hour, \$85 to \$100.

Officers: Michael J. Lewis, president/CEO; Mary K. Lacyk, chairman; Mary Abraham, CFO; Donna Lester, vp.

Contact: Bonnie Krueger.

National Health Services Inc.

10909 W. Greenfield Ave., Milwaukee,
 Wis. 53214; 414-778-5151;
 fax: 414-778-5144

Founded: 1984; began providing utilization review services in 1984.

Parent: Pioneer Financial Services.

UR business: 5% of revenues from service to employers; 88% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, outpatient service predetermination, case management.

Occasional UR services: Discharge planning, retrospective review, second surgical opinion, hospital bill audits, outpatient psychiatric and substance abuse services, professional clinical opinions.

Medical services reviewed: Group health, dental, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability, long-term care, home health care, inpatient chemical dependency/psychiatric.

UR Staff: 81 total; 16 professionals, including one physician, 10 registered nurses, one licensed practical nurse, four medical records technicians. On retainer: 37 physicians, 47 nurses.

UR Clients: 75 total; five employer clients.

Covered lives: 592,860 employee benefit plan lives serviced directly; 828,470 employee benefit lives serviced by licensees.

Admissions reviewed: 59,450.

Branch offices: Dallas.

1992 gross revenues: \$4 million total, \$3.7 million from UR services.

Charges: Per employee, \$1 to \$1.94; per case, \$99 to \$110; per hour, \$100 to \$175.

Officers: Anthony J. Pino, CEO; Al Pertuz, executive vp; Kristie L. Jorgenson, vp-operations; Dr. Jack T. Lane, medical director.

Contact: Jordan Misner, director-sales.

National Medical Audit

3 Embarcadero Center, Suite 1250,
 San Francisco, Calif. 94111;
 415-393-5675; fax: 415-393-5553

Founded: 1984; began providing utilization review services in 1984.

Parent: William M. Mercer Inc.

UR business: 28% of revenues from service to employers; 26% from service to others.

Frequent UR services: Retrospective review, utilization review program performance evaluations.

Medical services reviewed: Group health, dental, chiropractic, psychiatric/substance abuse, workers comp/disability.

UR Staff: 35 total; 12 professionals, including eight physicians, four registered nurses. On retainer: four physicians, four nurses.

UR Clients: 33 total; 18 employer clients.

Branch offices: Atlanta, Boston, Chicago, Minneapolis, New York, Washington.

Officers: Dr. Arnold Milstein, president; Dr. Michael J. Martin, director-utilization review/quality assurance services.

Continued on next page

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 Washington, D.C. 20036-3998
 (202) 223-7539

O

Ohio Health Choice Plan

2322 E. 22nd St., Cleveland, Ohio
44124; 800-554-0027;
fax: 216-621-3178

Founded: 1982; began providing utilization review services in 1983.

Parent: St. Vincent Charity Hospital and Health Center.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, second surgical opinion, outpatient service predetermination, outpatient psychiatric and substance abuse services, outpatient diagnostic services review, off network access review.

Occasional UR services: Retrospective review, hospital bill audits, case management.

Medical services reviewed: Group health, psychiatric/substance abuse.

UR Staff: 16 total; professionals include two physicians, 7.5 registered nurses, 1.6 licensed practical nurses. On retainer: two physicians.

UR Clients: 5,000 total.

Admissions reviewed: 17,000.

Charges: Per employee (utilization review); per hour (case management).

Officers: Russell Eckles, executive vp; Jim Francisco, director-marketing; Scott Vactor, marketing representative.

Options

1400 Penn Ave., Pittsburgh, Pa.
15222; 412-391-9604;
fax: 412-391-0468

Founded: 1981; began providing utilization review services in 1984.

URAC certified.

UR business: 10% of revenues from service to employers; 10% from service to others.

Frequent UR services: Preadmission certification, second surgical opinion, hospital bill audits, outpatient service predetermination, case management, chiropractic and physical therapy peer reviews.

Occasional UR services: Concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, outpatient psychiatric and substance abuse services.

Medical services reviewed: Group health, chiropractic, workers comp/disability, physical therapy.

UR Staff: 10 total; professionals include six registered nurses. On retainer: 100 physicians.

UR Clients: 20 total.

Covered lives: 2,500 workers compensation lives.

Admissions reviewed: 25% diverted for outpatient treatment.

Charges: Per hour, \$59 to \$200.

Officers: Joseph M. McCabe, president-McCabe & Scarlata Inc.; Antonia L. Scarlata, secretary/treasurer-McCabe & Scarlata Inc.

Options Unlimited

76 E. Main St., Huntington, N.Y.
11743; 516-673-1150;
fax: 516-673-8369

Founded: 1983; began providing utilization review services in 1983.

UR business: 10% of revenues from service to employers; 80% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management, disability, provider claim reviews.

Occasional UR services: Second surgical opinion, hospital bill audits.

Medical services reviewed: Group health, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability.

UR Staff: 20 total; 17 professionals. On retainer: 14 physicians, 110 nurses.

UR Clients: 24 total; six employer clients.

Covered lives: 48,000 employee benefit plan lives; 10,000 workers compensation lives.

Admissions reviewed: 2,500; 10% diverted for outpatient treatment.

1992 gross revenues: \$1.2 million total, \$1.1 million from UR services.

Charges: Per employee, \$2.15 to \$2.65; per case, \$100 to \$150; per hour, \$85 to \$105.

Officers: Catherine Mullahy, president/secretary.

Contact: Kelly Medwig, administrator.

P

PCC/Drug Data Systems Inc.

828 N. Hollywood Way, Burbank, Calif.
91505; 818-843-8551;
fax: 818-843-1079

Founded: 1969.

Frequent UR services: Retrospective review, hospital bill audits.

Medical services reviewed: Group health, psychiatric/substance abuse, workers comp/disability, pharmacy bill reviews.

Charges: Fee basis.

Officers: Dr. Alvin Saidiner, president.

PRS

5995 Plaza Drive, Cypress, Calif.
90630; 800-223-4276;
fax: 714-220-3743

Founded: 1983; began providing utilization review services in 1983.

URAC certified.

UR business: 98% of revenues from service to employers; 2% from service to others.

Frequent UR services: Fee negotiation, maternity options management.

Medical services reviewed: Group health, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability, physical therapy, partial/residential treatment facilities/hospitalization, HMO, PPO, EPA.

UR Staff: 27 total; 10 professionals, including one physician, nine registered nurses. On retainer: 67 physicians.

UR Clients: 243 total; 58 employer clients.

Covered lives: 174,568 employee benefit plan lives.

Admissions reviewed: 38,682; 7% diverted for outpatient treatment.

1992 gross revenues: \$5.5 million total, all from UR services.

Charges: Per employee, \$1.30 to \$1.50; per case/fee for service, \$200 to \$400; per hour, \$115; percent of savings.

Officers: Terry Hartshorn, CEO-Pacificare Health Systems; Richard Lipales, president-Pacificare Health Systems; Barbara Lubasch, president-PRS; Alan Hoops, executive vp-Pacificare Health Systems; Paul A. Teslow, CEO-Unihealth.

Contact: Debra Fansler, proposal coordinator, 800-223-4276 ext. 3519.

PAR 3 Utilization**Review Services Inc.**

1772 Platte St., Denver, Colo. 80202;
303-433-6898; fax: 303-433-7696

Founded: 1987; began providing utilization review services in 1987.

Parent: QMC 3 Inc.

UR business: 60% of revenues from service to employers; 20% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management, workers comp predetermination.

Occasional UR services: Retrospective review, second surgical opinion.

Medical services reviewed: Group health, dental, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability, property/casualty, auto.

UR Staff: 22 total; 16 professionals, including five physicians, six registered nurses, one licensed practical nurse, four medical records technicians. On retainer: 82 physicians, 25 nurses.

UR Clients: 419 total; 18 employer clients.

Covered lives: 190,000 employee benefit plan lives; 30,000 workers compensation lives.

Admissions reviewed: 16,239; 1% diverted for outpatient treatment.

Branch offices: Grand Junction, Colo.; Mountain Lakes, N.J.; Willow Grove, Pa.

Charges: Per employee, \$25 to \$1.95; per case, \$100 to \$300; per hour, \$35 to \$200.

Officers: Kimberly A. Sutphin, president/COO; Dr. Howard Entin, vp/director-behavioral medicine; Dr. Henry Roth, vp/medical director; Dr. John Sbarbaro, medical director; Dr. Eric Griffiths, director-chiropractic services.

Pathway Review Systems

40600 Ann Arbor Road, Suite 200,
Plymouth, Mich. 48170; 313-459-2997;
fax: 313-454-7301

Founded: 1989; began providing utilization review services in 1990.

Parent: Michigan Peer Review Organization.

URAC certified.

UR business: 10% of revenues from service to employers; 78% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management, disability management.

Occasional UR services: Discharge planning, retrospective review, second surgical opinion, hospital bill audits.

Medical services reviewed: Group health, dental, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability.

UR Staff: Eight total, all professionals, including seven registered nurses, one medical records technician. On retainer: 600 physicians.

UR Clients: 60 total; 53 employer clients.

ents.

Covered lives: 32,000 employee benefit plan lives.

Admissions reviewed: 3,200; 5% diverted for outpatient treatment.

1992 gross revenues: \$423,359 total, \$373,102 from UR services.

Charges: Per employee, \$1.25 to \$1.59; per case, \$60 to \$185; per hour (case management), \$58.

Officers: Dr. Richard E. Burney, chairman; Gary G. Horvat, CEO/president; Gary Guetschow, controller/treasurer; Bettye J. Elkins, vp; Penelope Pestronk, secretary.

Contact: Sara Daniel, director-program services.

Peer Review Analysis Inc.

380 Pleasant St., Malden, Mass.
02148; 617-322-6400;
fax: 617-322-7726

Founded: 1984; began providing utilization review services in 1984.

URAC certified.

UR business: 26% of revenues from service to employers; 71% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, dis-

charge planning, retrospective review, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management, care management, automated procedural evaluation software.

Occasional UR services: Second surgical opinion, hospital bill audits.

Medical services reviewed: Group health, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability, physical rehabilitation.

UR Staff: 80 total; 30 professionals, including five physicians, 25 registered nurses. On retainer: 100 physicians.

UR Clients: 73 total; 15 employer clients.

Covered lives: 9.5 million employee benefit plan lives; 500,000 workers compensation lives.

Admissions reviewed: 210,000; 15% diverted for outpatient treatment.

1992 gross revenues: \$9.1 million total, \$8.8 million from UR services.

Charges: Per employee, \$1.40 to \$2.95; per case, \$75 to \$105; per hour, \$175 to \$250.

Officers: Dr. Barry Manuel, chairman; Cheryl Clarkson, CEO; Russell Robbins, president/vice chairman; William Nixon, vp-finance/treasurer; Dr. Stephen Ober, executive vp-medical affairs.

Contact: Russell Robbins or James Her-

ington, vp-sales/service.

Plan Services Inc.

3501 Frontage Road, Tampa, Fla.
33607; 813-289-1000 or
800-237-7767; fax: 813-289-7937

Founded: 1970; began providing utilization review services in 1985.

Parent: Dun & Bradstreet Corp.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, case management, high risk maternity programs.

Occasional UR services: Retrospective review, second surgical opinion, outpatient service predetermination.

Medical services reviewed: Group health, rehabilitation, psychiatric/substance abuse.

UR Staff: 21 total; 10 professionals, including nine registered nurses, one licensed practical nurse. On retainer: 32 physicians.

UR Clients: Seven total; six employer clients.

Covered lives: 137,000 employee benefit plan lives.

Admissions reviewed: 12,650; 3% diverted for outpatient treatment.

Continued on next page

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Continued from previous page
Charges: Per employee, per hour.
Officers: Gary Raeckers, president; Trevor Smith, chairman; Cliff Bateman, Richard Bresee, William Lazarus, senior vps.

The Precertification Center

P.O. Box 898125, Camp Hill, Pa.
 17089; 800-441-2333;
 fax: 800-626-9090

Founded: 1984; began providing utilization review services in 1984.

Parent: Pennsylvania Blue Shield/Capital Blue Cross.

URAC certified.

UR business: 98% of revenues from service to employers.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, second surgical opinion, outpatient service predetermination, workers comp case management, short-term/long-term disability certification.

Occasional UR services: Discharge planning, retrospective review, outpatient psychiatric and substance abuse services, case management.

Medical services reviewed: Group health, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability, short-term disability including maternity.

UR Staff: 21 total; 19 professionals, including two physicians, 17 registered nurses. On retainer: two physicians.

UR Clients: 242 total, all employer clients.

Covered lives: 563,000 employee benefit plan lives; 12,000 workers compensation lives.

Admissions reviewed: 30,700; 3.5% diverted for outpatient treatment.

1992 gross revenues: \$2.2 million total, \$2.16 million from UR services.

Charges: Per employee/per month, \$70 to \$140.

Officers: Jerry Boyer, president; Elizabeth Galitski, director-program administration; Susan Bianchi, director-information systems.

Premier Medical Network

2180 S. 1300 E., Suite 415, Salt Lake City, Utah, 84106; 801-486-3366; fax: 801-467-3020

Founded: 1985; began providing utilization review services in 1985.

UR business: 12% of revenues from service to employers; 12% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management.

Occasional UR services: Second surgical opinion, hospital bill audits.

Medical services reviewed: Group health, rehabilitation, psychiatric/substance abuse, workers comp/disability.

UR Staff: Six total; professionals include one physician, three registered nurses, two medical records technicians. On retainer: 18 physicians.

UR Clients: 22 total.

Covered lives: 23,636 employee benefit plan lives; 42,164 workers compensation lives.

Admissions reviewed: 2,385; 15% diverted for outpatient treatment.

Charges: Per employee, \$2.50 to \$5.25; per hour, \$100; case management charges not to exceed savings.

Officers: Lynn S. Simons, president; Joseph A. Schoenhals, medical director; Charles C. Auchterlonie, COO; Josette T. Dorius, director-utilization management/quality assurance.

Contact: Josette T. Dorius.

Prest & Associates Inc.

2304 Wimbledon Way, Las Vegas, Nev. 89107; 800-358-5129; fax: 702-258-4669

Founded: 1988; began providing utilization review services in 1988.

UR business: 20% of revenues from service to employers; 70% from service to others.

Frequent UR services: Physician advisor services only: preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management.

Medical services reviewed: Physician advisor services for psychiatric/substance abuse and workers comp/disability.

UR Staff: Two total, both professionals, including one physician.

On retainer: 15 physicians.

UR Clients: 19 total; eight employer clients.

Covered lives: 1.5 million employee benefit plan lives.

Charges: Per case, \$60 to \$75; per hour, \$110 to \$150.

Officers: Dr. James Richard Prest, chairman/medical director; Susan R. Prest, president/CEO.

Contact: Susan R. Prest.

Private Healthcare Systems Inc.

20 Maguire Road, Lexington, Mass.
 02173; 617-861-5500;
 fax: 617-861-5772

Founded: 1985; began providing utilization review services in 1985.

Parent: Benefit Trust Life Insurance Co., Business Men's Assurance Co. of America, CNA Insurance Cos., Confed Admin Services Inc., Fortis Benefits Insurance Co., General American Life Insurance Co., Great-West Life & Annuity Insurance Co., The Guardian Life Insurance Co. of America, Jefferson-Pilot Life Insurance Co., The New England Mutual Life Insurance Co., Northwestern National Life Insurance Co., Pacific Mutual Life Insurance Co., Phoenix Home Life Mutual Insurance Co., State Mutual Life Assurance Co. of America, Time Insurance Co.

UR business: 5% of revenues from service to employers; 64% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management, high-risk maternity screening program, medical necessity review, integrated mental health program.

Medical services reviewed: Group health, rehabilitation, psychiatric/substance abuse, workers comp/disability.

UR Staff: 950 total; 297 professionals, including 10 physicians, 287 registered nurses. On retainer: 64 physicians.

UR Clients: 17 total; two employer clients.

