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Updates

HCFA reverses policy on cover for retirees with kidney ailment

WASHINGTON—A new policy reversal by the Health Care Financing Administration will prevent a shift of tens of millions of dollars in retiree health costs to employers from the federal Medicare program.

The policy shift, which a HCFA official described as a "reconsideration," involves the agency's interpretation of a 1993 law that changed the rules on when employer plans or Medicare are the primary payer of medical bills for employees and retirees who develop end-stage renal disease, a kidney

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GRAPHIC BY MIKE GARVEY

Limiting federal regulation

Moratorium would please risk managers

By MARK A. HOFMANN

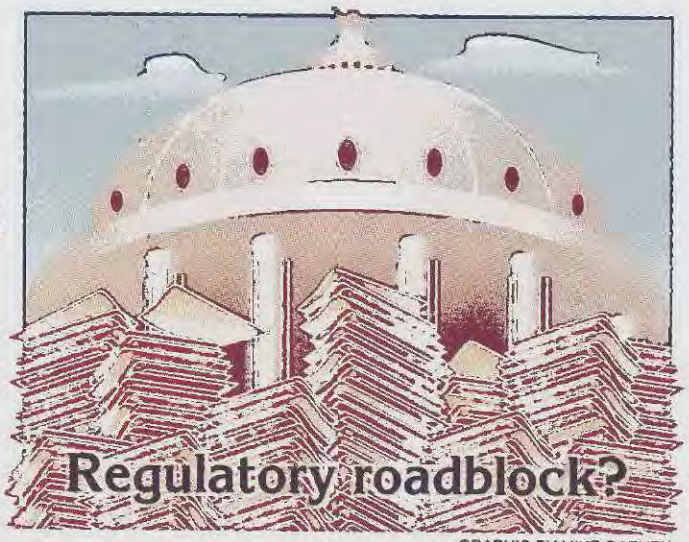
WASHINGTON—Risk managers and business groups think that a double-barrelled congressional blast at the federal regulatory system is right on target.

The House of Representatives is expected to vote on two key regulatory reform bills this week. One bill would prohibit the enforcement of many executive branch regulations issued after Nov. 20, 1994, until at least some of the regulatory reforms contained in the GOP's "Contract with America" are enacted.

The other bill, taken straight from the contract, would require many federal regulators to seek the most cost-effective way to achieve the goals of proposed rules that have an economic impact of more than $25 million.

Both bills provide numerous exemptions, including those for regulations deemed necessary to deal with emergency situations.

Sen. Don Nickles, R-Okla., has introduced a companion to H.R. 450 in the Senate, but S. 219 has not yet been considered by the Governmental Affairs Committee. Three Senate panels began reviewing risk assessment legislation last Wednesday but were not expected to move as quickly on the measures as their House counterparts did.



GRAPHIC BY MIKE GARVEY

To put it mildly, representatives of business and industry have responded to the proposed laws with considerable enthusiasm. They stress that they do not oppose all regulation, but do think government rules need to undergo far greater scrutiny than they currently do.

Business groups hail the moratorium as a much-needed breather from burdensome new rules, but warn that simply halting new regulation for a few months without reforming the regulatory process will accomplish little.

The uncertainty of the bills' fates has done nothing to chill the business sector's enthusiasm for the

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Benefit laws left unclear without regs

By JERRY GEISEL

WASHINGTON—Benefit experts say legislation headed for a House floor vote this week to impose a retroactive moratorium on government regulations would do far more harm than good in the employee benefit arena.

The proposed regulatory moratorium would stop dead in its tracks a slew of regulations that employers need and want, experts say.

The most vital regulations affected by the proposed moratorium are those to be developed by the Pension Benefit Guaranty Corp. to help employers comply with sweeping pension funding reform legislation that is supposed to go into effect this year (*BI*, Dec. 5, 1994).

"Employers are dying for guidance" in a number of areas of the new pension law, including certain information they must disclose to participants and to the agency, said Harry Conaway, a managing director at William M. Mercer Inc. in Washington.

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Rising interest rates likely to bode well for insurance buyer

By JUDY GREENWALD

Rising interest rates could prove to be a double-edged sword for property/casualty insurers, though they could also continue to shield commercial buyers from significantly higher premiums.

Higher interest rates will reduce the value of insurers' bond holdings, which account for about 80% of their investment portfolios. However—assuming insurers are not forced to sell large portions of their bond holdings at a loss—greater overall investment income generated by the higher rates is likely to be a big help to their bottom lines.

And that could be good news for buyers, since greater investment income could offset underwriting losses and help prolong the soft market.

Rising rates have not prompted wholesale shifts in insurer investment strategies, according to observers. Property/casualty insurers tend to stick with certain approaches despite the ups and downs of interest rates.

The Federal Reserve Board's move to raise the prime rate to 9% on Feb. 1 was the seventh hike within a year.

A rise in interest rates "will increase profits because new money coming in is invested at higher rates," said Sean Mooney, senior vp and economist at the Insurance Information Institute in New York.

"Now insofar as companies need to sell bonds to pay losses, then, of course, the rise in interest rates tends to have a negative

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CalPERS targets quality

Giant health plan to require top service as well as low price

By JOANNE WOJCIK

SACRAMENTO, Calif.—CalPERS is doing it again.

The giant organization that started the health care purchasing cooperative movement is cutting HMO premiums for the third straight year—this time by 5.2%—and is also embarking on another huge project: a cooperative agreement with the health plans to develop a system to improve and measure quality.

The program—which could become a national prototype because CalPERS has the size and resources to go even further than current private-sector initiatives—will combine pricing innovations, quality measurements, technological improvements, service-level targets and "best-practice" guidelines.

Its goal is "to identify and reward the plans which demonstrate a sharing of this vision," explained Tom Elkin, chief of the health program at the California Public Employees Retirement System.

The organization buys coverage for more than 900,000 workers and their dependents on behalf of more than 1,000 employers in California.

Under the 17-month contract that will bring CalPERS to a calendar-year renewal, the premium cuts represent a savings of $80 million over the previous 12-month contract, according to Dr. William D. Crist, CalPERS board president. "This has been a well-planned and executed strategy that has brought us where we are today," he said.

To achieve the latest round of cuts, Mr. Elkins said

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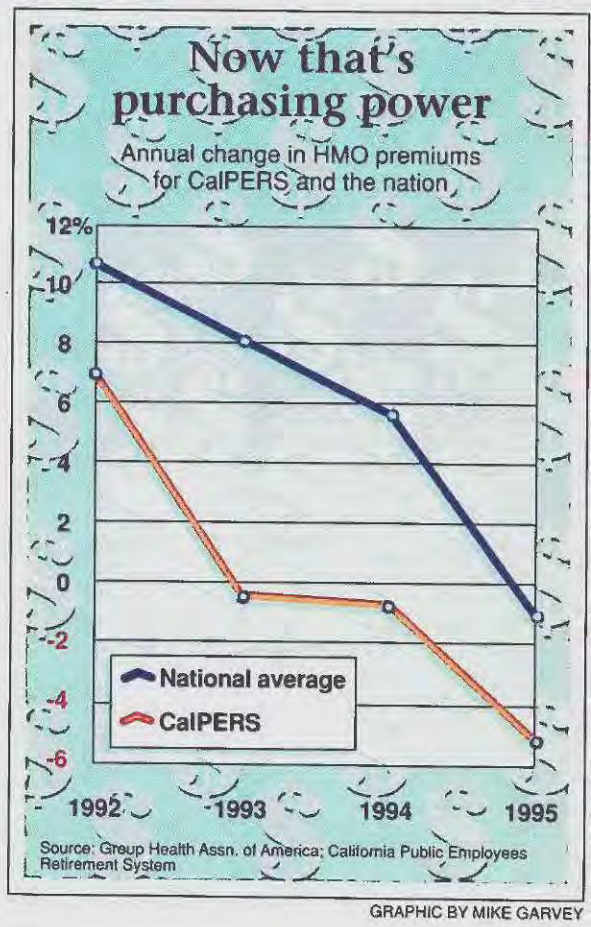

GRAPHIC BY MIKE GARVEY

Updates

HCFA reverses ESRD policy

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impairment that requires expensive treatment.