Covered lives: 5.2 million employee benefit plan lives; 1.1 million workers compensation lives.

Admissions reviewed: 505,237; 5.1% diverted for outpatient treatment.

Branch offices: Irvine, Calif.; Rosemont, Ill.

1992 gross revenues: \$65 million total, \$44.5 million from UR services.

Officers: Gene P. Guselli, president/CEO; Donna Goldin, executive vp-strategic development; William Schunemann, treasurer.

Contact: Michael A. Euele, assistant vp-client services.

Professional Review Organization for Washington

10700 Meridian Ave. N., Suite 100, Seattle, Wash. 98133-9075;
 206-364-9700; fax: 206-368-2419

Founded: 1975; began providing utilization review services in 1975.

UR business: 90% of revenues from service to employers; 10% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, hospital bill audits, case management, DME review, DRG validation, medical consultation, prenatal coordination.

Occasional UR services: Second surgical opinion, outpatient service predetermination, outpatient psychiatric and substance abuse services.

Medical services reviewed: Group health, rehabilitation, psychiatric/substance abuse, workers comp/disability, physical therapy, massage therapy.

UR Staff: 120 total; 63 professionals, including one physician, 40 registered nurses, three licensed practical nurses, 19 medical records technicians. On retainer: 200 physicians.

UR Clients: 60 total; 18 employer clients.

Covered lives: 2.7 million employee benefit plan lives; 10,000 workers compensation lives.

Admissions reviewed: 55,000; 1% di-

verted for outpatient treatment.

Branch offices: Anchorage, Alaska; Boise, Idaho.

1992 gross revenues: \$6.9 million total, all from UR services.

Officers: Dr. Herbert M. Hilgers, chairman; John W. Daise, CEO; Dr. J.C. Peterson, director-medical affairs; Michael Garrett, director-utilization management/marketing; Georgene Grauman, CFO.

Contact: Michael Garrett.

ProHealth

811 Greencrest Drive, Westerville, Ohio 43081; 614-841-0480;
 fax: 614-841-0977

Founded: 1985; began providing utilization review services in 1985.

Parent: Harrington Services Corp.

UR business: 100% of revenues from service to employers.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management.

Continued on next page

CRISIS

REGULATION

HMOs/PPOs

MANDATED COVERAGE

LEGISLATION

SINGLE PAYER

REFERENCE

MANAGED CARE

The United States is facing a health care crisis of the greatest magnitude. It's time for action as American citizens, government officials, corporate leaders and insurers are asking ...

- Should all employers be required to offer some type of health care coverage to their employees?
- Would a single-payer, universal health care system, like the Canadian system, be workable in the United States?
- Are there lessons to be learned from the health care systems of other nations?
- What are the problems preventing small employers from providing the same type of health care coverage offered by most large employers?
- Should the government strictly control health care costs?
- Should health care services be rationed?

Addressing this critical issue — providing appropriate and cost-effective health care coverage for Americans — Business Insurance will present an extra edition of the news weekly this March as a

SPECIAL REPORT: SOLVING THE HEALTH CARE CRISIS.

The centerpiece for this special report will include the thoughts of more than 100 experts from all walks of the health care field ... benefit managers and other corporate executives; insurers; HMO/PPO/managed care providers; brokers and consultants; doctors, nurses, hospital administrators; labor officials; consumer advocates; legislators and public policy makers; regulators; academicians; and others. They'll look at the problems of controlling costs, the challenges of managing competition, and then outline their own proposed remedies. This special edition of BI will be relied on as a timely reference piece throughout the coming year.

Continued from previous page

Occasional UR services: Chiropractic review, high risk maternity management, prescription drug review, wellness programs.

Medical services reviewed: Group health, dental, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability.

UR Staff: 17 total; 15 professionals, including three physicians, 12 registered nurses. On retainer: 22 physicians.

UR Clients: 38 total, all employer clients.

Covered lives: 125,000 employee benefit plan lives.

Admissions reviewed: 15,460; 10% diverted for outpatient treatment.

Branch offices: Columbus, Ohio; Los Angeles.

1992 gross revenues: \$1.8 million total, all from UR services.

Charges: Per employee, per case, per hour.

Officers: Robert Parker, president; Robert Covert, treasurer; Warren Blue, senior vp/general counsel; Steven Weber, COO; Gary Fansler, vp/marketing.

Contact: Gary Fansler.

Provident Life & Accident

1 Fountain Square, Chattanooga, Tenn. 37402; 615-755-1156; fax: 615-755-1750

Founded: 1887; began providing utilization review services in 1983.

UR business: 70% of revenues from service to employers.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management.

Occasional UR services: Hospital bill audits.

Medical services reviewed: Group health, chiropractic, rehabilitation, psychiatric/substance abuse.

UR Staff: 120 total; 80 professionals, including one physician, 70 registered nurses, nine licensed practical nurses. On retainer: 137 physicians.

UR Clients: 1,465 employer clients.

Covered lives: 1.5 million employee benefit plan lives.

Admissions reviewed: 95,000.

Officers: Dianne Luby, vp-medical review services; John Blake, vp-medical delivery systems.

Prudential

Psychiatric Management

56 N. Livingston Ave., Stop 207, Roseland, N.J. 07068-1790; 800-382-9479; fax: 201-716-8980

Founded: 1990; began providing utilization review services in 1990.

Parent: The Prudential Insurance Co. of America.

UR business: 100% of revenues from service to employers.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management, employee assistance program.

Medical services reviewed: Psychiatric/substance abuse.

Admissions reviewed: 35% diverted for outpatient treatment.

Branch offices: Houston.

Officers: Dr. Richard Kunnies, COO.

Contact: Marcia Levin.

PsychCare Connections Inc.

7346 N. Monticello, Skokie, Ill. 60076; 708-679-2575; fax: 708-679-1274

Founded: 1986; began providing utilization review services in 1990.

UR business: Service to employers available; 100% of revenues from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, outpatient service predetermination, outpatient psychiatric and substance abuse services.

Occasional UR services: Case management.

Medical services reviewed: Psychiatric/substance abuse.

UR Staff: Two total, both professionals. On retainer: three physicians, two nurses.

UR Clients: Three total.

Covered lives: 12,000 employee benefit plan lives.

Admissions reviewed: 200; 15% diverted for outpatient treatment.

Charges: Per employee, per case, per hour.

Officers: Dolores Kapral, president; Judith Lieberman, vp-marketing; Dr. Ronald Kirschner, medical director; Rosale Kirschner, vp-provider relations.

Contact: Dr. Ronald L. Kirschner.

Psychology Systems Inc.

615 S. Main St., Milpitas, Calif. 95035; 408-263-8046; fax: 408-942-0264

Founded: 1979.

URAC certified.

UR business: 10% of revenues from service to employers; 20% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management, coordination with TPAs.

Occasional UR services: Hospital bill audits.

Medical services reviewed: Psychiatric/substance abuse.

UR Staff: 10 total; professionals include one physician, two medical records technicians.

UR Clients: 30 total; 26 employer clients.

Covered lives: 4,000 employee benefit plan lives.

Admissions reviewed: 400; 36% diverted for outpatient treatment.

Branch offices: Fresno, Calif.; Reno, Nev. **1992 gross revenues:** \$450,000 from UR services.

Charges: Per employee.

Officers: Dr. John C. Brady II, president; Richard D. Falls, senior vp-marketing; Dr. James B. Wallace, vp; Dr. Ronald Seff, medical director.

Contact: Richard D. Falls.

Q

Quality Inc.

11498 Luna Road, Suite 103, Dallas, Texas 75234; 214-556-0688; fax: 214-869-0240

Founded: 1980; began providing utilization review services in 1987.

UR business: 1% of revenues from service to employers; 3% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, hospital bill audits, case management.

Occasional UR services: Retrospective review, second surgical opinion, outpatient service predetermination.

Medical services reviewed: Group health, dental, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability, individual.

UR Staff: 13 total, all professionals, including 11 registered nurses, two medical records technicians.

UR Clients: 36 total; one employer client.

Covered lives: 11,000 employee benefit plan lives.

Admissions reviewed: 500; 14% diverted for outpatient treatment.

Branch offices: Atlanta; Chicago; Denver; Houston; Hartford, Conn.; Los Angeles; Nashville, Tenn.; New Orleans; Oklahoma City; San Francisco; Tampa, Fla.

1992 gross revenues: \$7.5 million total, \$300,000 from UR services.

Charges: Per employee, \$1.05 to \$1.30; per case, \$42.50 to \$80; per hour, \$25 to \$55; percent of savings.

Officers: Larry L. Leath, CEO/president; T. Don Girolamo, Lee Moore, division vps; Ricci Millaway, vp; Tom Whitley, division vp-sales.

Contact: Ricci Millaway.

Quality Health Services Inc.

633 W. Germantown Pike, Plymouth Meeting, Pa. 19462; 215-941-9561; fax: 215-941-9772

Founded: 1983; began providing utilization review services in 1983.

UR business: 20% of revenues from service to employers; 80% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management, physician fee negotiation, DRG validation, high risk maternity program.

Medical services reviewed: Group health, chiropractic, psychiatric/substance abuse, workers comp/disability.

UR Staff: 43 total; professionals include one physician, 13 registered nurses, one licensed practical nurse, one medical records technician. On retainer: 46 physicians.

UR Clients: 38 total; 10 employer clients.

Covered lives: 140,000 employee benefit plan lives; 1,000 workers compensation lives.

Admissions reviewed: 6.5% diverted for outpatient treatment.

Charges: Per employee, \$1.65 to \$3; per hour (case management), \$85 to \$145.

Officers: Roger Hiser, CEO; Beth Leach, vp-workers comp; Deborah Thomas, vp-marketing; Barbara Nammur, director-operations.

Continued on next page

EXPOSURE



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Continued from previous page

Quality Managed Care Inc.

8717 W. 110th St., Suite 270, Overland Park, Kan. 66210; 913-345-1784; fax: 913-345-1804

Founded: 1988; began providing utilization review services in 1988.
Parent: Lifetime Corp.

UR business: 20% of revenues from service to employers; 75% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, second surgical opinion, outpatient psychiatric and substance abuse services, case management, vocational counseling, high risk pregnancy management.

Occasional UR services: Retrospective review, hospital bill audits, outpatient service predetermination.

Medical services reviewed: Group health, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability.

UR Staff: 14 professionals, all registered nurses. On retainer: one physician.

UR Clients: 59 total; four employer clients.

Covered lives: 22,000 employee benefit plan lives; 2,400 workers compensation lives.

Admissions reviewed: 3,242.

Branch offices: Chicago; Denver; Philadelphia; Wichita, Kan.

Charges: Per employee (utilization review); per hour (case management).

Officers: Noreen Whalen, vp/general manager.

Contact: H.D. Maxwell, vp-sales.

The Queen's Health Care Plan Inc.

2 Waterfront Plaza, 500 Ala Moana Blvd., Suite 200, Honolulu, Hawaii 96813; 808-522-7500; fax: 808-522-7561

Founded: 1985; began providing utilization review services in 1985.

Parent: The Queen's Health Systems.

UR business: 20% of revenues from service to employers; 40% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management.

Occasional UR services: Hospital bill audits.

Medical services reviewed: Group health, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability, off-island referral programs.

UR Staff: 25 total; 15 professionals, including one physician, 12 registered nurses. On retainer: three physicians, nurses.

UR Clients: 650 employer clients.

Covered lives: 175,000 employee benefit plan lives; 500 workers compensation lives.

Admissions reviewed: 1,600; 5% diverted for outpatient treatment.

1992 gross revenues: \$6.4 million total.

Charges: Per employee, \$1.40 to \$2.20.

Officers: Richard M. Jackson, president/CEO; Harry A. Baut, CFO; James M. Kroft, director-commercial operations; Rhoda Wan Dee, director-utilization management/quality assurance; Susan M.O. Patterson, director-provider relations.

Contact: Don Perry, marketing representative.

Sagamore Health Network

11555 N. Meridian St., Suite 400, Carmel, Ind. 46032; 317-573-2900; fax: 317-573-2946

Founded: 1985; began providing utilization review services in 1985.

UR business: 10% of revenues from service to employers; 10% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, second surgical opinion, case management.

Occasional UR services: Retrospective review, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services.

Medical services reviewed: Group health, rehabilitation, psychiatric/substance abuse.

UR Staff: Eight total; six professionals, including one physician, four registered nurses, one licensed practical nurse.

UR Clients: 60 total; 25 employer clients.

Covered lives: 140,000 employee benefit plan lives.

Admissions reviewed: 18,118; 10% diverted for outpatient treatment.

Charges: Per employee, per month.

Officers: William R. Ealy, president/CEO; Keith C. Starling, vp-operations/COO; John Johnson, vp-finance; Hal Hefner, vp-business development; Malinda Hinkle, vp-marketing.

Contact: Keith C. Starling, 317-575-2943.

Sanus Preferred

7601 Ora Glen Drive, Suite 200, Greenbelt, Md. 20770; 301-441-1600; fax: 301-441-2632

Founded: 1986; began providing utilization review services in 1987.

Parent: Sanus Corp. Health Systems.

UR business: 34% of revenues from service to employers; 36% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management.

Occasional UR services: Retrospective review.

Medical services reviewed: Group health, rehabilitation, psychiatric/substance abuse, workers comp/disability.

UR Staff: 24 total, all professionals, including two physicians, 20 registered nurses, two licensed practical nurses.

UR Clients: Eight total; two employer clients.

Covered lives: 26,743 employee benefit plan lives; 4,200 workers compensation lives.

Admissions reviewed: 2,294; 7.5% diverted for outpatient treatment.

1992 gross revenues: \$350,000 total, \$250,000 from UR services.

Charges: Per employee, \$1.95 to \$3.50; per case, \$50 to \$75; per hour, \$75 to \$125.

Officers: Joseph T. Lymaugh, president; Robert J. Kent, secretary; Jeff D. Emerson, vp; Theodore Waltman, treasurer.

Contact: John Ogilvie.

Second Opinion Consultants Inc.

P.O. Box 621, Millwood, N.Y. 10546; 914-747-2187; fax: 914-747-2137

Founded: 1983; began providing utilization review services in 1984.

UR business: 10% of revenues from service to employers; 90% from service to others.

Frequent UR services: Second surgical opinion, hospital bill audits.

Medical services reviewed: Group health, chiropractic, workers comp/disability.

UR Staff: Five total; professionals include one physician, two licensed practical nurses.

UR Clients: 13 total; 10 employer clients.

Covered lives: 5,000 employee benefit plan lives.

Charges: Per case, \$150 to \$170.

Officers: Dr. Madelon L. Finkel, president/CEO; David J. Finkel, treasurer/CFO; Dr. Norman Mazza, medical director.

Contact: Dr. Madelon L. Finkel.

Spectrum Review Services Inc.

1 Cornerstone Plaza, 3845 FM, 1960 West, Suite 410, Houston, Texas 77068-3519; 713-444-2194 or 800-258-5055; fax: 713-444-2482

Founded: 1990; began providing utilization review services in 1991.

UR business: 5% of revenues from service to employers; 95% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management.

Occasional UR services: Retrospective review, second surgical opinion.

Medical services reviewed: Group health, chiropractic, psychiatric/substance abuse, ERISA plans.

UR Staff: Five total; four professionals, including one physician, one registered nurse, one licensed practical nurse, one medical records technician. On retainer: 73 physicians, two nurses.

UR Clients: 15 total; one employer client.

Covered lives: 30,000 employee benefit plan lives.

Admissions reviewed: 6,800; 5% diverted for outpatient treatment.

1992 gross revenues: \$238,000 total, all from UR services.

Charges: Per employee, per case, per hour.

Officers: Frank J. Berrier Jr., president/CEO; Ernest C. Munshower, vp-operations; Dr. Vergil C. Pebley, vp/medical director; Karen L. Mesa, vp-managed care; Nancy S. Anacelle, vp-marketing.

Strategic Health Development Corp.

9315 N.E. Sixth Ave., Suite A1, Miami Shores, Fla. 33138; 800-874-2378; fax: 305-751-1029

Founded: 1985; began providing utilization review services in 1985.

URAC certified.

UR business: 40% of revenues from service to employers; 40% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, retrospective review, hospital bill audits, outpatient service predetermination, case management.

Occasional UR services: Length of stay determination, discharge planning, second surgical opinion, outpatient psychiatric and substance abuse services.

Medical services reviewed: Group health, rehabilitation, psychiatric/substance abuse, workers comp/disability.

UR Staff: 25 total, all professionals, including one physician, 24 registered nurses. On retainer: 10 physicians, 50 nurses.

UR Clients: 50 total; one employer client.

Covered lives: 200,000 employee benefit plan lives; 30,000 workers compensation lives.

Admissions reviewed: 10% diverted for outpatient treatment.

Branch offices: Columbia, S.C.

1992 gross revenues: \$1.8 million total, \$1.44 million from UR services.

Charges: Per employee, \$1.50 to \$2; per case, per hour, \$85.

Officers: Nigel Wallbank, president; Lucy Guadalupe, vp; Bernadette Chambers, manager.

Contact: Nigel Wallbank.

The Sunderbruch Corp.

6000 Westown Parkway, Suite 350 E, West Des Moines, Iowa 50266-7771; 800-383-2856; fax: 515-222-2407

Founded: 1971; began providing utilization review services in 1975.

URAC certified.

UR business: 63% of revenues from service to employers; 22% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, discharge planning, retrospective review, second surgical opinion, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management.

Occasional UR services: Length of stay determination, ambulatory case management, high risk pregnancy.

Medical services reviewed: Group health, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability, procedures, physician office care, home health care, skilled nursing facility, intensive care facility, hospice, outpatient psychiatric/chemical dependency.

UR Staff: 340 total; 201 professionals, including four physicians, 184 registered nurses, eight licensed practical nurses, five medical records technicians.

UR Clients: 262 total.

Covered lives: 2.3 million employee benefit plan lives; 75,000 workers compensation lives.

Admissions reviewed: 204,000; 5.5% diverted for outpatient treatment.

Branch offices: Chicago and Peoria, Ill.; Lincoln, Neb.; St. Louis.

1992 gross revenues: \$23 million total.

Charges: Per employee, \$1.35 to \$1.85; per case, per hour, \$75 to \$150.

Officers: Fred Ferree, executive vp; Kathy Fiehrer, vp.

Contact: Holly Smith, senior account executive, Midwest Plaza South Office Building, 2021 Midwest Road, Oak Brook, Ill. 60521, 708-953-8554 or Kathy R. Fiehrer, 515-223-2857.

USA Healthnet Inc.

7301 N. 16th St., Suite 201, Phoenix, Ariz. 85020; 602-371-3860; fax: 602-861-2805

Founded: 1984; began providing utilization review services in 1984.

Parent: Columbia American Corp.

Frequent UR services: Preadmission certification, concurrent hospital treatment

review, length of stay determination, discharge planning, outpatient psychiatric and substance abuse services, case management.

Occasional UR services: Retrospective review, second surgical opinion, outpatient service predetermination.

Medical services reviewed: Group health, rehabilitation, psychiatric/substance abuse, workers comp/disability.

UR Staff: 10 total, all professionals, including eight registered nurses, one licensed practical nurse, one medical records technician. On retainer: two physicians.

UR Clients: 22 total; eight employer clients.

Admissions reviewed: 12,039; 20% diverted for outpatient treatment.

Officers: Linda K. Howland, president/COO; Martha Sposito, Donna Ward, Laura Dickson, vps; Larry Hinson, CFO.

Unified Care

912 Springdale Drive, Suite 501, Exton, Pa. 19341; 215-363-3545; fax: 215-363-2930

Founded: 1992; began providing utilization review services in 1992.

UR business: 74% of revenues from service to employers; 26% from service to others.

Frequent UR services: Preadmission certification; concurrent hospital treatment review; length of stay determination; discharge planning; retrospective review; second surgical opinion; outpatient service predetermination; case management; workers comp services including: injury assessment, utilization review, case management.

Occasional UR services: Hospital bill audits, outpatient psychiatric and substance abuse services.

Medical services reviewed: Group health, dental, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability, home care, durable medical equipment, long-term care reviews.

UR Staff: 15 total, all professionals, including three physicians, 10 registered nurses. On retainer: 25 physicians, 15 nurses.

UR Clients: 65 total.

Covered lives: 25,000 employee benefit plan lives; 100,000 workers compensation lives.

Charges: Per employee, per case, per hour, flexible pricing structure.

Officers: Mary Kay Dunne, CEO.

The Union Labor Life Insurance Co.

111 Massachusetts Ave. N.W., Washington, D.C. 20001; 202-682-0900; fax: 202-962-8854

Founded: 1984; began providing utilization review services in 1984.

UR business: 54% of revenues from service to employers; 6% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, hospital bill audits, case management.

Occasional UR services: Outpatient service predetermination, outpatient psychiatric and substance abuse services.

Medical services reviewed: Group health, dental, chiropractic, rehabilitation, psychiatric/substance abuse, podiatric.

UR Staff: 31.5 total; 18.5 professionals, including 15.5 registered nurses, three licensed practical nurses. On retainer: one physician.

UR Clients: 108 total; 107 employer clients.

Covered lives: 163,655 employee benefit plan lives.

Admissions reviewed: 8,250.

1992 gross revenues: \$4.2 million total, \$2.5 million from UR services.

Charges: Per employee, \$1.25 to \$1.65; per case, \$75 to \$90; per hour, \$90 to \$180.

Contact: Martha Burton, director-cost management.

Unipsych Systems Inc.

7951 S.W. Sixth St., Suite 100, Plantation, Fla. 33324; 305-474-8727; fax: 305-474-1351

Founded: 1986; began providing utilization review services in 1986.

Parent: Unipsych Corp.

UR business: 25% of revenues from service to employers; 25% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management.

Medical services reviewed: Psychiatric/substance abuse, workers comp/disability.

UR Staff: 17 total; five professionals, including two physicians, one registered nurse, one medical records technician. On retainer: 42 physicians.

UR Clients: 18 total; 12 employer clients.

Covered lives: 300,000 employee benefit plan lives; 5,000 workers compensation lives.

1992 gross revenues: \$2 million total.

Charges: Per employee, per case, per hour.

Officers: Dr. Leo Bradman, chairman; Ronald Harshman, president/CEO; James Kaplan, director-finance; Dr. Ernest Cohen,

psychiatric director; Laurel Patterson, administrator.

Contact: Dr. Leo Bradman.

United HealthCare Corp.

9900 Bren Road E., P.O. Box 1459, Minneapolis, Minn. 55440; 612-936-1300

Founded: 1974; began providing utilization review services in 1974.

URAC certified.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management.

Medical services reviewed: Group health, chiropractic, psychiatric/substance abuse, workers comp/disability.

UR Staff: 675 total; 523 professionals, including 15 physicians, 386 registered nurses, eight licensed practical nurses, eight medical records technicians. On retainer: 100 physicians.

UR Clients: 693 total; 630 employer clients.

Covered lives: 5 million employee benefit plan lives; 10 million workers compensation lives.

Branch offices: Charleston, W.Va.; Pasadena, Calif.; Worcester, Mass.

1992 gross revenues: \$1.05 billion total.

Officers: Dr. William McGuire, chairman/CEO/president; George Borkow, executive vp/CFO; William Pogue, senior vp-sales/marketing; Dr. Brian Gould, Terry Wills, senior vps.

Contact: Robert Williams, vp-sales/marketing.

* Figure includes revenues from the first three quarters of 1992 only.

W

Workers Compensation/Casualty Services

MR 8551, P.O. Box 1373, Minneapolis, Minn. 55343; 612-936-5780; fax: 612-936-7358

Founded: 1991; began providing utilization review services in 1991.

Parent: United HealthCare Corp.

UR business: 25% of revenues from service to employers; 70% from service to others.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, second surgical opinion, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management.

Occasional UR services: Retrospective review, hospital bill audits.

Medical services reviewed: Chiropractic, workers comp/disability, disability management, diagnostic imaging, physical therapy.

D&O coverage

Continued from page 1
lion in 1991.

Only 2% reduced their D&O limits.

The relative bargains in the D&O market were also reflected somewhat ironically by the 19% that said they did not buy coverage—but for no particular reason. Only 48% of the companies without coverage said they didn't buy it because it cost too much, compared with 56% in 1991.

Otherwise, the reasons for not buying coverage varied little from 1991 to 1992. Only 5% of the companies without coverage in both surveys said they couldn't obtain it, and 14% of the participants without coverage in both surveys said they went bare on advice of counsel.

Slightly more of the companies without the coverage said they saw no need for it: 49% in 1992, up from 46%. And slightly fewer of these companies said they didn't buy coverage because it was too limited: 27% in 1992, down from 31% in 1991.

The percentages exceed 100% because some companies gave multiple reasons.

Although 81% of the 1,342 companies surveyed carried some form of D&O coverage, the prevalence of coverage varied widely among industry segments. Ninety-four percent of the respondents in both the large banking and utilities sectors reported having D&O coverage. In contrast, only 59% of those in the construction and real estate sector said they bought D&O coverage.

In addition to prevalence and nature of coverage, the survey

Continued from previous page

ADDENDUM

The following companies were received too late to be included alphabetically.

AccessCare Inc.

2203 N. Lois Ave., Tampa, Fla. 33607;
813-876-5036; fax: 813-872-8666

Founded: 1985; began providing utilization review services in 1986.

Parent: Comprehensive Care Corp.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, outpatient psychiatric and substance abuse services, case management.

Medical services reviewed: Psychiatric/substance abuse.

UR Staff: Nine total; seven professionals, including three physicians, three registered nurses, one medical records technician.

Covered lives: 2.7 million employee benefit plan lives.

Charges: Per employee, per case.

Officers: Richard Peters, president/CEO; Carol J. Stith, vp-project operations; Dr. Walter Afield, vp-medical affairs; Andrew Randazzo, vp-clinical operations.

Value Health Inc.

22 Waterville Road, Avon, Conn.
06001; 203-678-3400;
fax: 203-677-1752

Founded: 1987; began providing utilization review services in 1987.

UR business: 3% of revenues from services to employers; 3% from services to others.

Frequent UR services: Preadmission certification, outpatient psychiatric and substance abuse services, drug UR.

Medical services reviewed: Chiropractic, psychiatric/substance abuse, prescription drug.

Covered lives: 18 million benefit plan lives.

Branch offices: Arlington, Va.; Santa Monica, Calif.

1992 gross revenues: \$262 million total, \$16.2 million from UR services.

Charges: Per employee, per case.

Officers: Robert E. Patricelli, president/CEO; William J. McBride, executive vp; Steven J. Shulman, senior vp; Barry M. Smith, president/CEO-ValueRx Pharmacy Program Inc.; Stephen D. Linehan, president/CEO-American Psych Management.

BI

sought information on respondents' claim activity. In this area, the frequency of claims continued to follow a relatively flat line while severity increased. In fact, said Phillip N. Norton, the Chicago-based Wyatt consultant who prepared the survey, claims severity could increase up to 20% per year through the rest of the 1990s.

Mr. Norton said that his hope that a 55% jump in severity noted in the 1991 survey would be a fluke has been tempered by the findings of the 1992 survey, even though the percentage increase fell dramatically.

"In the case of closed claims where third-party indemnity payment was made, the indemnity paid to the claimant averaged \$3.27 million (in 1992), which is an increase over our prior survey and is consistent

Continued on next page

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D&O coverage

Continued from previous page

with the substantial increases in claim severity manifested in the 1990s thus far," Mr. Norton said.

"It is important to note that the above amounts for indemnity paid to claimants... have not been trended or adjusted to current economic conditions. Our average (as reported) closed claim indemnity payment of \$3.27 million for 1992 survey respondents, adjusted for trends and closed claim bias, translates into an expected future loss of around \$10 million for claims made in 1993, whose eventual settlement or litigation results in a non-zero indemnity payment," he added.

The average cost of closed claims—excluding those for which no payment was made—was \$3.02 million during the period covered by the 1991 survey (*BI*, Feb. 24, 1992). During the period covered by the 1990 survey, the average closed claim payment stood at \$1.94 million. The 1989 survey's average closed claim payment was \$1.71 million.

Mergers and acquisitions remains the area most likely to generate a D&O claim, but only 16.5% of the claims reported in last year's survey involved M&A—down from nearly 20% two years ago. Wrongful termination was the single most likely claimant allegation, just as it was last year.

But the growth areas for claims appear related to financial disclosure and stock offerings, noted Mr. Norton. Inadequate or inaccurate disclosure was cited as the single most important issue in 10% of the allegations, compared with 7.7% in last year's survey and 6% a year earlier.

Many claims are based on alleged violations of securities laws. These claims "relate to securities trading decisions that led to financial loss, which were made on the basis of allegedly inadequate or inaccurate disclosure from the corporation. Disclosure claims represented one of two areas where there was a marked increase in claim activity. The other area was the stock or other public offering category, which jumped from

1.2% last year to 3.5% this year," said the report.

"The similarity between public offering suits and other disclosure suits is that your alleged damages are tied into market movements," said Mr. Norton.

While the source and severity of claim activity appear to be changing, there was remarkable stability in one area of the D&O landscape: the relative market shares of major D&O underwriters.

In the primary market, New York-based American International Group Inc. continued to dominate in terms of premium volume, with 37.4% of the respondents' reported premium in 1992, the same percentage as 1991. Warren, N.J.-based Chubb Corp. retained second place with 21%, compared with 20.1% in 1991. Bermuda-based Associated Electric & Gas Insurance Services Ltd., a utility captive, held 10.1% of the primary premium reported to the 1992 survey. AEGIS took third place from the general London market, which includes Lloyd's syndicates.

In terms of excess premium volume, policyholder-owned A.C.E. Insurance Co. Ltd. ranked first with 16.4% of the premium reported; AIG ranked second with 14.3%; and Chubb ranked third with 11.6%.

The three excess underwriters held the same rankings last year.

Wyatt also asked respondents for the first time to identify their primary retail broker for D&O coverage. According to those who answered this optional question, the nation's largest broker, Marsh & McLennan Cos. Inc., ranked first with 21.2% of the primary placements, followed by Johnson & Higgins with 18.9%, and Alexander & Alexander Services Inc. and Rollins Hudig Hall, each with 10.9%.

Mr. Norton said he found it significant that relatively small brokers were among the top 19 leading brokerages for D&O coverage. He said that the question may be part of the standard survey next year.

The survey is available for \$270 from Mary Maze, The Wyatt Co., D&O Liability Services, 303 W. Madison St., Suite 2400, Chicago, Ill. 60606-3308; 312-704-2719.

BI conference

Continued from page 2

scheduled to release his health care reform plan in May, and benefit managers will want to know how those proposals could affect their health care plans."

The conference will kick off Sunday evening, May 16, with early registration and a reception hosted by The Upjohn Co.

The program officially starts Monday morning, May 17, following registration, a continental breakfast and remarks from Kathryn J. McIntyre, publisher/editorial director of *Business Insurance* and the other conference co-chairman. Three experts will discuss managed care's impact on the delivery and financing of health care. The panelists will be Joseph W. Duva, partner at Ernst & Young in New York; Larry Goelman, president and chief executive officer of Cost Care Inc. in Newport Beach, Calif.; and Harry Neer, vice chairman of USA Healthnet Inc. in Houston.

At another Monday morning session, three experts will share their views on multiemployer coalitions' ability to reduce medical expenditures. The panelists are Dr. J. Bryan Bushick, a consultant with Towers Perrin in Minneapolis; Lawrence J. Frye, president of Iameter Inc. in San Mateo, Calif.; and Dee Kemnitz, vp-employee benefits at Carlson Cos. Inc. in Minneapolis.

A keynote address will follow a luncheon sponsored by John Hancock Financial Services.