As HCFA interpreted the law, employers with retiree health care plans would be the primary payer for retired workers who developed ESRD, even if they were already covered under Medicare. Employers were liable for 18 months of coverage under the law.

Under HCFA's interpretation, a retiree with ESRD could bounce from Medicare to the employer's retiree health care plan and then back to Medicare after 18 months.

That triggered protests from employers and insurers, as well as congressional inquiries, the HCFA official acknowledged.

"I'm elated," said James Cole, manager of health programs at Franklin Electric Co. Inc. in Bluffton, Ind. He was the first to draw public attention to the agency interpretation and contacted legislators to get the provision changed (*BI*, July 25, 1994; June 13, 1994).

Mr. Cole plans to seek a refund from HCFA of about $100,000 in medical bills the company's self-insured medical plan paid on behalf of three retirees who developed the disease after turning 65.

CIGNA intercompany pool split

PHILADELPHIA—CIGNA Corp. will segregate companies in its property/casualty pool to ensure an A- rating from A.M. Best Co. for four of the 19 companies.

The four companies that make up the new pool—CIGNA Insurance Co., Connecticut General Fire & Casualty Insurance Co., Bankers Standard Insurance Co. and Indemnity Insurance Co. of North America—will write rating-sensitive business, while the 15 companies that remain in the old pool will seek business that does not require an A level rating, a CIGNA spokesman said.

Earlier this month, Best reversed its December downgrade, upgrading the four new pool companies, which write lower-risk business, to A- from B++. But the 15 companies remaining in the old pool have been downgraded further to B+. The new pool will write about $1.2 billion in gross premiums, which represents about 60% of its property/casualty premiums, Best said. The new pool companies' old liabilities will be fully reinsured by the old pool companies.

CIGNA needs to make additional structural changes to separate the two pools before the A- rating will be confirmed, said Eric Simpson, vp of Best's property/casualty division.

Standard & Poor's Corp., meanwhile, is not revising its recent downgrade of CIGNA's senior debt to BBB+ from A.

CIGNA's pool moves do not follow similar deals, such as the Zurich/Home transaction, in which insurers are separating old liabilities from more profitable business, said Alan Levin, managing director at S&P. "One pool is reinsuring the other pool and you still have the same ownership."

The restructuring could let CIGNA sell the companies in the new pool, speculated Michael A. Smith, insurance analyst at Lehman Bros. in New York. "Then there would be nothing to stop them from walking away from the other pool."

CNA, Continental results off

NEW YORK—Results are down sharply for both parties involved in the biggest insurance company deal of 1994.

Continental Corp. reported a $602.9 million net loss for 1994 compared with $210 million in net income for 1993. The 1994 loss reflects more than $800 million in pretax special charges, including previously announced charges of $400 million for incurred but not reported environmental claims, $164 million for reinsurance recoverables on these environmental exposures and charges for other assets, and $59 million in restructuring charges.

At CNA Financial Corp., net income fell 86.4% to $36.5 million in 1994 from $267.5 million in 1993. This reflects net realized investment losses of $150.5 million in 1994, compared with net realized investment gains of $519.2 million in 1993. In addition, CNA's 1993 results reflect an addition of $500 million pretax in loss reserves for asbestos-related bodily injury claims.

CNA is expected to complete its acquisition of Continental in the second quarter (*BI*, Dec. 12, 1994).

A CNA spokesman could not confirm British press reports that it plans to cut 6,000 people from the combined workforce of 21,000.

Gingrich sees tort reform fight

WASHINGTON—House Speaker Newt Gingrich, R-Ga., predicts that enacting civil justice reforms will be among the most difficult tasks Congress faces in the near future.

"I believe this is going to be the biggest fight of the next 60 days. It's the one I'm most worried about losing, frankly," Rep. Gingrich said last week at the annual meeting of the American Insurance Assn.

He predicted a "real brawl" and said all those "who have griped about too many lawsuits" should be ready to "throw every ounce of your muscle into this fight" because the plaintiffs bar will be doing so. The battle will be "unbelievable, bitter, in the trenches," he said.

On another matter of interest to risk managers, he predicted a Superfund reauthorization bill will reach the House floor in May or June. The fact that the House and Senate subcommittee chairmen responsible for hammering out the legislation have been working together to craft it has boosted chances for action on a bill, he said.

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Errors & omissions

• An incorrect phone number was published for The Travelers Plan Administrators Inc. in the Feb. 6 Directory of Third-Party Administrators and in a Feb. 13 correction. The correct number is 203-277-2006.

Lloyd's deemed solvent

Chief U.K. regulator endorses the market's security

By STACY SHAPIRO

LONDON—Lloyd's of London is solvent now and is likely to be solvent when it files its global returns later this year, Britain's chief insurance regulator says.

The market's filing last year showed that Lloyd's assets exceeded its liabilities by £6 billion ($9.36 billion), three times the £2 billion ($3.12 billion) that regulators required, said Jonathan Spencer, head of the insurance division of the Department of Trade and Industry.

At year-end 1993, Lloyd's resources to pay claims totaled £27.3 billion ($40.39 billion) vs. liabilities of about £21 billion ($31.07 billion), he said.

Those kinds of ratios change slowly, so "I would not expect it to deteriorate this year," Mr. Spencer said in a rare public appearance last week at hearings on Lloyd's held by the Parliament's Treasury and Civil Service Committee.

But, he added, Lloyd's may have trouble meeting the second of two solvency tests, which requires each of the market's members to also be solvent so they meet their obligations. He said he did not know what the shortfall would be between losses and members' ability to pay.

If members cannot pay their losses, Lloyd's must dip into the Central Fund to cover their debt. The fund now stands at £800 mil-

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House panel asked to expand scope of tort reforms

Product liability reform outlook

By MARK A. HOFMANN

WASHINGTON—Some tort reform advocates are calling upon the House Judiciary committee to strengthen the portion of the GOP leadership's "Contract With America" that would give the country its first uniform product liability code.

In particular, witnesses before the House committee last week called for the inclusion of a 15-year statute of repose in H.R. 10, the "Common Sense Legal Reforms Act." Another witness called upon the committee to extend the bill's proposed limits on punitive damages in product liability cases to other civil actions.

'Loser pays' proposal creates some surprising alliances .....Page 41.

Although Judiciary Committee Chairman Henry Hyde, R-Ill., did not promise to make such changes, he left little doubt that he, unlike his immediate predecessor as chairman, favors changing product liability laws. Former Chairman Jack Brooks, D-Texas, was so opposed to a uniform code that he never allowed a broad-based product liability bill to even be discussed by the committee, a legislative omission that Rep. Hyde noted in his opening re-

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Improved offer for The Home placates most but not all

By GAVIN SOUTER

NEW YORK—Zurich Insurance Group's enhanced offer for the business of Home Holdings Inc. is boosting the confidence of brokers with clients who are policyholders of The Home.

In meetings with brokers last week, Zurich offered to renew selected Home policies with Zurich policies, or to cancel Home policies and, on an account-by-account basis, renew them with Zurich policies. That offer will comfort policyholders who have been unsure about The Home's future, brokers say.

The enhancements to the original offer were made to appease state regulators, who were concerned about the protection existing policyholders of The Home Insurance Co. and its affiliates would receive after a buyout by Zurich (*BI*, Feb. 13).

Some Home Holding bondholders and policyholders are still critical of the deal.

At least one risk manager contends that policyholders would not be adequately protected in the new deal and, while the deal is dragging out, the service provided by The Home is deteriorating.

Zurich and The Home sought to reassure policyholders through meetings with major brokers shortly after the enhanced offer was announced earlier this month.

Under the new deal, Zurich has expanded its reinsurance coverage of The Home to $1 billion from $590 million and also intro-

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Mixed results for brokers

Some brokers on acquisition trail, others focus on restructuring

By SALLY ROBERTS

For insurance brokerages, widespread consolidation and reorganization separated 1994 from previous years of operating in a difficult environment.

Most publicly traded brokerages managed to offset the soft market with new business gains from acquisitions, international business, and niche programs.

"Without one of those three, it was difficult to grow" during 1994, said Jay Cohen, an analyst with Salomon Bros. in New York.