After lunch, registrants can attend one of two concurrent sessions:

- A discussion on on-site medical facilities that will offer insight into medical care provided to employees at the workplace. Speakers are Dr. Jerry Appelbaum, corporate medical director for The Gates Clinic Inc. in Denver, and Deborah T. Carroll, director of benefits at Barnett Banks Inc. in Jacksonville, Fla.

- A workshop led by Marcia Inch, a principal at William M. Mercer Inc. in Stamford, Conn., on how to enroll retirees in managed care plans to reduce retiree health care costs.

The final Monday session will focus on workers compensation. Three experts will discuss how to integrate managed care to control workers comp costs and how to communicate safety tips to employees. The speakers are Edwin E. Freedman, managing director for AlexComp Consulting Plus, a unit of The Alexander Consulting Group Inc. in Lyndhurst, N.J.; Bill Murphy, director of risk management for Sky Chefs in Arlington, Texas; and Robert L. Buckley, manager of special investigations at Kemper Risk Management Services in Long Grove, Ill.

A reception, sponsored by USA Healthnet Inc., will follow.

Leading off Tuesday's schedule is a keynote address by John Polk, executive director of the Counsel of Smaller Enterprises in Cleveland.

The day's first session will discuss the Clinton administration's health care reform proposals and what effect they and other reform proposals could have on employers, insurers, individuals and providers. The speakers are Ellen Goldstein, director of health care policy and communications at the Assn. of Private Pension & Welfare Plans in Washington; Doug Leland, vp of Intracorp in Berwyn, Pa.; Dr. Thomas R. Reardon, a member of the board of trustees of the Chi-

cago-based American Medical Assn.; and Michael A. Zarcone, government relations counsel for Metropolitan Life Insurance Co. in New York.

Following will be a session on how to receive the most value from pharmaceutical benefit plans. Three experts will discuss what to look for in prescription drug benefit plans; how to coordinate a full-service pharmaceutical plan; and quality vs. cost concerns. The speakers will be James W. Heenan, director-corporate account sales for Upjohn in Kalamazoo, Mich.; Jim Miller, vp-marketing for PreferredOne in Minneapolis; and Norrie Thomas, president and chief executive officer of Clinical Pharmacy Advantage in Minneapolis.

The keynote speaker following Tuesday's lunch will be Rep. Robert G. Torricelli, D-N.J. The luncheon is sponsored by Alexander Consulting Group Inc.

After lunch, registrants may attend one of three concurrent sessions focusing on benefits communication. Each session will present a communication program honored in the *Business Insurance* Employee Benefits

The conference is timely, since the president is expected to release health reform plans in May.

Communication Awards:

- One session will feature Charlotte Jerace, manager for KPMG Peat Marwick in Boston, which won the 1991 award of excellence for audio-visual presentations.

- Another session will feature Richard D. Quinn III, director-corporate benefits planning at Public Service Electric & Gas Co. in Newark, N.J., which won the 1991 best of show award for benefits newsletters.

- The third session will feature Vicki Dungan, a principal of Dungan Communications Resources in Chevy Chase, Md., and Lorna Mackey, manager of benefits communication at PepsiCo Inc. Plymouth, Mass. A video prepared for Taco Bell, a PepsiCo unit, won the 1992 award of excellence for audio-visual presentations.

The conference will conclude with a discussion of whether the private sector should adopt resource-based relative value scale physician fee schedules. Two experts will discuss how this Medicare-style fee schedule would alter payer-provider relations and affect cost shifting and physician practices. The speakers are Zachary Dyckman, executive vp for the Center for Health Policy Studies in Columbia, Md., and Dr. Reardon of the AMA.

The conference will include an exhibition area for publications and software demonstrations.

The conference fee is \$795, which includes lunches, refreshments, receptions and the conference workbook. Those registering by March 15 will receive a \$100 discount.

To register, contact The International Business Forum Inc., 50 Charles Lindbergh Blvd., Suite 400, Uniondale, N.Y. 11553-3619; 516-229-2375; fax: 516-229-2386.

Information concerning exhibits or sponsorships is available from Julia Tarsi of IBF at the same number. **BI**

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INTERNATIONAL

Political risk market cuts cover to unstable Iran

By MARIA KIELMAS

LONDON—As the Iranian economy spirals out of control, political risk insurers, brokers and commercial bankers are growing increasingly alarmed at the prospect of major losses from coverage written for companies doing business with Iran.

Political risk underwriters are reporting that payment delays on letters of credit exceed seven months in some cases, and "a mountain" of delays will accumulate over the first quarter of this year. A political risk claim is triggered when payment on a letter of credit is delayed beyond the waiting period stipulated in the insurance contract.

Losses will increase dramatically if Iran reschedules its short-term debt. While insurers and bankers say that step would be a "catastrophe," they agree that measure is Iran's only option to rescue its economy.

The threat of losses is reducing capacity in Europe and Asia for political risk insurance for companies doing business with Iran.

The greatest impact on the political risk market so far has been the decision by European state credit and political risk insurers to stop or curtail insurance for companies doing business with Iran. The French state export credit and political risk insurer, Compagnie Francaise d'Assurances pour le Commerce Extérieur or Coface, stopped all coverage to Iran at year-end 1992. The Hamburg-based Hermes Kreditversicherung, which places political risk coverage for the West German government, is halting placement of medium- and long-term coverage to Iran. Germany is Iran's largest trading partner.

Italy and Japan are Iran's other main trading partners, and their state political risk insurers—Sezione Speciale per Assi-

curazione del Credito all'Esportazione, known as Sace, and the Japanese Ministry of International Trade and Industry, respectively—are expected to take action, insurers and bankers say.

U.S. insurers are not expected to be greatly affected by the Iranian economic crisis because trade between the United States and Iran has been restricted since the 1979 Islamic Revolution. U.S. exports to Iran are restricted under U.S. counterterrorism legislation. As there are no diplomatic relations between the U.S. and Iran, the two state agencies providing political risk coverage, the Ex-Im Bank and the Overseas Private Investment Corp., do not provide coverage for Iran.

European commercial bankers report that Iran has accumulated a foreign debt of at least \$22 billion, mostly over the last two years and largely consisting of short-term maturities. The Iranian government

is facing a \$14 billion budget deficit, while imports last year soared close to \$28 billion. But 1993 oil revenues, which account for nearly all of the country's export earnings, are unlikely to be higher than \$16 billion, commercial bankers report. However, bankers stress that because Iranian authorities provide scarce information, figures are the bankers' estimates.

Bankers say that eventually Iran will have to reschedule its short-term debt in order to bring its economy under some control, assuming the country can repair currently tense relations with the International Monetary Fund. But a rescheduling of short-term foreign debt is seen by political risk insurers as a major catastrophe because the move would impose even greater delays in payments on contracts and letters of credit that they insure.

Countries with foreign debt payment
Continued on page 48

Railway pension fund

Government's proposal to divide assets sparks controversy

By STACY SHAPIRO

LONDON—An angry debate is brewing about the British government's proposal to divide British Rail's pension funds once the railway system is privatized.

One of the government's recommendations is to transfer the pension fund assets of the 200,000 railway retirees to the Treasury and allow the government to pay future benefits.

However, the National Union of Rail, Transport & Maritime Workers is accusing the government of trying to get its hands on at least half of the fund's 8.5 billion pounds (\$11.79 billion) with this proposal.

There has been no categorical denial "that the government could be after the assets of the fund," alleged a union spokesman. "If they get away with it, they could go after the assets of other (pension funds)."

The government could reap 20 billion pounds (\$28.6 billion) in pension fund money from other state-owned institutions, he alleged. "It's too easy to raid the funds."

But a Department of Transport spokeswoman says the worries are ill-founded. The department has issued a report on the subject of railway pensions after privatization, and some options are up for discussion, she said.

The department has asked for comment on the proposals and will be consider any comments

after the deadline in March, she added. "We're doing everything by consultation," she said. "No decisions have been made."

Earlier this year, the British government generated much criticism for its bill to privatize British Rail. The bill proposes that the rail system be divided into many segments, like "franchises" set up to run certain regions; a separate company for BR's freight and parcel business; separate owners for the railway stations; and a new government-controlled company called Rail-track to maintain the track itself.

The proposals generated across-the-board opposition, from potential buyers, unions and politicians. "It's a nonsense," summed up the spokesman for the union, which is opposed to privatization altogether.

The government also issued a 15-page document last month outlining many proposals for divvying up the existing pension funds. The funds cover nearly 138,000 employees and more than 200,000 retirees.

One proposal includes establishing a joint industry pension fund "which would be able to offer existing BR employees pension benefits no less favorable than the present scheme," the report says. This way, all the new companies could join one fund, though it would not be compulsory for the new employers to participate in the joint industry fund, says the report.

If the 200,000 current retirees joined this scheme, however, they would "heavily outnumber the active contributors that would remain," says the report. "This could lead to the scheme becoming potentially unstable."

As a result, the government proposes two options:

- Set up a separate pension fund for the retirees administered by current trustees and funded solely by the future investment performance of the assets. However, benefits probably would not be adjusted for inflation.

- Transfer the "appropriate portion" of the current funds to the Treasury and let the government administer future benefits. "This option would offer security, but not the opportunity of further benefit improvements such as those which were made possible by the successful investment of funds in the 1980s," the report says.

It has not been decided what portion would have to be transferred to the government under the second proposal, said the spokeswoman for the Department of Transport, though critics believe it could be between 4 billion and 5 billion pounds (\$5.72 billion and \$7.15 billion).

The alternatives offered, though, are like the old question of "whether you want to lose an arm or a leg," said the spokesman for the railway workers union. "We want retention of the current schemes."

Germans balk at plan to hike premium tax

BONN—The German government plans to boost premium taxes on property, marine and liability insurance to help pay the enormous reunification cost.

The coalition government wants to increase the premium tax this year to 12% from 10%, then raise it to 15% in 1995.

As expected, the tax proposal has been attacked by insurers and businesses.

The proposal is "drastic" and "unjust," says the Assn. of German Insurers, or GDV.

With the increase, German companies' premium tax on property, marine and liability insurance would total 8.8 billion deutsche marks (\$5.32 billion) in 1993 and 12 billion (\$7.26 billion) by 1995, said Herbert Geiger, a member of the GDV board of directors. "In light of other tax burdens on industry, we consider this an extreme measure."

German companies are protesting as well.

"It is the third time in as many years that Germany has increased taxes on property, marine and liability insurance," said Karl-Heinz Jager, BASF A.G.'s insurance division director and head of the BASF captive Lucura Versicherung, headquartered in Ludwigshafen, Germany.

"There's no logic here at all. At a time of economic recession, the government is burdening companies even more by increasing production cost," Mr. Jager said. Prior to 1990, the premium tax

GLOBAL BRIEFS

remained stable at 5%, he noted. If the government raises the tax to 15% by 1995, "for large companies, it can mean a 1 million mark (\$605,000) indirect premium increase. At a time when profits are often marginal anyway, that can be a lot of money," said Mr. Jager.

Hans Jurgen Mueller-Salz, the director of the Assn. of German Industry's tax division, agrees. "A tax on insurance is questionable anyway. The government burdens responsible companies that take preventive action to cover their risks. They should be rewarded, not punished."

Should the tax go into effect, Germany can expect resistance from other E.C. members. Germany's European neighbors generally are moving toward lowering or doing away with insurance taxes.

"Lower, not higher, insurance costs are the trend in Europe," says Georg Buchner, GDV president. "The government is headed in the wrong direction. Germany's attractiveness as a place to do business will suffer as a result."

—By Don Lewis Kirk

E.C. tanker rules

BRUSSELS, Belgium—The European Community's plan to adopt the standards of the Inter-

Continued on page 48

Statistics show Lloyd's capacity down 12% for 1993

By STACY SHAPIRO

LONDON—Lloyd's of London has been cagey about stating its capacity this year, but statistics released recently indicate that Lloyd's 1993 capacity is 12% lower than 1992 levels.

Earlier this month, Lloyd's Chairman David Rowland estimated that Lloyd's 1993 capacity was somewhere between 8.5 billion and 8.75 billion pounds (\$12.87 billion and \$13.26 billion at appropriate exchange rates).

However, market statistics as

of Feb. 1 show that Lloyd's capacity provided by members this year totals 8.86 billion pounds (\$13.42 billion), down 12% from 10.05 billion pounds (\$18.79 billion) in 1992 and down 19.9% from 11.06 billion pounds in 1991 (\$21.35 billion).

The 1993 figure still could change, because 55 Lloyd's members have not yet decided whether they will participate in the market this year, said a Lloyd's spokesman.

Lloyd's membership dropped to 19,860 in 1993, down 10.8%

LONDON

from 22,259 the previous year, said a Lloyd's spokesman. There are 69 new members, 1,921 who resigned, 224 who died and 323 who are not underwriting this year, he said.

Last year, there were an additional 10,543 members who were not underwriting but could not resign their membership because they are on open syndicates. It is not yet known how many mem-

bers fall in this category in 1993.

Mr. Rowland earlier this month acknowledged that Lloyd's will announce "substantial losses" for the 1990 underwriting year at Lloyd's June 22 annual general meeting. But he could not say whether the results will—as some speculate (*BI*, Feb. 8)—match the approximately 2 billion pound (\$3.03 billion at appropriate exchange rate) loss Lloyd's posted for 1989 (*BI*, June 29, 1992).

"I do not know what the (1990) results are," said Mr. Rowland.

"It's entirely proper that other people—just like analysts for other companies—should comment on the situation. I have (no information) on whether their estimates are right or not."

In the meantime, Lloyd's Chief Executive Peter Middleton plans to reduce the Corporation of Lloyd's budget this year to 117.9 million pounds (\$168.6 million) from about 144 million pounds (\$269.3 million) last year, said Mr. Rowland. Among other things, cuts will involve staff

Continued on page 49

INTERNATIONAL

Political risks

Continued from page 47

problems usually reschedule medium- and long-term obligations. Short-term trade debt obligations have been considered safe by insurers because a country must continue trading.

A spokesman for Hermes Kreditversicherung said the company has a total exposure in Iran of about 1 billion deutsche marks (\$605.1 million at current exchange rates) for medium- and long-term coverage. Hermes stopped writing medium- and long-term coverage to Iran at the beginning of this year, he said.

"We had a ceiling (for coverage) in 1992, and we didn't reopen a similar ceiling for 1993," he said. The spokesman was unable to say how much short-term exposure Hermes has in Iran, but said delays on payments of letters of credit were about four months.

But one London-based commercial banker specializing in the Middle East suggested that the German insurer could have formidable losses in the event of Iranian economic troubles or a short-term debt rescheduling.

"Germany is Iran's principal trading partner with exports of 4 billion deutsche marks (\$2.42 billion) annually. Hermes probably has a massive short-term exposure," the banker said.

Philippe Delleur, adviser to French Finance Minister Michel Sapin, said in an interview that the French state agency Coface at year-end 1992 stopped issuing all new short-, medium- and long-term insurance for companies doing business with Iran because Iran owes 500 million French francs (\$89.3 million) to Coface. Coface's total medium-term exposure to Iran is between 5 billion to 10 billion French francs (\$893.3 million to \$1.79 billion), which is comparable to that of Germany's Hermes. Mr. Delleur was unable to give a figure for Coface's short-term exposure, but acknowledged that it would be very large.

Mr. Delleur said that Coface would continue to service existing policies for Iran. He said that Iran's fundamental problem was not one of solvency but liquidity. Coface and the Iranian authorities are maintaining continuous contact, but Mr. Delleur said that no further policies will be

issued for Iran until Iran provides sovereign guarantees for the lending. However, such guarantees are proscribed by the Iranian constitution.

An official at the Italian state export credit and political risk insurer, Sace, said that the company is still issuing policies for Iran. The company has a total short-, medium- and long-term exposure to Iran of 7,000 billion lira (\$4.58 billion) and is Iran's second largest creditor after Germany. Iran's payment arrears to Sace was \$100 million at the end of January, the official said. Sace's decision to maintain coverage to Iran may be reviewed during the company's board meetings this month and in March, the official said.

Japan's MITI is still maintaining coverage for Iran, insurance sources said. But no MITI official was available for comment.