Five of the seven largest U.S. publicly held brokerages posted increased gross revenues for 1994. Hilb, Rogal & Hamilton Co. reported a 0.6% decline, and Alexander & Alexander Services Inc. posted a 1.3% drop.

Many companies last year turned to the old strategy of growth through acquisition.

Acordia Inc., for example, acquired five brokerages in 1994, most notably Bain Hogg Robinson Inc., the U.S. retail arm of London's Bain Hogg Group. Indianapolis-based Acordia led the seven brokerages with revenue growth of nearly 60%.

Rollins Hudig Hall Group Inc., Arthur J. Gallagher & Co. and

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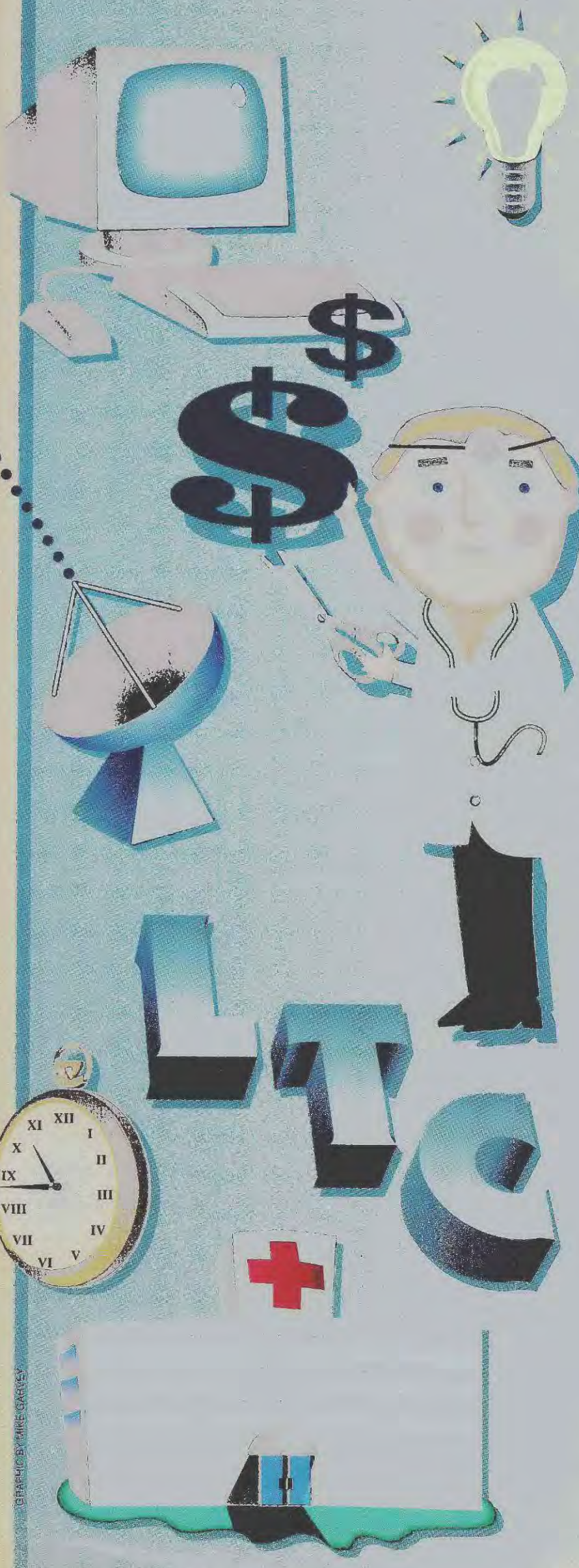
HEALTH CARE INNOVATIONS



Health care cost savings delivered via telemedicine

But quality of information and care may suffer

By CHRISTINE WOOLSEY

Starting today, 14,000 employees and dependents of aerospace manufacturer Harris Corp. will visit a single imaging center in Central Florida for all of their radiology services, including X-rays, mammograms, CAT scans and MRIs.

At the Melbourne, Fla., center, a full-time radiologist will review the images and recommend appropriate treatment—with a little help from his friends.

Those "friends" happen to be 70 radiologists on staff at the UCLA Medical Center—3,000 miles away in Los Angeles.

With computers and fiber-optic technology, the center will be electronically linked to the UCLA Medical Center, which will provide a "second read" of all medical imaging.

Sound expensive? Melbourne-based Harris estimates the use of "teleradiology" will actually save the self-insured company $2 million a year.

The computer generation is ushering in countless health care innovations, but are we ready for the "virtual doctor"?

Advanced technology already permits audio or visual consultations between patients and physicians.

And, as more people purchase home computers and become comfortable with the technology, they will use them for everything from making airline reservations to seeking advice on a twisted ankle.

Doctors already can transmit computer images of cardiac catheterizations, echocardiograms, ultrasound examinations and pathology slides to colleagues in other locations via modem.

An integrated health care delivery system that uses telecommunications and computer technology will eliminate costly and sometimes inconvenient office visits and consultations, advocates say. Interactive programs and electronic mail technology could also help educate patients to make them more responsible for their health care decisions.

Proponents say such technology could help solve some of the most vexing U.S. health care problems, including limited access to care among those in inner cities and rural areas; varying degrees of quality among physicians in different regions; and rising costs.

But, like many other breakthroughs in modern medicine, the use of so-called "telemedicine" is raising questions about its alleged advantages, as well as the appropriateness of computer-assisted medical care.

"Although a health care delivery system that depends, even partly, on online computer communications holds considerable promise, the problems it poses are enormous," said Dr. Jerome Kassirer, a former internist and now editor of the New England Journal of Medicine in Boston.

"Familiar issues such as the quality of care. . .the validity and consistency of the available information, privacy and the ef-

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Subacute care market offers alternative to hospital care

By DAVE LENCKUS

Ask a benefit expert for an opinion on subacute care facilities and you will likely come away with another question instead: How do you define subacute care?

As the subacute care industry continues what some expect will be meteoric growth, there are many answers, which vary by the type of care the facilities deliver and the care setting.

The industry's promise, though, in its increasingly aggressive marketing pitches to employers, insurers, hospitals and physicians is singular: Stabilized patients will get care that is at least as good as and substantially cheaper than the care hospitals provide.

"That is what is very attractive to the managed care payer community," said Pamela Cue-Jenkins, national contracting consultant with Metropolitan Life Insurance Co. in Cincinnati.

Subacute care facilities say they are 30% to 70% cheaper than hospitals because they do not have the added overhead of emergency rooms, surgical wings and maternity floors.

While such facilities often are pricier than non-acute providers, the latter are not equipped to handle complex cases.

Among the differences from one subacute care facility to another is that some may provide only medical treatment for complex cases. Some also may provide or focus on rehabilitative care.

Most patients at such facilities are convalescing, but some may never recover and later will be placed in non-acute care settings.

Skilled nursing facilities and hospitals, the major subacute care providers, may be hurriedly creating such facilities just to gobble up a bigger slice of the managed care pie. But health care experts call the no-frills hospitals a potentially powerful prescription in the managed care medical bag for sedating costs without jeopardizing—and often improving—quality of care.

"Case managers were asking for this kind of solution," said Catherine M. Mullahy, president of case management firm Options Unlimited Inc. of Huntington, N.Y.

Many experts, though, question whether some individual subacute care facilities can deliver what they promise.

Compounding that problem is that there is essentially no state regulation of such facilities.

To protect consumers, some health care credentialing organizations are running subacute care accreditation programs. But

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Technology

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fect on the physician-patient relationship will all surface as major areas of concern," Dr. Kassirer noted.

What's more, there is little data to show that telemedicine saves money or improves care. One frequently cited 1992 study by Arthur D. Little & Co. claims that advanced telecommunications and telemedicine could slash U.S. health care costs by $36 billion annually. But the findings of the study, which was funded by telecommunications companies, have been questioned.

Nonetheless, many telemedicine projects are currently under way, some funded by federal grants and philanthropic organizations, others sponsored by public health researchers at academic medical centers.

In several university pilot projects, patients can access educational materials and talk "on line" with medical professionals and other patients.

For example, the University of Wisconsin in Madison offers a group of women patients access to its Comprehensive Health Enhancement Support System, or CHESS.

Personal computers are placed in patients' homes for three months and offer three clusters of service: information, social support and problem-solving assistance, said David Gustafson, a professor of industrial engineering and preventive medicine at the university.