A spokesman for the Cardiff, Wales-based NCM Credit Insurance Ltd., which provides short-term political risk insurance in the U.K. market, said that so far there has been no shortage of capacity to Iran and there is a willingness to do business. Similarly, a spokesman for the Lon-

don-based Export Credit Guarantee Department said there currently are no problems with Iran. But both spokesmen agreed that as the two agencies have only been providing coverage for Iran since March 1992 when relations between the U.K. and Iranian governments improved, they will not have accumulated the same volume of risks as their European counterparts.

However, a spokesman said NCM is closely watching the evolving Iranian situation. NCM has put a 13% surcharge on political risk premiums for companies doing business with Iran and extended the waiting period for payments.

U.K. private sector insurers are much more pessimistic. "There has been a couple of years of shortage of capacity to Iran, but in the last six months there is marked unwillingness to do business," said Denis Parker, executive director of Investment Insurance International, a division of Hogg Insurance Brokers. Mr. Parker cited one example of a contractor waiting since July 1992 for payment from Iran, while most payment delays are between three to six months. "There are even three-month delays on payment from London-based Iranian banks," he said.

There could be further insurance losses from the unfair calling of bonds if contractors that had not been paid by their Iranian clients are unable to complete contracts, he added. This in turn could prompt the Iranian authorities to call in performance bonds deposited by the contractors in Iranian banks. This could result in a number of international contractual disputes, Mr. Parker said.

However some capacity does exist, said Mr. Parker. This capacity is mainly in the form of pre-shipment coverage that would insure an exporter to Iran against non-payment by the Iranian client, any embargo that is imposed by any government or the event of a war. But such coverage is only available for periods of 30 to 60 days, he said. **BI**

GLOBAL BRIEFS

Continued from page 47

national Maritime Organization for ocean-going tankers will bring E.C. legislation into direct conflict with U.S. legislation.

Officials at both the European Commission in Brussels and the European Parliament in Strasbourg have met in recent weeks to develop effective measures to implement the IMO's standards for the construction and monitoring of tankers, said an E.C. spokesman.

An amendment last year to the IMO's MARPOL 73/78 Convention requires all tankers built after July 6, 1993, to be fitted with a double hull or similar design as a precaution against oil spills. By 1995, all ships built within the past 25 years will have to be converted to this standard.

In the United States, the Oil Pollution Act adopted in 1990 requires all new tankers built after 1994 to have double hulls, with no exceptions.

However, the U.S. law includes a transition period: ships without double hulls may operate until they are 40 years old.

Some analysts are concerned that although IMO standards will allow tankers to continue to be built without double hulls, the U.S. law will forbid their entry into U.S. waters.

However, one analyst said the U.S. legislation "has no practical implication whatsoever."

"The long transition period means that virtually any ship can sail to the U.S. until (well into the 21st century)," according to Ole Slorer, a shipping analyst at County NatWest Securities in London.

In addition, he said, market forces will ensure that most shipping companies adhere to the IMO Convention, regardless of whether it is used as the basis of new E.C. legislation.

"The pressures on the oil companies are so great that the push

Continued on next page

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INTERNATIONAL

Continued from previous page will come from them," said Mr. Slorer. "No big company is going to risk a spill by chartering an old tanker."

The regulations of the London-based IMO are non-binding, and it is up to the government of each member country to implement them as it sees fit, said an IMO spokesman.

"If the E.C. is talking about supporting the IMO's existing regime, that is a good thing," the IMO spokesman said. "There have been a lot of meetings lately, but nothing has happened officially."

In Britain, the Department of Transport is preparing new tanker legislation in accord with the IMO's standards and ahead of expected changes in E.C. regulations, said a DOT spokesman.

Shipowners adhering to IMO regulations will find see rates rise by smaller amounts than other owners.

According to the Institute of London Underwriters, shipowners with good safety records and young fleets would pay about 1.5% of the ship's value for hull coverage. Owners seen as poor risks could be charged up to 15%. Overall, marine hull rates are rising 25% to 30% during current renewals after rising 40% last year (BI, Feb. 1).

—By Aline Sullivan

Iranian plane crash

TEHRAN, Iran—Western reinsurers are unlikely to face significant claims as a result of the crash of an Iran Air Tours airliner last week in Tehran.

Liability claims are expected

to be small and the hull is not thought to be insured or reinsured in Western insurance markets.

Liability coverage for Iran Air Tours is placed directly with Bimeh Iran Insurance in Tehran. The coverage is reinsured with international markets. The risk is led in London by Lloyd's of London syndicate 270, managed by A.J. Archer & Co. Ltd. The coverage was placed by Willis Corroon P.L.C.

The liability reinsurance renews on March 1.

All 119 passengers and 13 crew members were killed after the Russian-built Tupolev 154 jet collided with another aircraft shortly after takeoff from Mehrabad airport.

The aircraft was on short-term lease from an Aeroflot unit in the former Soviet Union. Aeroflot's hull coverage is placed with local insurers and is not thought to be reinsured with Western markets, sources in London say.

—By Gavin Souter

Satellite claims

BRISBANE, Australia—Two insurers that wrote some of the coverage for a lost satellite owned by Australia's new telecommunications company, Optus Communications Pty. Ltd., face claims of up to \$5.5 million.

China's space agency lost contact with the Optus B2 satellite after a Dec. 21 launch from a Long March rocket at Xichang Satellite Launch Centre in southwestern China.

The satellite, which was built by Hughes Space & Communications Co. in Seattle, was designed

to carry pay television services and telephone communications systems.

"The investigation into the Optus B2 loss is still continuing. We have not been able to isolate the cause to either the launch vehicle or the satellite," said a Hughes spokesman.

The spokesman would not comment on the satellite manufacturer's insurance coverage for the satellite.

However, *Business Insurance* previously reported that Hughes' coverage for satellite physical damage and loss is led by International Technology Underwriters of Bethesda, Md. Coverage for contractual payments owed on the satellite by Optus is led in the London market by Lloyd's of London syndicate 282, which is managed by M.J. Marchant Underwriting Ltd.

If the satellite is not retrieved, underwriters on separate Hughes and Optus policies are expected to pay out about \$120 million total (BI, Dec. 28, 1992).

Warwick Jones, technical director of the Australian Space Insurance Group, said ASIG has "very small lines" on the Optus policies. He estimated that the group's payout will total less than \$2 million. The final figure will depend on what caused the satellite to fail.

Sydney-based GIO Australia expects a \$3.5 million loss for its share of an extra-expense policy covering any extra costs arising from satellite failure, said Kirby Ikin, GIO's business development and aerospace officer. The final payout also depends on the outcome of investigations.

—By Kate McIlwaine

LONDON

Continued from page 47

reductions, including the departure of 14 of 28 workers who reported to the chairman and chief executive, he said.

Other moves that are not a part of the budget include reducing the number of standing committees at Lloyd's to 17 from 48.

Pollution proposal

British companies could be made responsible for monitoring their own pollution under government proposals to reduce environmental regulations.

The proposals would cut through bureaucratic red tape and reduce the monitoring role of Her Majesty's Inspectorate of Pollution, Michael Howard, the environment secretary, said last week.

The proposals were condemned by Friends of the Earth, an environmental action group. Instead of playing down the HMIP role, the government should enhance the current system of pollution monitoring, the group contends.

Larger fines imposed on offenders could be a more effective solution, said Geoffrey Saunders, deputy chairman of the Assn. of Insurance & Risk Managers in Industry & Commerce.

Mr. Howard outlined his plans for reducing environment regulation to ministers last week. Wherever

possible, regulation should be repealed or minimized, he said.

In particular, the Department of Environment is looking at ways to simplify industrial pollution monitoring, Mr. Howard said.

The HMIP currently is preparing proposals for a system of self-monitoring of pollution by industry, which would be backed up by sample audits conducted by HMIP.

The reforms are currently being studied, said a Department of Environment spokesman.

The plans for reduced environmental regulation were condemned by Alan Lees, campaigns director at Friends of the Earth. "Lifting the so-called burden of regulation is good only for chaos. It allows cowboy operators to cut corners at the expense of responsible companies and the environment."

Current pollution monitoring is inadequate due to HMIP's insufficient resources, Mr. Lees said. To rectify this, companies should be required to install tamper-proof monitoring equipment that can be directly accessed by HMIP, he said.

Some companies would fail in their responsibilities if they were called on to monitor their own pollution output, agreed Mr. Saunders of AIRMIC. However, monitoring equipment might be too costly for many companies, he added.

Instead, the government should encourage more rigorous compliance with environmental legislation by imposing more severe penalties on offending companies, Mr. Saunders suggested. **BI**

New liability product incorporates finite risk

NEW YORK—Centre Reinsurance Co. of New York has teamed up with a unit of the Zurich American Insurance Group to offer liability coverage that combines elements of both traditional and finite risk insurance.

The product, called Integrated Insurance, "is a means of integrating finite risk with traditional insurance coverage all in one seamless package," said David Wasserman, president of Centre Re of New York.

The new coverage was developed as "a way for insureds to achieve the stability they want by buying insurance in a more efficient way," Mr. Wasserman explained.

The product addresses the problem of transferring risk while also assuring stable price and capacity as well as a significant amount of profit sharing if the business is profitable, he said.

"This is really geared for large accounts," he said. These can be either Fortune 500 companies or smaller organizations, such as hospitals, that have a large insurance budget.

The multi-year policy can provide casualty, medical malpractice, environmental or professional liability coverage. Up to \$50 million in limits are available.

Mr. Wasserman said the product enables companies to layer their coverage. For instance, the bottom layer could be a finite risk arrangement, including a profit-sharing arrangement and a guaranteed price, while the top layer could be a more traditional product, all in the same package, he said.

The product is being worked on by 15 employees of Zurich American Specialties division, a new Zurich American unit that also writes traditional business, and five employees of Centre Re of New York, said Mr. Wasserman.

Zurich American's parent company, Zurich Insurance Co. of Switzerland, is a majority shareholder of Bermuda-based Centre Reinsurance Holdings Ltd., the parent of Centre Re of New York.

The new coverage is being written on Zurich American paper, primarily on a non-admitted basis. Most policies will be underwritten in New York, although any policies that generate more than \$25 million in premium each year will be written in Bermuda, said Mr. Wasserman, who said he ex-

Markets

pects the bulk of the business to continue to be written out of New York.

Retentions by policyholders will vary, said Mr. Wasserman. Most of the exposure is being retained by the two insurers, he said. If there is a need for reinsurance capacity, Zurich American's treaty reinsurers, which are led by American Re-Insurance Co., will look at each transaction, he said.

The first policy was written last July. The product generated \$20 million in premiums last year, which could increase to about \$50 million this year, said Mr. Wasserman.

As the two partners "get the message out" to brokers about the product, "we are seeing more and more activity every day," particularly in the environmental area, said Mr. Wasserman. "It's been very steady and deliberate."

For further information, contact Mr. Wasserman at 212-233-2121.

Reliance joint ventures

Reliance National Risk Specialists has entered into a joint venture with Mexican industrial group Protexa Group.

Reliance National is a specialty lines property/casualty insurer that is part of New York-based Reliance Group Holdings Inc.

Reliance National will hold a 30% interest in Seguros Proteccion Mutua, Protexa's insurance subsidiary. In addition, Reliance National has formed Reliance Servicios y Comisiones S.A. to provide technical guidance for strategic planning and business development advice. The company will be based in the Mexico City headquarters of Seguros Proteccion Mutua.

Separately, Reliance National's London subsidiary, Reliance National (U.K.) Ltd., has begun underwriting from offices in the Lloyd's of London building. The insurer initially will write professional liability, D&O and excess third-party liability for U.K. and international risks. Other product lines are planned for the future. Reliance National (U.K.) Ltd. will also continue to operate from offices in Plantation House in London. **BI**

UNITED STATES BANKRUPTCY COURT SOUTHERN DISTRICT OF NEW YORK

In re: : In Petition Under
: Section 304
Petition of Richard Claude Boys-Stones : Case No.
and Colin Graham Bird, as : 92-B-46894 (PBA)
Joint Provisional Liquidators of
ANDREW WEIR INSURANCE COMPANY LIMITED :

Debtor in Foreign Proceedings :

NOTICE OF INJUNCTION

YOU ARE HEREBY NOTIFIED THAT ON OR ABOUT DECEMBER 14, 1992, A PETITION WAS FILED PURSUANT TO SECTION 304 OF THE UNITED STATES BANKRUPTCY CODE BY THE JOINT PROVISIONAL LIQUIDATORS OF ANDREW WEIR INSURANCE COMPANY LIMITED (92-B-46894 (PBA)) ("AWI") IN THE UNITED STATES BANKRUPTCY COURT FOR THE SOUTHERN DISTRICT OF NEW YORK ("BANKRUPTCY COURT").

YOU ARE HEREBY FURTHER NOTIFIED THAT, PURSUANT TO AN ORDER OF THE BANKRUPTCY COURT, ALL SUBSEQUENTLY IDENTIFIED PARTIES WITH INTERESTS ADVERSE TO AWI ARE PRELIMINARILY ENJOINED AND RESTRAINED FROM: (1) RELINQUISHING OR DISPOSING OF ANY PROPERTY OF AWI IN THE UNITED STATES, OR THE PROCEEDS OF SUCH PROPERTY, TO THIRD PARTIES; (2) COMMENCING OR CONTINUING ANY JUDICIAL, ADMINISTRATIVE OR REGULATORY ACTION OR PROCEEDING OR ANY ARBITRATION PROCEEDING AGAINST AWI OR ANY OF ITS PROPERTY IN THE UNITED STATES; AND (3) ENFORCING ANY JUDICIAL, ADMINISTRATIVE, OR REGULATORY JUDGMENT, ASSESSMENT OR ORDER OR ANY ARBITRATION AWARD OR DECISION AND COMMENCING OR CONTINUING ANY ACT OR ANY JUDICIAL, ADMINISTRATIVE, ARBITRATION OR REGULATORY PROCEEDING TO CREATE, PERFECT OR ENFORCE ANY LIEN, SET-OFF OR OTHER CLAIM AGAINST AWI OR ANY OF ITS PROPERTY IN THE UNITED STATES.

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ALL PERSONS AFFECTED BY THE BANKRUPTCY COURT'S ORDER HAVING QUESTIONS OR DESIRING A COPY OF THE DOCUMENTS FILED WITH THE BANKRUPTCY COURT MUST CONTACT DAVID B. STRATTON AT THE ADDRESS AND TELEPHONE NUMBER SHOWN ABOVE.

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Anti-tax coalition

Continued from page 2

expand access for the uninsured. Other business groups, including the National Assn. of Manufacturers, are re-evaluating their positions on whether health care benefits should be taxed.

Such rethinking comes at a time when both the Clinton administration and members of Congress are eyeing taxation of health benefits as a huge revenue source.

In December, then-President-elect Clinton said he was "inclined" to tax employees on a part of their health benefits.

Including health benefits in employees' taxable income would bring in more than \$40 billion in new revenues this year. Those revenues would increase steadily to \$96.3 billion by 2000, the Congressional Budget Office estimates (BI, Feb. 8).

And in Congress, backers of the managed competition concept say either employers should lose part of their tax deduction for health care expenses if they buy rich benefit plans or employees should be taxed if they opt for coverage in a rich plan.

Either change would make employers more inclined to offer cost-efficient health plans and employees would be more likely

'How many hospitals will cut back on expensive medical equipment?' asks the SPBA's Fred Hunt.

to opt for coverage in such plans, backers of managed competition argue.

Members of the Coalition to Preserve Health Benefits disagree.

Whether managed competition would change employee behavior or better control health care costs "is a big if," said Fred Hunt, president of the SPBA.

Would the mother of a premature baby facing enormous bills choose to be in a less expensive plan—which wouldn't cover all her costs—and say, "Don't save my baby"? Mr. Hunt asked.

At the same time, he added, there is no certainty that taxing benefits or promoting managed competition will change provider behavior.