In addition to providing educational information about breast cancer, AIDS and other health problems, the CHESS program allows patients to anonymously submit questions to health care experts, as well as other patients, and receive answers 24 to 48 hours later.

The program also includes a "Health Chart" that requires patients to type in data on their health status, including their energy level and emotional state, once a week. It is self-monitoring; the data is not sent to medical providers.

"For patients with AIDS, CHESS asks about symptoms so they can identify opportunistic infections as soon as possible," he said.

The program has produced some startling results, he noted.

"In a clinical trial with 200 patients with AIDS, we randomly assigned which patients would receive CHESS and which would not. We found that the cost of care was 30% lower for CHESS users—and it stayed that way even after the system was removed," he said.

"We know CHESS had the effect of lowering costs, but we don't know why it had that effect," he added. For example, costs may have been lower because the patients using CHESS learned more about the disease or the health chart helped them identify infections sooner.

Telemedicine projects like this one, which was funded by the federal Agency for Health Care Policy Research and a grant from the Kellogg Foundation, are important in proving such technology is needed and useful, experts say.

"Telemedicine has been around since the 1960s, but it's being talked about now because of the recognition that we need to control health care costs and also because the technology has become cheap enough to do it," said Dr. Michael Wood, an orthopedic surgeon and chairman of the system communications committee in Rochester, Minn.

"The national emphasis at this point is to use this technology to address access problems," Dr. Wood noted. Some experts think the technology may make it less expensive to give specialized care to people in underserved areas.

There are barriers to such technology. Costs, though falling, often are prohibitive. And, neither patients nor providers are entirely comfortable with the technology. Insurers often will not reimburse treatment consultations conducted via satellite or computer. And doctors currently must have a license in every state where they practice medicine.

So far, these hurdles aren't slowing down the mavericks.

Mayo Clinic's satellite technology allows its specialty physicians in its Rochester, Minn., headquarters to consult with doctors practicing at two other clinics in Scottsdale, Ariz., and Jacksonville, Fla.

About 20% of Mayo's satellite broadcast hours are used by physicians in the three practice sites to consult with other specialists to determine a diagnosis or therapy for a patient.

The consultations often require sharing visual data, such as X-rays or an ultrasound image. "At Mayo in Rochester, we send radiology data digitized over wire from one room to another; there is no reason the rooms can't be 3,000 miles apart," Dr. Wood said. "What normally would have taken days, because of the need to mail an X-ray, is now done in minutes with the satellite system."

Currently, Mayo receives no federal grants or other monies to fund its satellite communications.

"We've evaluated the effectiveness of this technology before and you can justify it by saying it solves an access problem," Dr. Wood noted. "But you must conduct quality, fidelity and reproducibility studies to point to it being worthwhile."

For cardiology, telemedicine can be very effective because diagnosing a problem does not "require a cardiologist to stick his hand in someone's chest," he explained. "You can hear a heart beat, you can see if a patient is breathing hard, you can send echocardiograms for review."

Telemedicine also has proved effective in psychiatry because some patients are more comfortable discussing their problems with a physician on a TV screen than in person.

And, he said, "There are a lot of patients I can examine via satellite and tell them they need surgery. If there is a patient with a hip problem, for example, I can watch how he walks, look at his motion, get his history of pain, look at X-rays and say, 'It's not that bad yet' or 'It's at a stage to replace the hip.' That enables the patient to avoid taking a 100-mile trip just for a consultation."

But it's much more difficult for other surgeries, like breast cancer, he conceded.

Some experts question whether patients and physicians now demand—or even desire—the ability to avoid face-to-face meetings.

"Most physicians would feel that non-verbal communication—the act of touching a patient—is necessary," said Dr. Ian Cummings, an emergency room physician at Day Kimball Hospital in Putnam, Conn.

"For patients, there is a need for access, but patients want more than just a bulletin board with some text. They want face-to-face interactions with their doctor or a physician assistant or nurse," said Dr. Manual Lowenhaupt, a principal with William M. Mercer Inc. in Boston and national co-leader of the firm's clinical effectiveness practice.

"I think if a patient is given the choice to see a surgeon over the TV or in the flesh, the patient would want to see the surgeon in the flesh," Mayo's Dr. Wood said. "But if the patient has to drive 300 miles, or doesn't like the orthopedic surgeon in his community, he'd probably choose telemedicine." BI

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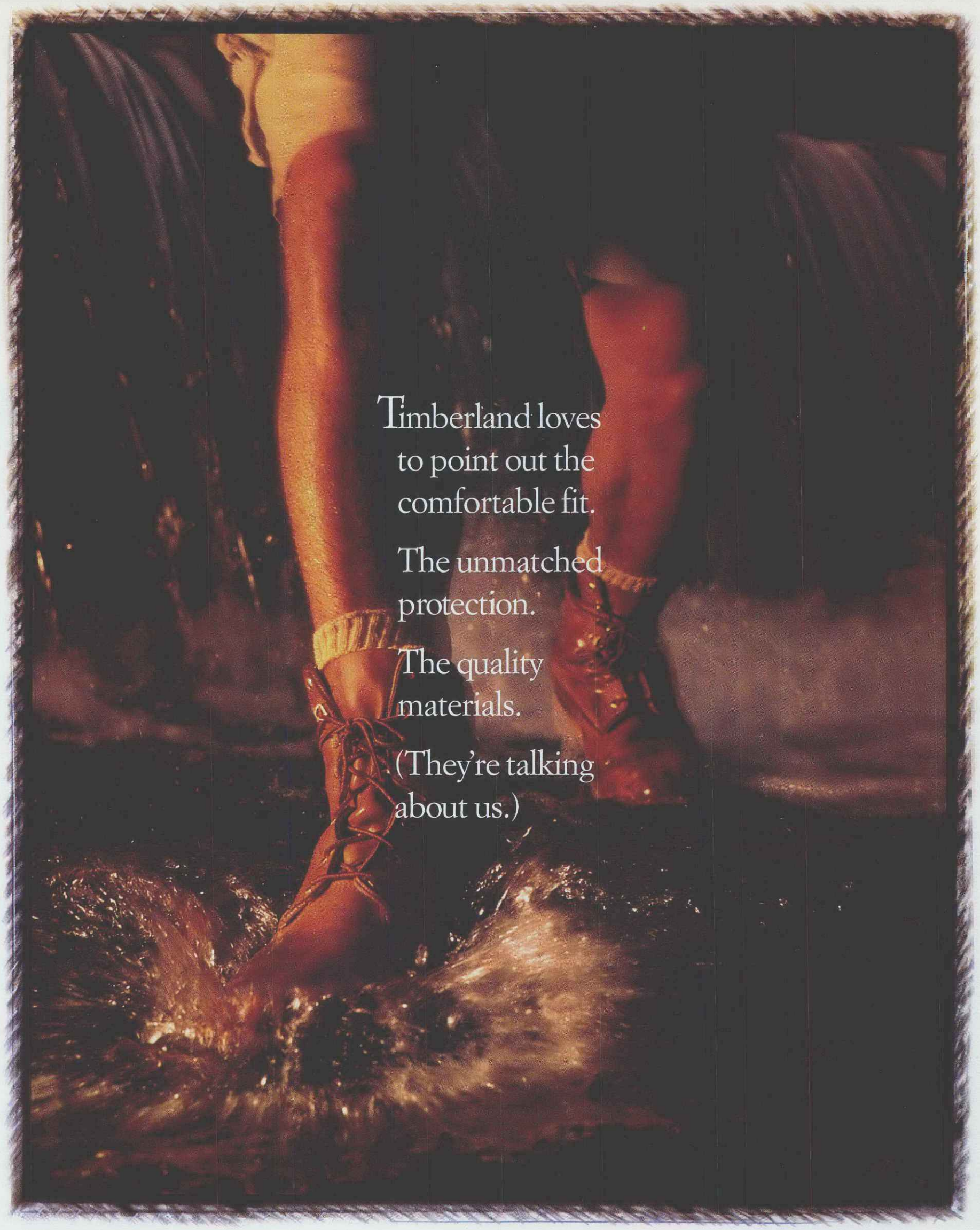

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Subacute

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those programs are in their infancy. Only a few dozen facilities are accredited in an industry that may have as few as a couple of hundred and as many as a couple of thousand facilities in operation.

Subacute care facilities hold out an extremely attractive promise of delivering more for less.

For example, Tacoma, Wash.-based Hillhaven Corp., a longtime operator of skilled nursing facilities that is now increasingly moving into the subacute care field, points to the amount of money it saved an employer's health plan treating a 58-year-old woman who developed severe complications after surgery last March in a Milwaukee hospital.

After an exploratory laparoscopy, in which surgeons made small incisions in the woman's navel and used a telescope-like instrument to examine her intestines, the incisions did not heal and she developed blood poisoning. She also required intravenous feeding.

She was transferred to a Hillhaven subacute care facility a week later. There, antibiotics fought off the blood poisoning and wound care helped heal the incisions. She also was weaned off the feeding tube and received physical therapy to rebuild her strength.

The cost of her daily care at Hillhaven during an eight-week stay was $500—a 64% to 69% savings over the $1,400 to $1,600 her daily care would have cost in an acute care hospital, according to Hillhaven.

The opportunity for that kind of cost savings is increasing as more players enter the market and as more providers become comfortable sending patients to such facilities. Some facilities, though, have been around under different monikers for a decade or longer treating head injuries and strokes.

Indeed, business analysts expect the subacute care industry will boom the rest of the decade. LEK/Alcar Consulting Group L.P. in Boston, for example, projects industry revenue will grow 30% annually from about $4 billion last year.

That's still just a drip in an IV tube compared with the revenues of the largest operators of subacute care facilities. The nation's 16,300 skilled nursing facilities and nursing homes generated $69.6 billion in 1993, says the American Health Care Assn., the industry's Washington-based trade group. The nearly 5,300 U.S. acute care hospitals generated $277.8 billion that year, says the American Hospital Assn. in Washington.

But despite 7% to 8% annual revenue increases, those groups are feeling an economic pinch that they believe subacute care operations can relieve.

Subacute care services give hospitals, the fastest-growing segment of members of the Minneapolis-based International Subacute Healthcare Assn., a double opportunity to boost profits.

First, by moving Medicare patients out of its acute care area more quickly, a hospital makes a higher profit margin on the fixed amount it accepts to treat Medicare patients under the program's diagnostic related groups payment system.

Second, hospitals that start up subacute care units have no limits for three years on what they can charge Medicare for the units' routine costs.

Hospitals also are concerned, though to a lesser degree, about the competition from skilled nursing facilities and nursing homes that are trying to attract patients covered by private payers and Medicare to reduce their dependence on Medicaid patients.

Medicare patients are attractive to skilled nursing facilities because the facilities can charge more than their capped Medicare rates if the patients require more than skilled nursing care and the facility can show it can accommodate them.

The developing industry, though, has an immediate problem—its image, or the lack of one.

"It's a real problem," said Kath-

Continued on page 10

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Measuring quality at subacute facilities

In the absence of state regulation of subacute care centers, benefit managers should look for a variety of signs that indicate the facilities provide high-quality care, health care experts say.

Even after credentialing organizations like the Joint Commission on Accreditation of Healthcare Organizations and CARF (The Rehabilitation Commission) have had time to inspect more facilities, benefit managers should not base their selections solely on whether a facility is accredited. Accreditation, though, will be an excellent starting point.

The JCAHO and CARF both began surveying subacute care facilities last month, and each expects to complete a couple of dozen surveys through the first quarter this year. Estimates of the number of subacute care facilities operating nationwide range from a couple of hundred to a couple of thousand.

Consultants, case managers and subacute care facilities recommend that benefit managers, with the aide of their case managers, select facilities that have, among other things:

- Outcome data on patients who received the same services your employee needs. The facilities also should have a good reputation among case managers and social workers.
- An interdisciplinary approach to care that involves the facilities' medical staff and various therapists, patients' physicians and the patients and their families.
- A medical director with an acute care background who is available to provide patient care when necessary. Nurses also should have backgrounds in various acute care fields.
- Directly employed nurses and therapists, rather than agency staff, to ensure continuity of care.
- Around-the-clock nursing services available, including several hours of direct patient care each day.
- Low nurse-to-patient ratios—about five or six patients to a nurse.
- Low staff turnover.
- A separate entrance, if it is part of a larger skilled nursing or hospital facility.

That ensures that subacute care patients are not mixed with other patients in the facility, which helps shape their frame of mind that they are convalescing and will be discharged shortly.

- No objections to surprise facility tours.

—By Dave Lenckus

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Opinions

Managed care's job not done

HEALTH CARE COSTS, like death and taxes, have always had a certain inevitability: they only could go up.

Or so it was thought.

That bit of conventional wisdom has been shattered. Group health plan costs, as we reported Feb. 13, reversed course and actually fell last year, according to a comprehensive survey of employer plans by A. Foster Higgins & Co. Inc.

The 1.1% drop in group benefit plan costs, to an average of $3,741 per employee from $3,781, is a dramatic change from only a few years ago, when costs were rising annually at a disturbing but predictable double-digit clip.

Last year's decline in costs, we believe, is not a one-year statistical fluke, but is the logical result of an unprecedented effort by employers, insurers and other providers of health care programs to rein in costs.

Those efforts had their origins in the late 1980s, when costs truly were running away. Employers told insurers as well as providers that the "virtually anything goes, here is a blank check" health care era had to come to an end.

In response, health insurers and other parties invested billions of dollars in developing and later expanding managed care networks. Hospitals and physicians were told that to participate in those networks, they would have to agree to certain financial conditions.

Employers, in turn, redesigned their group health care plans to give employees strong financial incentives to use the less costly managed care networks and, in some cases, actually eliminated traditional indemnity plans.

That meant medical providers, who once turned their noses up at managed care, had no economic choice but to join managed care networks and abide by their conditions, including limits on what they could charge.

The payoff of this revolution in the delivery of health care is now coming in.

With traditional indemnity plans costing several hundred dollars more per employee than managed care plans, the shift of tens of millions of workers to health maintenance organizations, preferred provider organizations and point-of-service plans means

"WELL, NOW... I GUESS THAT'S THAT!!!"

tens of billions of dollars in savings and the end to spiraling costs.

While the reversal in health care costs is a tremendous achievement, much more needs to be done.

For example, managed care still is in its infancy in the public sector, where Medicare cost increases remain out of control.

We hope the Clinton administration, now that it appears to have had enough of bashing health insurers and employers, will learn from their example and use its collective energy to make managed care the predominant type of care in the Medicare program, too.

In addition, even in the private sector, where managed care is more prevalent, too much inappropriate care still is delivered. More research needs to be done to find out why the rates of certain health care procedures vary so widely across the country.

Also, more preventive efforts, like wellness programs, are needed to improve health and keep people out of the hospital.

This won't happen overnight. But the successful battle to control health care costs shows just how much change is possible in the health care delivery field.

Let Lloyd's complete reforms

WE AGREE With Lloyd's of London Chairman David Rowland and Jonathan Spencer, the head of insurance regulation for the U.K.'s Department of Trade and Industry, that the market's current system of self-regulation shouldn't be tampered with—at the moment.

As both have testified before Parliament, the current Lloyd's Act is adequate to govern the insurance market while Lloyd's executives continue their task of reform (see story, page 2).

We hope Parliament is listening and does not give the DTI immediate oversight of Lloyd's, which would require the market to shift its attention to the drafting and implementation of new legislation.

The current Lloyd's Act took two years to get through Parliament; Lloyd's executives don't have that sort of time to be diverted from their efforts to restore profitability and equitably solve the problems of the past.

However, once those reforms are implemented and given a chance to succeed, we would support new legislation that would introduce external regulation of Lloyd's.

Such external oversight would help reduce the market's administrative expenses and simplify its management structure. It would also put an end to allegations of insider trading on the part of Lloyd's regulators. Additionally, external oversight would provide greater assurances to the new capital entering the market.

Whether external regulation of Lloyd's would improve the quality of underwriting, however, is debatable.

Lloyd's already has taken several steps to ensure better underwriting, such as minimum qualifications for underwriters, keeping closer tabs on what risks are being written by syndicates, and plans to introduce a new system of risk-weighting to make sure syndicates have adequate capital to cover the risks they are writing.