"How many doctors will cut their fees 50%? How many hospitals will cut back on expensive medical equipment? I don't see it happening," Mr. Hunt said.

In addition, while advocates of taxing health care benefits say the money should be used to help fund coverage for the 36.3 million uninsured, the government might divert the money for other purposes.

The revenue could be "frittered away," Mr. Hunt said.

Other coalition members say policymakers should focus first on deciding how the health care system should be overhauled rather than looking at revenue sources.

"Let's first figure out what we want," said ECFC Executive Director Ken Feltman.

In 1989, when Congress imposed hefty taxes on middle- and upper-income retirees to pay for expanded Medicare benefits, the elderly revolted. Similarly, says Mr. Hunt, workers would be enraged if they were taxed on

Continued on page 52

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Anti-tax coalition

Continued from page 51

coverage and forced into big health care purchasing cooperatives—a central part of managed competition—with limited choice of providers.

Mr. Hunt described the purchasing pools as "government-run ghettos."

Meanwhile, the AFL-CIO, a coalition member, is considering backing a broad-based consumption tax on goods and services as a way to achieve universal health coverage without taxing health benefits.

The proposal was scheduled to be presented to the AFL-CIO's health care committee Feb. 14 at a meeting in Bal Harbour, Fla. If the committee supports the plan, it will be put to a vote by the organization's full 35-member executive council.

Details about the consumption tax were still being hashed out last week.

AFL-CIO proponents of the tax may try to make it more palatable to the health care committee by exempting staples like housing, food and health care. All other purchases would be subject to a tax. **BI**

EEOC ruling

Continued from page 2

at the time of the lower court decision, it left open the question of whether capping or excluding coverage for a condition like AIDS violates the ADA.

But an EEOC official in New York last month determined that a self-insured union health benefits plan that refused to pay for HIV or AIDS treatments is discriminatory under the ADA, which took effect for most employers last July.

The opinion, given by EEOC District Director Spencer H.

Lewis Jr. on Jan. 27, involved the Mason Tenders District Council of New York.

In July 1991, the union altered its benefit plan to, among other things, exclude coverage for treatment of AIDS or the human immunodeficiency virus, which causes AIDS.

Terrence Donaghey Jr., a 34-year-old member of the Mason Tenders' union infected with HIV, filed a complaint with the EEOC last November, saying the union's benefit plan change prevented him from receiving any medical care or prescription drugs for his illness.

Mr. Donaghey alleged that he suffered "substantial emotional and physical harm" that was aggravated by the union's denial of medical benefits. He is unable to pay for his own health care, he said.

The EEOC's Mr. Spencer said that Mr. Donaghey's charge of discrimination was "fully supported" and that under the ADA the union had "no viable defense" against the charge.

"As a qualified individual with a disability (HIV infection), he was discriminated against in violation of the ADA in that he was denied equal medical benefits," Mr. Spencer wrote in his determination.

"The commission's investigation finds (that the union's) medical insurance appears, on its face, to violate the Americans with Disabilities Act of 1990," he wrote, adding that the union "failed to comply with the commission's request for information."

The EEOC lacks the power to order relief.

Instead, under the ADA, when the EEOC determines there is "reasonable cause" to believe violations have occurred, it must attempt to "eliminate the alleged unlawful employment practice by informal methods of conference, conciliation and persua-

'We hope it sends a message to employers,' says Cary LaCheen, the plaintiff's co-counsel.

sion," according to Mr. Spencer.

However, if Mr. Donaghey and the union do not reach an agreement or the EEOC is not satisfied with an agreement they do reach, the commission can file a lawsuit on behalf of the charging party, said Cary LaCheen, an attorney with New York Lawyers for the Public Interest and Mr. Donaghey's co-counsel.

"We are very excited about the ruling, although it's only a first step, because it's an indication that the EEOC feels discrimination in health benefits plans is illegal under the ADA," Ms. LaCheen said. "We hope it sends a message to employers that self-insuring isn't a license to discriminate against people with AIDS or other disabilities that may be expensive to treat."

Other attorneys say the ruling is significant because it indicates the EEOC's stance on an issue that the agency hasn't officially clarified.

"It's an extremely important decision because it's the first decision by the EEOC that (addresses) the benefits puzzle under the ADA," said Michael Lotito, an attorney with Jackson, Lewis, Schnitzler & Krupman in San Francisco.

"It's time for every employer to look at its insurance plans, figure out what kinds of exclusions or differences in treatment exist and ask themselves why there are those differences. If they cannot find a good answer, they better think about what they will do if they are hit with one of these complaints," said Mr. Lotito, who specializes in ADA issues.

Attorneys at Levin & Weissman, the New York firm representing the union, did not return repeated phone calls. **BI**

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Robert Modica, left, and Joseph Tinetti, District Manager of IRI's Hartford Office, examine fabric in finishing room.

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Self-insurance

Continued from page 1

surements would be available for buyers to comparison shop "right off the bat," the goal is to eventually establish "a clear relationship between outcome and care... a cause-and-effect relationship," he said.

Outcome data can be used to help health care purchasers select a plan, to help providers make better treatment decisions, and to change individuals' perceptions of the value of medical care, according to Dr. Ellwood.

Today, too much of health care is supplier-driven, he said.

But when patients are given more information concerning the ramifications of particular treatments, they often decide not to undergo sometimes costly procedures, he asserted.

For example, studies using interactive videodiscs developed by Dr. Jack Wennberg, a researcher at Dartmouth College in Hanover, N.H., found that most prostate patients opted for non-surgical treatments rather than undergo prostate surgery when informed of the risk of impotence, he said (*BI*, Dec. 18, 1991).

Glenn S. Meister, a principal in the Los Angeles office of Foster Higgins, agreed that employers would likely move away from

self-insurance if the nation adopts managed competition as envisioned by the Jackson Hole Group.

"We're already seeing some movement by self-insured companies" back to prospectively rated health plans, Mr. Meister said. "This is particularly true for employers involved in government projects," because such plans enable them to budget their health care expenditures on a project basis.

He also pointed to moves by large multistate employers like Allied Signal Inc. to adopt point-of-service plans as a transitional measure to persuade employees to join plans with a greater degree of management, like health maintenance organizations.

Indeed, a number of reasons that originally prompted many employers to self-fund employee health care expenditures are disappearing, concurred Ed Davey, a principal in Foster Higgins' New York office.

"The two main reasons employers self-fund is to improve cash flow and to control benefit design," he said.

But interest rates now are too low for employers to receive any significant return on the reserves they've set aside to pay claims, Mr. Davey explained.

And adopting a standardized

benefit plan, as is necessary to make managed competition work, will eliminate employers' need to create ERISA-protected plans to avoid costly state benefit mandates, he added.

Under managed competition, a National Health Board would determine a basic benefits package that will resemble HMO benefits, according to Dr. Ellwood.

But not all employers that decide to return to fully insured health plans should join the purchasing groups established under managed competition to give small employers and individuals more purchasing clout, according to Dr. Ellwood.

While it is true that larger employers have lower per-capita administrative costs that can drive down fees for all employers that participate in a group, the market has to have multiple players for managed competition to work, he stressed.

Otherwise, monopolies would develop in small towns with only one large employer if that company joins the same purchasing group to which the smaller employers belong, he suggested.

These monopolies would thwart the objective of managed competition, he explained, which is to preserve—not dismantle—the nation's current multipayer health care system. **BI**

To D.C. by way of Jackson Hole

SANTA MONICA, Calif.—Four members of the Jackson Hole Group and a California Insurance Department health policy expert will be consultants to Hillary Rodham Clinton's health care reform task force, it was revealed last week.

"I feel better than I did last week about the advice the administration was getting," said Dr. Paul Ellwood, a leader of the Jackson Hole Group, best known for its managed competition model.

Up until last week, "there were no health care industry experts involved. That would be like restructuring the British economy without involving anyone from England," quipped Dr. Ellwood who also heads Interstudy Inc., a health maintenance organization research group.

But as of last week, Jackson Hole Group members Alain C. Enthoven, Lynn Etheredge, Paul Starr and Dr. Ellwood himself had been asked to serve as consultants to the Task Force on

National Health Care Reform.

Dr. Enthoven is a professor in the Graduate School of Business and the School of Medicine at Stanford University.

Mr. Etheredge is a health care economist living in Chevy Chase, Md.

Mr. Starr, a Princeton University, sociology professor, wrote "The Social Transformation of American Medicine" in 1982.

In addition to the Jackson Hole Group members, the administration also tapped Walter Zelman, special deputy for health policy to California Insurance Commissioner John Garamendi, the department announced last week.

Mr. Zelman wrote S.B. 6, a department-backed proposal to study the feasibility of universal health care, which was vetoed last year by Gov. Pete Wilson (*BI*, Oct. 5, 1992; Feb. 24, 1992).

Nearly 100 health care, economics and public policy experts are expected to advise the task force chaired by Ms. Clinton.

—By Joanne Wojcik

'Volume purchasing' pays off for California health plan

SACRAMENTO, Calif.—California's Public Employees' Retirement System has held health care cost increases to single digits two years in a row, demonstrating the effectiveness of health insurance purchasing cooperatives.

And CalPERS will actually cut its 1993 health maintenance organization premiums an average of 0.2%.

This year's 1.5% increase in indemnity plan costs, following last year's 6.1% rise, demonstrates that "volume purchasing of health care works," said Tom Elkin, assistant executive officer of CalPERS and health benefits adminis-

trator in Sacramento.

"CalPERS doesn't pay list price for health care anymore," he said. "By demanding cost and performance data, we have become a better-informed consumer. Now, we can do some comparison shopping before we write the check."

CalPERS' purchasing power comes from providing coverage to 784 separate public entities, 75% of which employ fewer than 100 people. A total of 890,000 employees and their dependents are enrolled in the agency's 19 HMOs and one self-funded indemnity plan.

A 1990 study of CalPERS' health plans

by benefit consultant A. Foster Higgins & Co. Inc. recommended that the agency drop seven of its 19 HMOs to reduce administrative costs (*BI*, Dec. 24, 1990).

Bucking the trend at the time, CalPERS decided not to consolidate its HMO offerings. However, Mr. Elkin said it is unlikely that keeping the large number of health plans contributed to CalPERS' cost control success.

"Maybe we would have saved even more if we had fewer HMOs," he suggested.

Some industry observers have compared the CalPERS health care plan to

the Jackson Hole Group's managed competition model. However, CalPERS has used a volume purchasing strategy since 1962, long before Alain Enthoven came up with the health care model the Jackson Hole Group supports, said Mr. Elkin.

Still "there is a nice symbiosis between what is being advocated and what we're doing," he said.

Mr. Enthoven, a professor in Stanford University's Graduate School of Business and Medicine, has served as chairman of CalPERS' Health Benefits Advisory Council for the last two years.

—By Joanne Wojcik

Asbestos coverage

Continued from page 2

to settle all disputes by means other than litigation.

A handful of insurers have promised to participate. Most, though, will probably wait to commit until after hearings later this year to assess whether the settlement proposal is fair. Presiding at those hearings will be a special master, U.S. District Judge Lowell Reed.

Regardless of the outcome of those hearings, a number of insurers that have not signed the Wellington Agreement are expected to refuse to participate, arguing that the settlement terms are unreasonable.

For their part, the CCR and its attorneys say they are confident they will be able to resolve expected differences with insurers.

In the third-party complaint, the CCR producers seek not only a court order requiring insurer participation. They also seek rulings that:

- The settlement is a reasonable means for the asbestos producers to respond to their legal liabilities.
- The settlement's liability sharing agreement is reasonable. CCR members each contribute to all claims, rather than only to claims for which they are responsible.
- The settlement does not breach the terms of CCR members' liability policies, so insurers do not have a valid coverage defense.

If any of those requests—which are grouped together as Count I of the lawsuit—are denied, backers of the settlement proposal say the offer

will be withdrawn.

Additionally, in Count II of the suit, CCR members seek rulings on several coverage issues.

They are asking the court to adopt a "continuous" trigger of coverage for these suits. That means coverage is triggered from the time someone is exposed to asbestos through the time he or she dies or files a claim, whichever occurs first.

Also, they are requesting a finding that insurers pay all necessary sums and defense costs minus deductibles, and that insurer obligations under each policy are several and independent, thus allowing CCR members to select the policy or policies that they wish to tap.

"It's our hope and expectation that Count I will be litigated and resolved at the same time as the underlying settlement. This would be the most sensible way to proceed considering the lawsuit is expressly contingent on a favorable outcome of Count I," said Scott Gilbert, an attorney with Covington & Burling in Washington, which represents the CCR.

Mr. Gilbert says he is confident that the asbestos companies will prevail on the coverage questions. "These are run-of-the-mill, garden variety coverage issues like trigger and defense costs. It's the same issues we have been dealing with for 15 years, and the case law is on our side."

Insurers named in the suit, meanwhile, say they are interested in any

alternative claims resolution process that will clear up future asbestos personal injury cases.

But they criticize particulars in both the settlement proposal and the CCR members' complaint.

"As a non-signatory to the Wellington Agreement and a non-participant in the Asbestos Claims Facility, it's safe to say that we aren't endorsing this proposal in its entirety," said Tom Daffron, vp-claims with The Home Insurance Co. in New York. Home wrote more than 30 policies for nine CCR members.

"We have a major problem with the sharing methodology, which would force us to pay portions of claims filed against producers we never insured," Mr. Daffron said. "To a lesser degree, there's also concern over basing settlements on a formula."

Under the settlement, scaled payments would be provided for four categories of illnesses: mesothelioma, lung cancer, other cancers and non-malignant illnesses. Only in "extraordinary" cases could payments exceed \$200,000.

"We need to study the proposed payment schedule more closely to determine whether it's appropriate," said Mr. Daffron.

ITT/Hartford Group Inc., a Wellington signatory, supports the CCR's efforts to resolve future claims out of court, but has yet to pledge its participation.

"We feel the settlement proposal has merit, but there are still ques-

tions that must be cleared up before we could sign on," said Floyd Knowlton, a vp with the Hartford, Conn.-based insurer.

"We have to know what plaintiffs and insurers will ultimately participate. If we can clear up what is insurable and get a large number of non-signatory insurers in, then it will really help," he said.

Until then, Hartford won't formally sign on. "We may have to go through some formal (ADR) to iron out the details, but at this point we're supportive," he said.

CIGNA Corp., a Wellington signatory, is one insurer that has already agreed to participate in the settlement.

"We're impressed with it," said Linda Martin, a vp with the Philadelphia-based insurer. "It's a compromise that provides certainty for all players in an area where there hasn't been any."

Insurers, the former asbestos companies and victims all stand to benefit, she said. "For us, it has the potential of reducing the ultimate costs of future asbestos claims, although the bottom-line impact will be minimal. For the policyholder, it offers a chance to reduce transaction costs. And for claimants, the payments are fair and guaranteed."

Ms. Martin said she expects more insurers to sign on over time. But she says she is unsure whether Judge Weiner will ultimately require all insurers to participate under the terms required for the set-

tlement to go through.

"There's an awful lot of material to digest... But with any deal as complex as this one, it's very difficult to predict the future."

Meanwhile, Mr. Gilbert of Covington & Burling expects much of the insurer arguments to center on the payment sharing formula.

"There'll be arguments over the producer-sharing formula. But it's our belief that it's a good faith, reasonable settlement among CCR producers, and that over the period of the settlement the dollars will come out in the wash. And perhaps most importantly, there was no practical alternative to this formula," he said.

"We'd like to see all the Wellington signatory (insurance) companies acquiesce voluntarily," said Lawrence Fitzpatrick, president of the Princeton, N.J.-based CCR. "London insurers may prefer court approval because of their reinsurance arrangements. It's the non-signatory companies where we expect a fight. It's safe to assume that some companies will fight this to the bitter end. We just hope that the court agrees with us that this is a reasonable means for resolving all these claims."