A new regulatory framework for Lloyd's would balance the market's current improvements and give Lloyd's a fresh start for successful underwriting in the 21st century.

But the market first must be given a chance to implement its own changes.

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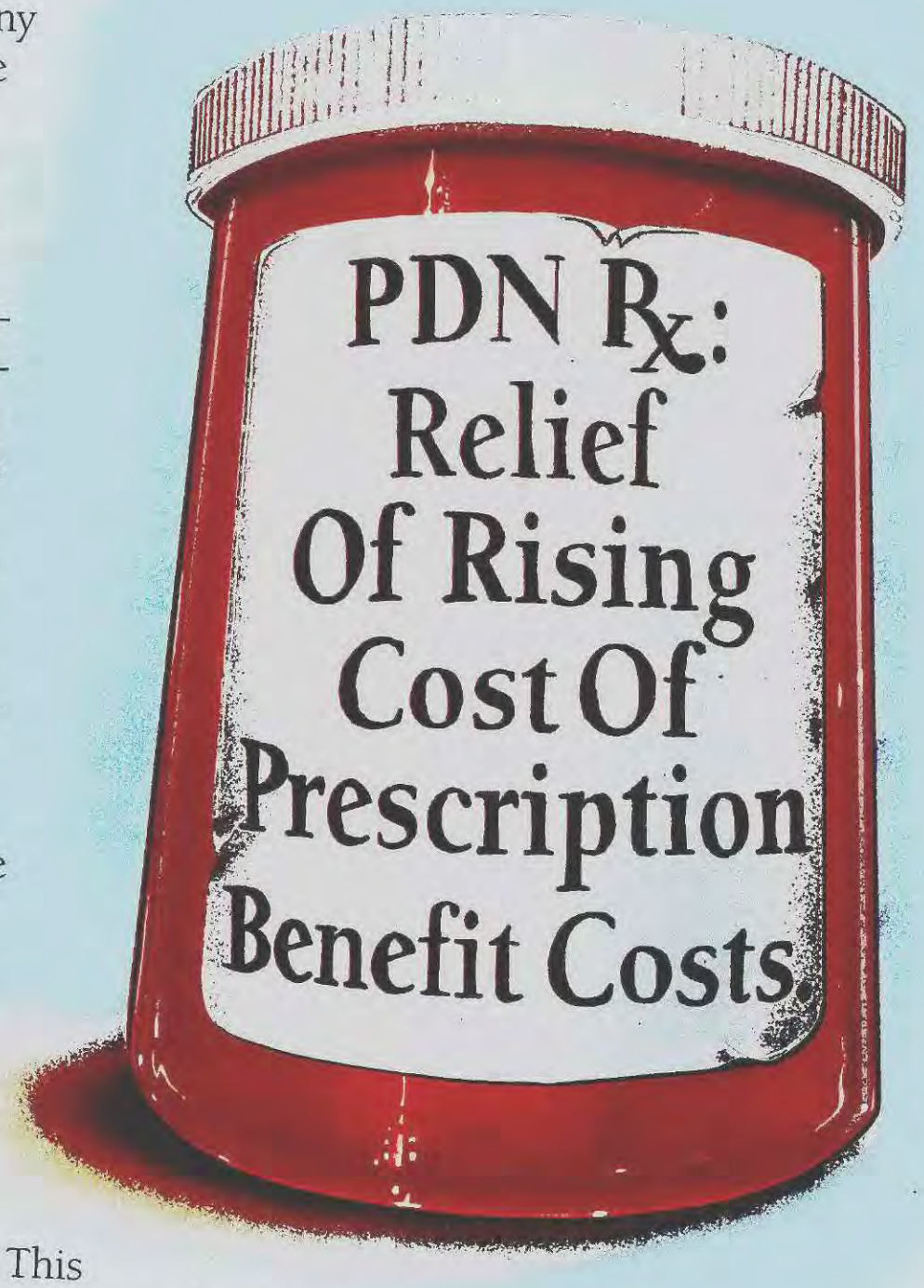

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Providing More Than Prescriptions

Spotlight report

Subacute

Continued from page 6

leen M. Griffin, ISHA chairman and president and chief executive officer of Phoenix-based health care provider consultant Griffin Management Inc. "There's no federal definition, so people define it differently."

"We've had a definition problem because it's an evolving definition," said Al Arakaki, a board member of the Washington-based American Subacute Care Assn. and a principal with health care provider and insurer consultant Feldman/Arakaki & Associates Inc. of Hacienda Heights, Calif.

The associations have their own definitions.

The Joint Commission on Accreditation of Healthcare Organizations of Oakbrook Terrace, Ill., has jointly developed another definition with the AHCA. The JCAHO accredits hospitals and skilled nursing facilities, among other providers. It began accrediting subacute care facilities in January.

CARF (The Rehabilitation Accreditation Commission) of Tucson, Ariz., which accredits rehabilitation facilities and began accrediting subacute care facilities last month, has developed descriptions of the various programs that can earn its accreditation.

The differences in the definitions seem to largely turn on the degree of rehabilitative services that subacute care facilities should provide.

More striking are the differences in the types of facilities where subacute care is offered and the intensity of care those facilities provide.

Subacute care is offered in a growing number of skilled nursing facilities and hospitals as well as in free-standing operations. And, with the advent of integrated health plans, some hospitals and skilled nursing facilities are beginning to develop business relationships.

Some facilities treat a range of patients, while others may limit their cases to, for example, ventilator-dependent patients.

As a result of this fuzzy industry picture, health care payers "are afraid they're being fooled by nursing facilities" into paying twice as much for the same level of care the facilities have always provided, Ms. Griffin said.

Those fears sometimes are well-founded, she said. "A lot of nursing facilities that promote themselves as subacute providers have nothing in place to manage the patient."

Just who makes up the subacute care market and what services the market provides is the nearly $200,000 question that the federal government is trying to answer in a nine-month project scheduled to end in April.

The Department of Health and Human Services is studying a total of 15 subacute care facilities in California, Florida and Ohio to determine whether "they are doing something different than you'd expect a free-standing skilled nursing facility to be doing," said Jennie Harvel, a program analyst in the HHS Division of Disability, Aging and Long-Term Care Policy.

"It seems to us there's not enough information out there, let alone whether (the industry) can control costs," she said. Without a systematic compilation of information, payers cannot easily shop the market for the most appropriate provider, she said.

HHS expects to release a market literature review in about a week. By the end of April, HHS plans to send out summaries of its study findings to interested parties and will make its findings available to others who request it.

Employers, relying on their case managers, typically cover subacute care already when it is medically appropriate. "I don't see it as a part of plan design per se," said Eileen Settineri, an associate benefit consultant with Buck Consultants Inc. in Secaucus, N.J. "I see it as a part of case management on a case-by-case basis."

MetLife, a member of the advisory board for the HHS project, has been convinced of the cost-savings potential of subacute care facilities since 1991, said Maureen Barry, manager of the insurer's Managed Indemnity PPO Program in Westport, Conn.

But, the insurer is trying to cut a clearer decision path for determining which patients are best suited for treatment in subacute care facilities. "We need the education, and we need something that is standard," Ms. Barry said.

MetLife has developed an acuity measurement scale to provide that guidance and is now looking for an independent research firm to validate it.

Ms. Barry wants the selected firm to validate the tool within a year, after which the insurer plans to publish a white paper on it for industrywide use.

Another quality assurance tool in the works could help health care payers and subacute care facilities determine how successful the facilities have been in helping patients recover and return to a normal life. Numerous subacute care providers are funding the development of the medical outcomes measurement tool with Chicago-based Formations in Health Care Inc.

Current outcomes tools focus on mortality rates and lengths of stay, said Roger Oberauf, vp of product development for Arbor Health Care Co. of Lima, Ohio, which is helping to fund the project. "That's not really outcomes data. For us to receive the recognition we deserve, we need more."

The outcomes tool is expected to be available this summer.

Even after those quality assurance tools are developed, and in the absence of state regulation of subacute care, employers and their case managers have to be careful in selecting subacute care providers (see story, page 6).

That is important since support for state regulation is unclear.