The non-signatory insurers named in the suit include units of American International Group Inc., Allstate Insurance Co., CNA Insurance Cos., Commercial Union Insurance Co., General Re Corp., The St. Paul Cos. Inc., Travelers Corp. and assorted London underwriters. **BI**

Blues standards

Continued from page 1

to the collapse of Blue Cross/Blue Shield of West Virginia in 1990 and the financial problems and alleged mismanagement at other plans, including the plan that serves the District of Columbia and its suburbs (*BI*, Feb. 1).

Mr. Tresnowski said that the association quickly acted on the criticisms that arose during the hearings.

"Instead of reacting negatively and arguing the point, our view was there had been some difficulties highlighted by the insolvency in West Virginia and that we would work very cooperatively with the senator and his staff," he said.

No plan currently is threatened with insolvency, Mr. Tresnowski added. "Every one of our plans is in the black. That's very good news."

Mr. Tresnowski added that he had met with Sen. Nunn to discuss the new standards and that the chairman considered the moves "positive."

"I am pleased that the national association has announced these reforms. These proposals are, in my view, a good first step in response to the problems the subcommittee has already identified. These tougher financial and ethical standards must, however, be coupled with an equally tough enforcement policy to ensure that they are not ignored like some of the current standards of the national association have been in the past," said Sen. Nunn.

"Clearly, our subcommittee's work has raised concerns about the solvency, management and expenditures of a number of the 72 plans that make up the system. The subcommittee will continue to explore these and other issues in its ongoing investigation. In doing so, we anticipate working closely with the national association's leadership in order to determine the extent to which this recently announced reform package adequately addresses the problems we have so far identified," he added.

Two major issues arose during the hearings, which began last summer, Mr. Tresnowski said. These issues were whether subscribers would be protected in

the case of a plan's insolvency and who was responsible for overseeing a plan's operation.

To address the first concern, plans will either have to participate in a state guaranty fund or adopt some other acceptable financial safeguard, said Mr. Tresnowski. Acceptable alternative methods to guaranty fund participation would include creating some kind of special reserve fund or finding a way to ban providers from billing subscribers in the event of an insolvency.

He noted that 25 BC/BS plans currently participate in state guaranty funds.

To improve its oversight of plans' financial conditions, the association will:

- Implement a formula that weighs investment risk and uses "other tools" to more accurately assess a plan's financial condition.

- Raise minimum capital and liquidity requirements for all plans.

- Bolster monitoring of plans in financial conditions that meet minimum requirements but still merit attention.

He added that standards would be ratcheted up over time.

Specific guidelines for each individual plan would remain "proprietary" to the association, said Mr. Tresnowski.

He said he thinks consumers want "to be assured that they're going to be guaranteed the payment of their claims and no cancellation of their coverage. How we get there has got to be sensitively applied. You can shake consumer confidence if (you release details) beyond just the assurance that they will be paid," he said.

In answer to the question regarding who has ultimate responsibility for overseeing a plan, Mr. Tresnowski said that the national association ranked third on a priority list after the local plan's board and the appropriate regulator.

Under the new standards, a local plan's board must adopt a code of conduct. The association won't prescribe exactly what the code must say, but has offered the plans models based on the research of other corporate codes of ethics, Mr. Tresnowski said. The local codes will emphasize "very clearly" that the board is committed to the highest busi-

ness ethics; address matters such as conflict of interest; ensure the creation of an audit, nominating and compensation committees; and promise adherence to all applicable laws and regulations, he said. The local plan will then have to submit its code to the association for review.

Mr. Tresnowski said that most plans already have acceptable codes of conduct, but by requiring all plans to adopt a code of conduct, the association's board of directors is confirming its own belief "in how we ought to perform and behave," he said.

Plans must also comply with the National Assn. of Insurance Commissioners' Model Holding Company Act, which requires that companies report all of their subsidiaries' activities, said Mr. Tresnowski. Subsidiaries must be formed in the interest of a plan's core business. Many of the subsidiaries operated by the troubled Maryland and National Capital Area plans had little if anything to do with the plans' fundamental mission of providing health care coverage, he said.

Mr. Tresnowski added that the association will communicate its assessment of plan performance directly with member plans' boards rather than through local plans' chief executive officers.

"In the past, our communications have been through the plan's CEO, and we've learned some lessons from that. This is not to besmirch the CEOs generally across the country, but we do know that when (communication is) filtered, particularly under difficult situations, the boards are left without full information," he said.

He said that the association has only withdrawn a plan's right to use the BC/BS name once, and that action came "too late." The association wanted to pull the name from the West Virginia plan long before the plan was declared insolvent, but regulators were concerned that stripping the plan of the BC/BS name would "send the plan into a tailspin," he said.

The New Jersey plan was also threatened with losing the right to use the BC/BS name a few years ago, but last-minute legislative action creating a specialized guaranty fund for the plan and other actions made the revocation unnecessary, he said. **BI**

Update

Hawaii losing insurers

HONOLULU—Insurance agents in Hawaii are trying to avert a looming crisis in the wake of Hurricane Iniki by encouraging insurers to enter the state's homeowners' insurance market.

An insurance crisis will occur around Feb. 19, warned Jim Cavanaugh, president of the Hawaii Independent Insurance Agents Assn.

Coverage will be canceled on that date for policyholders of Hawaiian Insurance Group's insolvent subsidiaries. Those policyholders will join others whose coverage was not renewed by insurers leaving the state, he said.

Mr. Cavanaugh said association members have contacted several insurers asking them to consider writing homeowners coverage in Hawaii, but have received little response.

Hurricane Iniki caused an estimated \$1.6 billion in insured property damage, mostly on Kauai (*BI*, Sept. 28, 1992).

Settlements trigger D&O cover

MOUNTAIN VIEW, Calif.—Insurance will cover half of the settlement of two shareholder class action lawsuits totaling \$30 million against Sun Microsystems Inc.

A spokesman would not identify the insurer, but said one suit, settled for \$25 million, stemmed from an unexpected loss in the computer firm's 1989 fiscal fourth quarter. The second suit, settled for \$5 million, revolved around a lower-than-expected profit in 1991's fiscal first quarter.

Both suits had named the company and several officers as defendants and asserted a variety of securities fraud claims.

Texas product liability bills

AUSTIN, Texas—Texas lawmakers are considering legislation that would restrict product liability and other types of lawsuits against corporations.

One measure, S.B. 4, would restrict product liability suits against the makers of tobacco, liquor and other "inherently dangerous" products. It would also require manufacturers to indemnify retailers in cases where the retailers did not alter the products.

Another bill, S.B. 2, would give Texas judges more discretion to dismiss personal injury and wrongful death suits against corporations that do business in Texas, but brought by foreigners injured in their own countries.

A&A net loss from charge

NEW YORK—Alexander & Alexander Services Inc. has taken a \$157.5 million charge against fourth-quarter earnings to cover liabilities relating to discontinued and sold underwriting operations.

The charge produced a \$136.6 million net loss for the fourth quarter, compared with a \$35.2 million loss for the same period in 1991. For the full year, A&A posted a net loss of \$90.1 million, compared with a loss of \$12.6 million for 1991.

Excluding the charge, A&A would have reported net income of \$68.8 million for 1992.

A&A announced in December that it would take a charge mainly to boost reserves for pollution risks assumed by its Sphere Drake Insurance Co. unit from 1953 to 1967. A&A sold Sphere Drake in 1987, but guaranteed its reserves and reinsurance recoverables for 1986 and prior years (*BI*, Dec. 21, 1992).

Briefly noted

Allstate Insurance Co. will get a \$1 billion capital infusion from parent Sears, Roebuck & Co. Allstate's net Hurricane Andrew losses totaled \$2.5 billion before taxes and \$1.65 billion after taxes. . . . **Trinity Insurance Co. Ltd.**'s creditors overwhelmingly agreed last week to a scheme of arrangement. Dividend payments are scheduled to begin within a year. . . . Paul J. Williams, chief of staff in Texas Gov. Ann Richards' administration, is the newest member of the **Texas State Board of Insurance**. He replaces Richard F. Reynolds, whose term expired. . . . **Lincoln National Corp.** completed the sale of 4.6 million shares of common stock at \$71.25 a share for a total of \$327.8 million, or \$316.7 million net after underwriters' fees are taken into account. The funds will be used for general corporate purposes. . . . Nicholas C. Walsh has been named president of **AIG Europe S.A.** in Paris, American International Group Inc.'s continental European property/casualty company. He replaces David M. Hupp, who will become director of regional operations and marketing for American International Cos. in New York. Martin J. Sullivan, now chief operating officer of AIG Europe, will succeed Mr. Walsh as managing director and president of AIG Europe (U.K.) Ltd.'s U.K./Ireland division. . . . A jury in federal court in New Orleans has convicted Gordon L. Rush Jr. of 19 mail fraud, wire fraud and conspiracy charges relating to his operation of the defunct **Presidential Fire & Casualty Insurance Co.** He faces 95 years in prison and \$4.75 million in fines. Also convicted on fraud charges was Peter McDermot II, who was charged with supplying securities that the insurer fraudulently reported as assets. Mr. McDermot faces 15 years in jail and \$750,000 in fines. . . . **Richard D. Hazell**, a former non-marine underwriter and deputy chairman at Lloyd's of London, was named chairman of Liberty Mutual Insurance Co. (U.K.) Ltd. Mr. Hazell has resigned from Lloyd's regulatory board. Liberty Mutual also named Stewart H. Steffy president of its international operations.

For the Record

Florida legislators eye insurance reforms

TALLAHASSEE, Fla.—Florida lawmakers are considering a workers comp reform bill and a number of proposals relating to insurer solvency.

Among the reforms in the workers comp proposal, developed by Gov. Lawton Chiles and representatives of labor and employers, is a measure to eliminate automatic appeals of workers comp claims to state district courts. Instead, a commission made up of attorneys experienced in workers comp law would be established to hear appeals of decisions by state compensation claim judges.

The bill also calls for changes regarding medical care in workers comp cases, including restrictions on chiropractic treatment and the ability of insurers to use utilization review services in workers comp cases.

In addition, the proposal calls for the creation of a guaranty

fund for commercial group self-insurance funds.

Lawmakers and the Florida Department of Insurance also are working on ways to more closely monitor insurer solvency.

One proposal would raise minimum policyholder surplus requirements for insurers seeking a license to at least \$5 million from \$2.5 million. Insurers already licensed would have 10 years to raise minimum surplus to \$5 million.

Another proposal would subject insurers licensed for fewer than five years in the state to annual instead of triennial financial examinations, while those licensed for more than 15 years would have to submit to the exams every five years unless they did not show "exceptional compliance and cooperation."

Missouri names Angoff new insurance director

JEFFERSON CITY, Mo.—The Missouri Senate last week confirmed the appointment of Jay Angoff, a New Jersey attorney and gubernatorial aide, as state

insurance director.

Democratic Gov. Mel Carnahan chose Mr. Angoff to replace Lewis Melahn, an appointee of the previous Republican administration. Mr. Angoff, 41, will take office Tuesday.

He currently serves as special assistant for health insurance policy for New Jersey Gov. Jim Florio. Mr. Angoff previously served as deputy commissioner of the New Jersey Insurance Department as well as counsel to the National Insurance Consumer Organization.

"It's my goal to set up a simple, clean system. Once the rules are set, then the free market can work," Mr. Angoff said. "The role of government is not to micromanage every little thing. Too much regulation doesn't help consumers or the insurance industry."

Mr. Angoff "brings new ideas and a fresh perspective to state government," said Gov. Carnahan. "Jay spearheaded the effort to reform New Jersey's health insurance law, and it is now recognized as one of the most progressive in the nation." **BI**

CNA reserve increase

Continued from page 1
bility policy with no aggregate limits for Fibreboard covering the period between May 1957 and March 1959.

Fibreboard in 1979 sued CNA and Pacific Indemnity Corp., a Chubb Corp. unit, for coverage of asbestos-related claims. After a series of rulings, a San Francisco Superior Court judge issued a final order in January 1990 that the insurers owed a duty to defend and indemnify Fibreboard. Chubb subsequently settled with Fibreboard (BI, March 11, 1991). CNA is appealing the decision.

Fibreboard faces tens of thousands of claims alleging exposure before 1959. The potential liability is increased because the Superior Court judge ruled in 1988 that each asbestos bodily injury claim filed against Fibreboard constitutes an occurrence under Continental Casualty's policy (BI, Sept. 5, 1988). The insurer also may be liable for punitive damages.

The \$1.5 billion reserve addition is tied to CNA's recent decision to seek a settlement with Fibreboard, though it is still pursuing the appeal, explained Dennis H. Chookaszian, chairman and chief executive officer of CNA Insurance Cos.

CNA has decided to seek a settlement because of the recent trend toward mass tort actions and consolidated litigation, which do not give individual defendants the opportunity to adequately defend themselves because they are grouped with others, he said.

He also noted the \$1.5 billion is only an

estimate and there is no guarantee the settlement negotiations will succeed or, if it does not settle, what its ultimate liability will be.

"The range of outcomes is very broad," Mr. Chookaszian said.

As a result of the charge, CNA said it expects to report a \$335 million loss for 1992 when it releases its year-end results Wednesday. The loss would have been much greater, but the effect of accounting changes will add \$330 million to the insurer's bottom line.

CNA also said it had a total of \$1 billion in unrealized claims as of year end, with Continental Casualty's portion alone amounting to more than \$700 million. CNA has started to realize these gains, which should boost its surplus this year.

Mr. Chookaszian noted that even after the charge, Continental Casualty will still have about \$3.1 billion in surplus, and a premium to surplus ratio of about 2-to-1.

"Clearly, it's still seen as an extremely strong company," said John H. Snyder Jr., senior vp at A.M. Best Co. Nevertheless, Best last week put CNA's A+ rating under review with negative implications pending a further evaluation.

Standard & Poor's Corp. downgraded the claims-paying ability rating of CNA's intercompany pool to AA+ from AAA, and put it on CreditWatch with negative implications.

"We thought there was a good possibility of an addition," but its size was an "order of magnitude" greater than anticipated, said S&P Director Mark Puccia. However, "We still feel (CNA is) extremely strong."

CNA exclusion denied in asbestos suit

NEW YORK—New York's highest court has ruled that the pollution exclusion in general liability policies does not relieve insurers from defending in asbestos bodily injury suits.

The New York Court of Appeals ruled unanimously last week that Continental Casualty Co. and Transportation Insurance Co., both CNA Financial Corp. units, may not cite the pollution exclusion in denying defense cost coverage to Rapid-American Corp., the successor to Philip Carey Manufacturing Corp.

The exclusion applies to "broadly dispersed environmental pollution," the court found. The CNA units failed to show that the injuries were caused by asbestos in the atmosphere—which might have brought them within the scope of the exclusion—rather than direct contact, the panel said.

The court also ruled that the CNA units must cover all of Rapid's defense costs without pro-rata reduction for years the company was self-insured or insured by others. The insurers may seek reimbursement of some costs later if asbestos injuries are found to have occurred when they were not on the risk.

The Illinois Supreme Court has reached similar conclusions on the pollution exclusion. The 9th U.S. Circuit Court of Appeals ruled the opposite way in a property damage ruling.

"If the insurers' position is taken to be the correct one, there would be no insurance coverage for asbestos bodily injury," said Stephen Marshall of Rubin, Baum, Levin, Constant & Friedman in New York, which represented Rapid.

—By Douglas McLeod

Moody's Investors Service Inc. placed Continental Casualty Co.'s intercompany pool's Aaa insurance financial strength rating under review for possible downgrade.

Other insurers are likely to make reserve additions, particularly for long-tail liabilities.

"These are not unique cases," said S&P's Mr. Puccia, referring to reserve increases by Aetna, CNA and ITT/Hartford.

Other insurers must face up to the issue of inadequate reserves for asbestos and other long-tail lines, he said.

If insurers like CNA increase their reserves, then others will follow, said Charles Ronson, an analyst with Balestra Capital in New York. "There's a 'group think' here on what's acceptable."

But reserve additions alone will not necessarily lead to a turn in the market, observers say.

"I don't really think it's going to be enough," said Walter Fitzgerald, an analyst with RAS Securities in New York. While it does put pressure on pricing levels, it still is not sufficient "to turn the market on a dime."