Some in the industry, like the Il-

Continued on next page

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Continued from previous page
linois Hospital Assn., believe that subacute care operations can be adequately regulated by beefing up the existing skilled nursing and hospital rules. A new level of regulations means an additional layer of inspections and compliance costs, which are not necessary, an IHA spokeswoman said.

But, some subacute care facility operators, like Hillhaven and Integrated Health Services Inc. of Owings Mills, Md., say they support the development of separate regulations to weed out rogue operations.

In the meantime, subacute care providers will market themselves to health care providers and payers, including employers.

For example, Medbridge Medical & Physical Rehabilitation, the 3-year-old subacute care division of nursing home operator Manor HealthCare Corp. of King of Prussia, Pa., wants to arrange more direct contracts with employers as part of its marketing strategy, said Kathleen Leone, director of marketing.

An employer that can direct a large volume of business to a single subacute care facility under an exclusive provider arrangement can expect even greater savings than it would obtain using many other facilities.

If they haven't already seen it, employers can expect subacute care providers to compete for their business as soon as these operators can expand.

Medbridge, for example, operates 16 facilities now, plans to open 12 more by the end of May, and expects to have more than 50 facilities nationwide next year.

Integrated Health Services plans to add 1,000 subacute care beds this year to the 2,300 it already has.

One independent case manager, though, is troubled by such exclusive arrangements with employers. "Case managers have a liability issue to deal with: that the facility is the most appropriate one for that patient for all reasons, not just that we got a great pricing deal," Options Unlimited's Ms. Mullahy said.

But, the president of the Little Rock, Ark.-based Case Management Society of America, who also is an official with a subacute care provider, sees no problem with exclusive arrangements.

"It's like an HMO. It's no different. We have to provide that level of care" that is called for in the contract, said Gary Wolfe, director of Integrated Health Services' Medical Specialty Unit/HIV product development. BI

Group long-term care finds renewed employer interest

By JERRY GEISEL

Temporarily slowed by political uncertainty, employer and employee interest in group long-term care insurance is picking up again.

Often touted as the next major employee benefit, group long-term care coverage, which provides reimbursement for nursing homes and other extended care facilities, grew rapidly in the early 1990s.

In 1993 alone, 462 employers added group long-term care plans to their benefit programs. That surge nearly doubled to 968 the number of organizations offering LTC plans, according to the Health Insurance Assn. of America, an industry trade group in Washington.

By the end of 1993, more than 400,000 individuals were covered under group LTC policies, up from about 200,000 in 1991.

While statistics are not available for last year, insurers and consultants say the group LTC market was stalled in 1994, as the health care reform debate plodded along in Washington.

"There is no doubt that for a time employers sat back because of the health care reform debate," said Doreen Goodnough, an assistant vp with LTC writer Aetna Life Insurance Co. in Middletown, Conn.

"We saw a sort of a lull from 1993 to mid-1994," said Malcolm Cheung, general director of group long-term care at John Hancock Mutual Life Insurance Co. in Boston.

Employers were waiting to see how the dust would settle and even whether LTC might even be-

Group long-term care interest is rising as the policies are becoming more attractive to employees.

come a federally provided benefit, such as by expanding the Medicare program.

Such an expansion could have had a significant impact on employers' LTC plans.

With those scenarios now dead, employer interest in offering LTC coverage is picking up again.

"We are certainly getting more calls," said Gloria Blakely, assistant vp-marketing with CIGNA Corp.'s group insurance division in Philadelphia. "Employers wanted to be sure of (the federal legislative) situation before proceeding," she said.

Employees also became more interested when federal health care reform died.

"Individuals realize that the government can't afford to provide coverage," said Andy Blanton, senior product manager in the Roanoke, Va., office of Trigon Blue Cross & Blue Shield Assn., which began offering LTC coverage to its employees in 1992 and plans to offer its third enrollment opportunity later this year in response to employee interest.

This renewed interest comes amid changes in the group LTC market to make the policies more attractive to employees.

"From a consumer's standpoint, the policies are much better than they used to be," said Ted Nelson, a consultant with Hewitt Associates L.L.C. in Lincolnshire, Ill.

Some of those changes include:

• More inflation protection options.

Some policies will include a feature to automatically increase benefits at a pre-determined interval—typically after three years.

For example, a policy with a $100-a-day maximum benefit could be priced to include a feature under which that daily benefit would be increased once every

Continued on page 14

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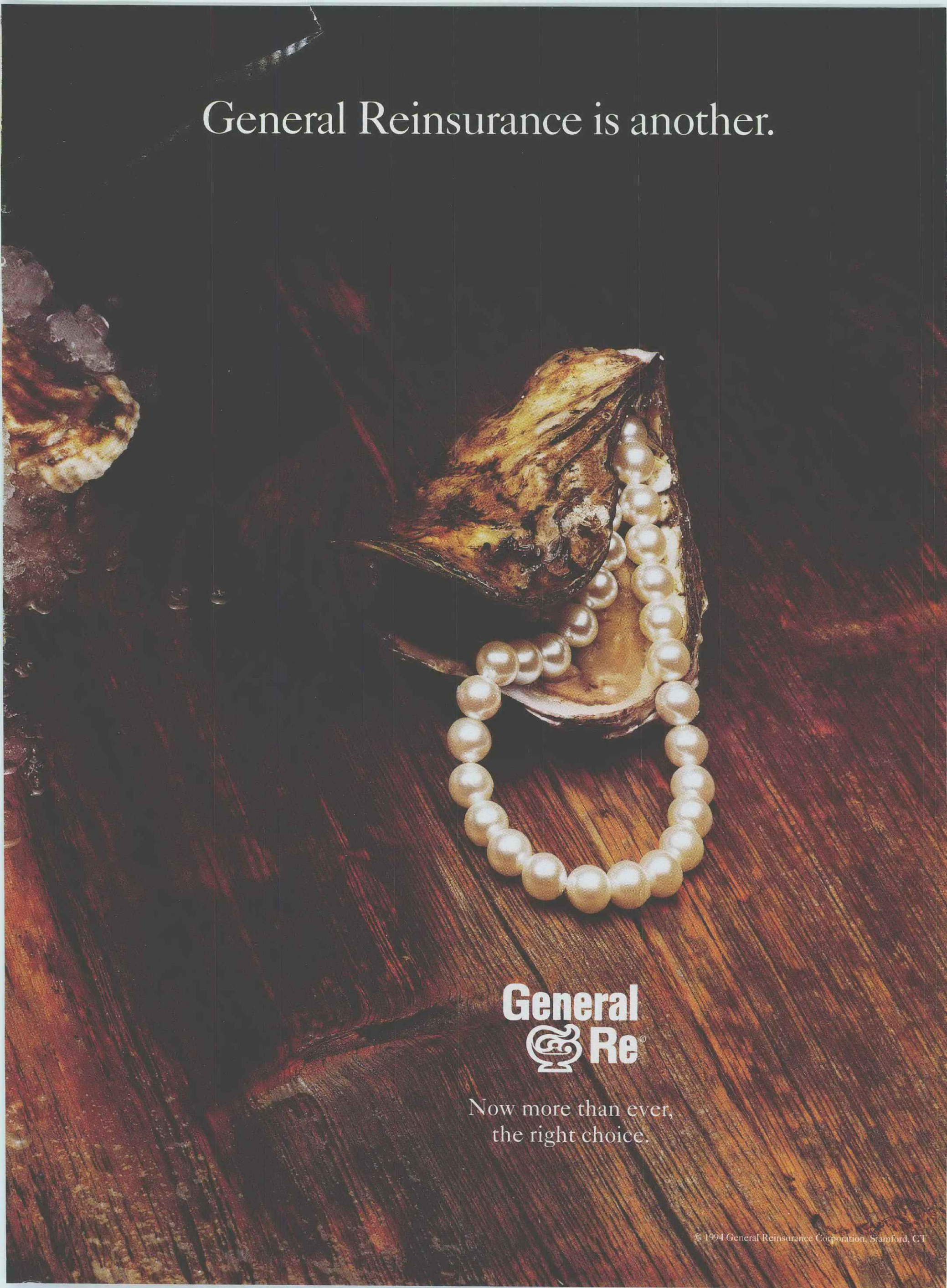
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Long-term

Continued from page 11
three years by 5% annually. At the end of the three-year period, therefore, the employee would automatically obtain an additional $15 of coverage.