"The industry waits with crossed fingers (in the hope that) this will be the final piece of the puzzle that will firm up the market, but that doesn't mean it will," said S&P's Mr. Puccia. While the industry cannot sustain itself with these kinds of hits, "nobody ever said this was a rational industry in its pricing policy."

"I do not believe these events as such will cause the market to turn," said Sean Mooney, senior vp at the Insurance Information Institute in New York. "These are not external shocks to the system. These are situations that have been recognized for quite some time."

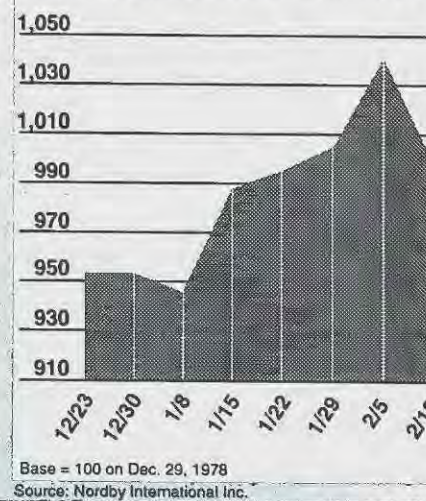
"Certainly, it's one more factor that ought to help the soft market to turn itself around, but is it the last straw that's needed? We don't think so," said Bruce Ballantine, an analyst with Moody's Investors Service in New York.

However, more and more of these jolts will undoubtedly add to the pressure for more reasonable pricing, said Michael Lewis, first vp with Dean Witter Reynolds in New York.

"I think it could eventually lead to some better signs in the marketplace, at least on the commercial side," said Gloria Vogel, first vp with Shearson Lehman in New York. "I think you can expect to maybe see a price increase sometime in the future, but an immediate impact? Probably not."

"You're a billion and a half dollars closer to a turn," observed Myron M. Picoult, managing director and senior insurance analyst with New York-based Oppenheimer & Co.

BI Insurance Index



Insurance industry stocks reversed course last week, as the Business Insurance Index dropped 42.2 points to 1,003.6 on Feb. 12 from 1,045.8 on Feb. 5. Advancing issues for the week were led by American Indemnity/Financial, up 12.1%; Argonaut Group, up 10.3%; and Fremont General Corp., up 7.0%. Declining issues for the week followed Sierra Health Services, down 18.6%; Pacificare Health System, down 14.7%; and United Healthcare Corp., down 14.1%. The most active issue was U.S. Healthcare, with 11.1 million shares traded. The BI Index was down 4.0%; the NYSE Composite was down 0.9%; the Standard & Poor's 500 was down 1.0%; and the Dow Jones 30 Industrials fell 1.4%.

British Issues

Feb. 11 Companies	Price pence	P/E	Div. pence	Yield %	1 Week High-Low pence
Comm Union	600	NM	32.5	5.4	620-590
Genl Accident	575	NM	35.7	6.2	598-569
Gdn Royal Exch	170	NM	10.0	5.9	173-167
Royal	288	NM	7.0*	2.4	288-269
Sun Alliance	338	NM	19.0	5.6	342-333
Brokers					
Bradstock	145	17.1	6.8	4.7	145-145
CE Heath	343	19.8	21.3*	6.2	343-343
Hogg Group	168	16.0	10.9	6.5	170-168
JIB Group	185	14.1	10.0	5.4	185-185
Lloyd Thompson	261	21.1	7.5	2.9	261-257
Lowndes Lomb	354	13.8	16.8	4.7	356-354
PWS Holdings	63	9.4	5.3	8.4	63-63
Sedgwick Grp	179	14.3	8.0*	4.5	180-179
Steel Brl Jones	224	10.9	17.7	7.9	238-224
Willis Corroon	187	11.9	17.6	9.4	195-187

Source: Philip Olsen, London

* Estimated

BI Industry Stock Report

FEBRUARY 8, 1993 THROUGH FEBRUARY 12, 1993

BROKERS																										
		Price	Weekly % change	Year to Date % change	Annual High	Low	Vol.(000)	\$ Div.	% Yield	P/E	Book value	Mkt/Bk. value			Price	Weekly % change	Year to Date % change	Annual High	Low	Vol.(000)	\$ Div.	% Yield	P/E	Book value	Mkt/Bk. value	
Acordia Inc.	NYS	21.50	-12.24	0.00	24.75	15.13	167	0.36	1.67	15	7.01	3.07	Mutual Risk Mgmt. Ltd.	NYS	44.13	-1.94	8.95	46.00	25.75	66	0.28	0.63	26	7.51	5.88	
Alexander & Alexander	NYS	26.75	-4.46	0.94	28.88	18.00	317	1.00	3.74	96	10.00	2.68	NAC Re Corp.	OTC	43.50	1.75	7.41	44.75	21.75	127	0.16	0.37	76	13.60	3.20	
Gallagher Arthur J. & Co.	NYS	34.00	4.62	20.35	34.63	21.00	487	0.64	1.88	21	6.35	5.35	National Re Corp.	NYS	37.88	-0.98	27.85	39.00	17.00	121	0.12	0.32	21	N/A	N/A	
Hilt, Rogal & Hamilton	NYS	16.00	0.79	2.40	16.00	11.00	157	0.44	2.75	24	3.11	5.14	Navigator's Group	OTC	31.00	0.81	-4.62	48.00	28.50	158	0.00	0.00	22	15.69	1.98	
Marsh & McLennan	NYS	92.00	-3.79	0.68	97.63	71.25	451	2.68	2.91	22	14.40	6.39	Nobel Insurance LTD.	OTC	7.25	3.57	23.40	8.25	4.25	101	0.00	0.00	5	3.91	1.85	
Poe & Associates	OTC	18.25	1.39	8.96	18.75	11.25	23	0.40	2.19	23	2.64	6.91	NWNL Companies	NYS	58.75	-5.24	15.48	62.13	29.63	350	1.48	2.52	14	46.21	1.27	
BROKERS AVERAGE			-2.3	5.6					2.2	29			Ohio Casualty Corp.	OTC	68.00	1.12	7.72	68.00	49.00	136	2.68	3.94	12	43.08	1.58	
CONGLOMERATES & HOLDING COMPANIES													Old Republic Int'l	NYS	26.13	-3.24	5.03	27.38	18.75	456	0.40	1.53	8	18.63	1.40	
Berkley W.R. Corp.	OTC	50.00	1.27	16.28	50.50	31.00	85	0.36	0.72	19	23.51	2.13	Orion Capital Corp.	NYS	40.50	-1.22	14.49	41.25	23.19	61	0.80	1.98	8	28.62	1.42	
Berkshire Hathaway Inc.	NYS	12400.0	0.00	5.53	12700.0	8575.00	0	0.00	0.00	49	6437.25	1.93	Phoenix RE Corp.	OTC	22.63	-1.09	43.65	23.50	8.88	264	0.20	0.88	-33	13.32	1.70	
ITT (Hartford Group)	NYS	75.38	0.67	4.69	76.13	59.25	1609	1.96	2.60	18	68.23	1.10	Provident Life	NYS	29.75	-4.42	4.39	31.50	20.00	122	1.00	3.36	12	30.38	0.98	
Sears (Allstate)	NYS	52.75	4.71	15.93	52.75	37.75	7415	2.00	3.79	-9	40.18	1.31	Re Capital Corp.	ASE	15.25	-1.61	-7.58	16.63	12.25	12	0.24	1.57	27	16.88	0.90	
CONGLOMERATES AVERAGE			1.7	10.6					1.8	19			Reliance Group Holdings	NYS	6.25	-3.85	2.04	7.13	4.00	362	0.32	5.12	3	2.94	2.13	
INSURERS/REINSURERS													RLI Corp.	NYS	27.00	0.00	9.09	27.25	17.75	9	0.52	1.93	12	17.92	1.51	
AEGON N.V.	NYS	44.50	-1.11	6.91	45.38	33.00	28	0.68	1.53	7	34.06	1.31	St. Paul Companies	NYS	81.00	-1.52	5.19	83.25	66.50	593	2.80	3.46	-15	59.79	1.35	
Aetna Life & Casualty	NYS	48.88	-6.68	5.11	53.75	38.00	2357	2.76	5.65	16	67.08	0.73	SAFECO Corp.	OTC	62.50	-2.34	10.13	64.50	42.00	982	1.64	2.62	14	35.37	1.77	
Allied Group Inc.	OTC	38.25	2.68	20.47	38.25	18.50	1596	0.64	1.67	11	11.29	3.39	SCOR U.S. Corp.	NYS	20.00	1.91	14.29	20.00	13.13	55	0.28	1.40	83	14.39	1.39	
Allmerica Prop. & Casualty	OTC	57.00	-3.80	12.87	57.00	34.75	142	0.44	0.77	10	40.44	1.41	Seibels Bruce Group	OTC	2.06	6.45	10.03	6.13	0.38	174	0.00	0.00	0	6.22	0.33	
American General	NYS	57.38	-3.77	0.66	61.50	40.25	781	2.20	3.83	12	39.89	1.44	Selective Ins. Group	OTC	24.50	3.16	11.36	25.75	16.75	96	1.12	4.57	12	20.22	1.21	
American Heritage Life Ins.	NYS	33.38	1.91	10.33	33.38	24.88	8	0.84	2.52	16	16.51	2.02	Statesman Group Inc.	OTC	13.75	-2.65	14.58	14.88	5.00	492	0.05	0.36	8	6.71	2.05	
American Indemnity/Fin'l	OTC	9.25	12.12	54.17	9.25	4.75	26	0.08	0.86	6	14.43	0.64	Tokio Marine & Fire	OTC	46.88	-4.58	-2.34	52.63	32.25	0	0.00	0.00	94	70.93	0.66	
American International	NYS	123.00	-1.89	6.03	123.00	82.00	1028	0.56	0.46	17	54.21	2.27	Torchmark Corp.	NYS	64.00	2.40	12.78	64.00	36.00	562	1.04	1.63	18	14.87	4.30	
Aon Corp.	NYS	53.38	-3.39	-1.16	55.50	39.75	393	1.68	3.15	18	27.17	1.96	Transamerica	NYS	49.50	-1.98	3.13	50.88	39.75	537	2.00	4.04	23	35.86	1.38	
Argonaut Group	OTC	32.25	10.26	5.74	33.00	25.50	133	0.84	2.60	10	21.70	1.49	Transatlantic Holdings	NYS	56.63	2.49	0.89	56.75	29.38	58	0.28	0.49	20	21.85	2.59	
AYEMCO Corp.	NYS	24.50	1.03	4.81	28.00	21.00	18	0.40	1.63	30	7.33	3.34	Travelers Corp.	NYS	27.88	-0.89	2.29	30.75	17.13	-1757	1.60	5.74	-15	43.85	0.64	
Baldwin & Lyons Inc.	OTC	33.50	-7.59	-8.22	36.50	26.50	0	0.48	1.43	8	30.85	1.09	Trenwick Group Inc.	OTC	43.75	-6.91	7.36	47.75	25.00	670	0.80	1.83	17	23.87	1.83	
Chandler Insurance	OTC	4.50	-2.70	-5.26	7.63	3.88	5	0.00	0.00	20	8.63	0.52	United Fire & Casualty	OTC	40.00	-4.19	-3.61	43.00	31.66	11	1.00	2.50	17	28.47	1.40	
Chubb Corp.	NYS	92.25	-1.34	3.80	95.50	62.38	555	1.60	1.73	13	40.67	2.27	Unilin	OTC	43.75	1.74	2.34	43.88	32.75	204	1.20	2.74	14	36.51	1.20	
CIGNA Corp.	NYS	65.13	-0.57	11.09	68.00	47.13	1130	3.04	4.67	11	81.73	0.80	UNUM Corp.	NYS	55.00	-3.93	3.77	58.00	32.00	1478	0.64	1.16	15	21.83	2.52	
CNA Financial Corp.	NYS	95.25	-4.99	-2.81	102.88	78.50	78	0.00	0.00	12	80.24	1.19	US Facilities Corp.	OTC	8.75	-2.78	-12.50	18.00	7.00	70	0.00	0.00	9	9.64	0.91	
Continental Corp.	NYS	27.75	-3.90	3.26	34.75	20.00	777	1.00	3.60	20	38.32	0.72	USF&G Corp.	NYS	14.38	-0.86	16.16	15.00	8.00	939	0.20	1.39	-85	10.29	1.40	
EXEL Ltd.	NYS	47.25	-2.83	0.00	51.00	32.13	802	1.00	2.12	9	N/A	N/A	USLICO Corp.	NYS	16.50	3.94	-8.33	20.00	15.00	45	0.24	1.45	23	29.80	0.55	
Fund American Corp.	NYS	74.38	1.02	3.30	74.50	62.50	101	0.00	0.00	54	81.85	0.91	USLife Corp.	NYS	40.38	-2.42	11.38	42.63	28.16	219	1.20	2.97	12	64.90	0.62	
Fremont General Corp.	OTC	38.25	6.99	10.87	38.25	17.00	148	1.00	2.61	9	25.62	1.49	Washington National	NYS	25.13	-6.94	9.24	27.50	16.63	155	1.08	4.30	20	30.27	0.83	
Frontier Insurance Group	NYS	45.25	-1.63	4.02	46.25	27.03	31	0.60	1.33	16	13.97	3.24	Zenith National Ins.	NYS	25.00	0.00	26.58	25.00	14.50	194	1.00	4.00	17	14.81	1.69	
Gainsco Inc.	ASE	18.25	2.82	29.20	19.50	7.78	170	0.04	0.22	25	2.65	6.89	INSURERS/REINSURERS AVERAGE			-0.9	7.7					2.4	17.5			
General RE Corp.	NYS	122.00	-2.11	5.40	123.50	77.50	773	1.80	1.48	17	46.07	2.65	HEALTH MAINTENANCE ORGANIZATIONS													
Guaranty National Corp.	NYS	21.75	-2.79	10.13	23.00	13.50	61	0.48	2.21	14	9.12	2.38	FHP International	OTC	24.88	-6.13	24.38	29.00	12.50	4515	0.00	0.00	23	9.61	2.59	
Harleysville Group	OTC	30.25	-4.72	7.08	32.75	17.75	137	0.64	2.12	13	16.77	1.80	Pacificare Health Sys.	OTC	47.75	-14.73	-6.37	57.50	25.25	528	0.00	0.00	25	3.90	12.24	
Harford Steam Boiler	NYS	57.88	3.81	0.22	59.25	45.13	89	2.12	3.66	21	19.74	2.93	Salisbury Health Enter.	OTC	10.25	-12.77	5.13	14.75	7.00	50	0.00	0.00	12	4.03	2.54	
Kemper Corp.	NYS	29.88	-6.64	0.84	35.75	20.75	1475	0.92	3.08	21	37.66	0.79	Sierra Health Services	ASE	15.88	-18.59	-26.59	21.69	8.06	452	0.00	0.00	15	2.01	7.90	
Lawrence Insurance Group	ASE	7.75	-4.62	-10.14	10.38	7.00	2	0.48	6.19	18	4.66	1.66	United Healthcare Corp.	NYS	55.75	-14.07	-1.98	68.00	34.25	2816	0.01	0.02	37	4.68	11.91	
Liberty Corp.	NYS	30.25	-3.20	7.08	32.88	21.50	136	0.56	1.85	12	18.43	1.64	United Medical Corp.	ASE	9.13	0.00	43.14	9.75	6.13	15	0.20	2.19	83	10.30	0.89	
Lincoln National	NYS	75.63	0.33	3.42	78.25	50.50	634	3.04	4.02	12	58.92	1.28	U.S. Healthcare	OTC	48.38	-14.00	8.40	59.75	29.00	11073	0.52	1.97	26	3.60	13.44	
Markel Corp.	OTC	36.00	5.11	15.20	36.00	23.00	93	0.00	0.00	9	15.44	2.33	HMOs AVERAGE			-11.5	6.6					0.4	28			
													ALL COMPANIES AVERAGE			-3.2	7.6							3.1	10	

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