Other policies give employees the option to periodically increase their benefits. Using the example above, an employee after three years would be given the option to buy an additional $15 of coverage, which would be priced according to his or her age at the time the coverage is purchased. The premium for the first $100 of coverage would not change.

But the cost of this inflation protection is stiff. At age 50, the premium for a policy offering a $100-a-day benefit—with no inflation adjustment feature—would be an estimated $35 a month, said Don Gasparro, a managing director with consultant The APEX Management Group Inc. in Princeton, N.J. Add the inflation protection and the premium would be $75.38.

First-generation LTC policies may not have offered inflation features or only the automatic compounding provision.

• Higher maximum benefit limits.

First-generation policies typically offered a maximum benefit of $100 a day. Now limits of as high as $300 are available.

"You can buy a high limit of coverage at a younger age and then lock into a fixed rate," said Mr. Nelson of Hewitt Associates.

• Non-forfeiture options.

Now nearly universal, non-forfeiture options give employees a reduced benefit even if they stop paying premiums after a certain period of time—typically five years. But such protection increases premiums from 30% to 50%.

"It is great consumer protection, but nothing is free," Mr. Nelson said.

Indeed, Air Products & Chemicals Inc. decided not to offer a non-forfeiture feature because it made the coverage too expensive, said Aaron Whitlock, manager of health and insurance for the Allentown, Pa., company, which arranges LTC coverage through CIGNA.

While group LTC coverage has been broadened via these and other features, in at least one way the coverage has been made more restrictive.

While employees typically do not have to undergo a medical exam to be covered, most LTC insurers no longer will automatically extend coverage to other individuals, such as spouses, without an exam.

"Some carriers got nervous," said Kathleen Glynn, a consultant with The Wyatt Co. in Washington.

About 10 insurers dominate the market. Aside from Aetna, John Hancock and CIGNA, other major players in the group LTC market include: CNA Insurance Cos., Metropolitan Life Insurance Co., Mutual of Omaha Insurance Co., Finger Lakes Long Term Care Insurance Co., Prudential Insurance Co. of America and UNUM Corp.

Several other insurers have exited the group LTC market, either to concentrate on other lines of coverage or because they didn't feel they would get an adequate return on their investment. These insurers include Lincoln National Life Insurance Co., ITT Hartford Life Insurance Cos. and Travelers Insurance Co. BI

Legislation may encourage more employers to offer long-term care

WASHINGTON—A new legislative proposal would give a modest boost to group long-term coverage programs.

Under the House Republicans' "Contract with America," employers could deduct as a business expense the premiums they paid for long-term care policies that provide workers with benefits of up to $200 a day, while the premiums would not be taxable income to employees.

Allowing such a tax break would encourage more companies, especially those in competitive industries, to offer LTC programs, said Dick Garner, vp of long-term care with CNA Insurance Cos. in Chicago. Virtually all employers now require workers to pay the full premium.

Others, though, doubt that the tax incentive would help.

"I'm not sure that employers, who are still wrestling with high medical costs, would be willing to fund a new benefit," said Malcolm Cheung, general director of group long-term care at John Hancock Mutual Life Insurance Co. in Boston.

What would really expand the group LTC market would be a change in tax law to allow employees to make pretax contributions, such as through flexible benefit programs, to pay LTC premiums, insurers say.

Such a change would make the benefit a lot more affordable to employees, Mr. Cheung said.

"A segment of the population would find funding LTC coverage through flexible benefit plans very attractive. An older employee, for example, whose children have grown might use flex dollars toward LTC premiums rather than for child care," said Gay Pollock, director of marketing at Finger Lakes Long Term Care Insurance Co. in Rochester, N.Y.

However, because of revenue loss considerations, legislators are not yet actively considering allowing employees to fund LTC premiums through flexible benefit plan arrangements.

Tax issues aside, the current advantages to individuals from employer sponsorship of LTC plans include:

• Employees can pay for premiums through convenient payroll deductions.

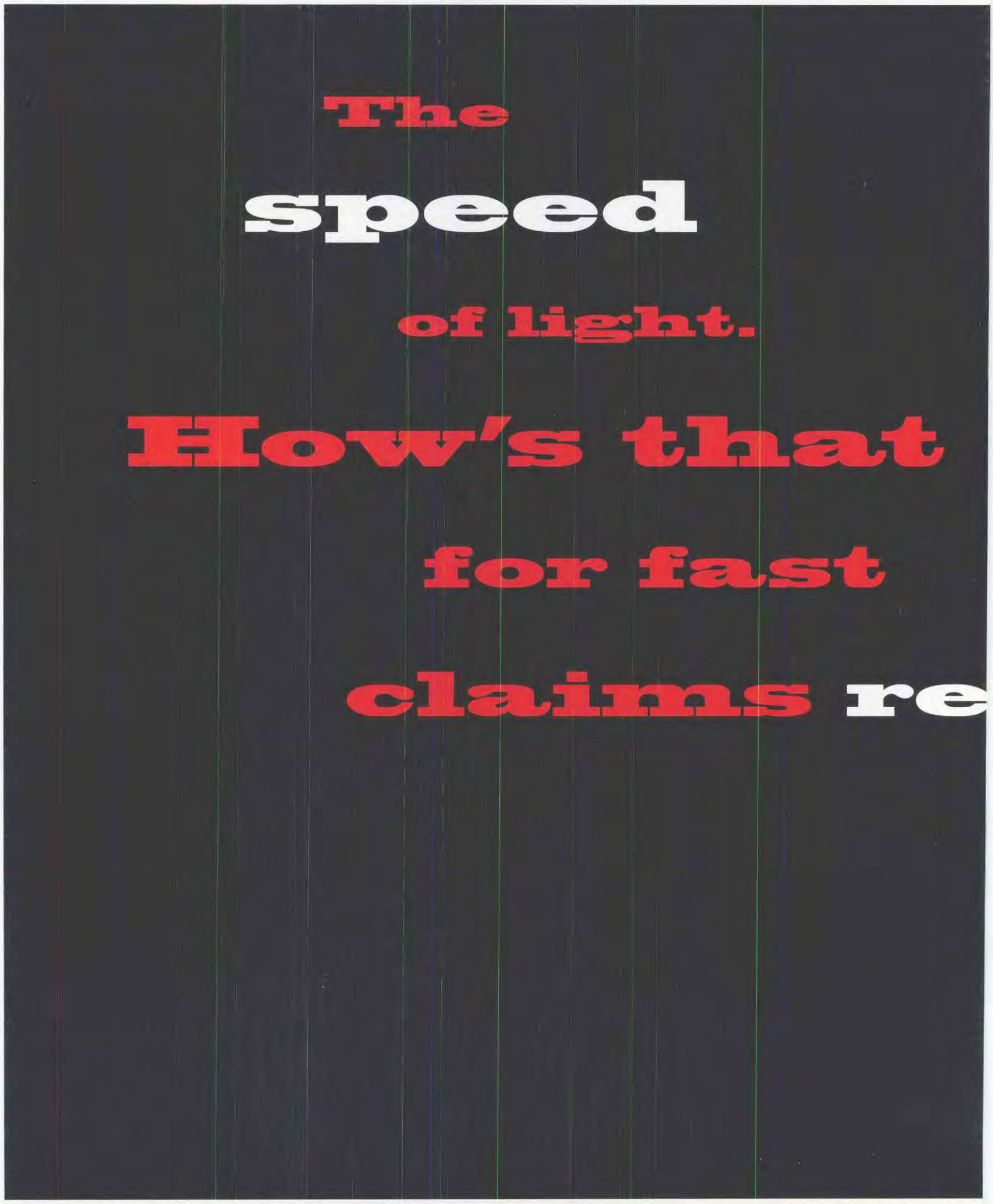
• Policies are written on a guaranteed-issue basis. That means an employee does not have to undergo a medical exam as a condition of receiving coverage.

Typically, about 5% of eligible employees sign up for group LTC coverage. But concerted educational and communications efforts can raise that figure.

"We took the time to educate employees, have mandatory meetings, fliers, letters. . .we did the whole shooting match," said Mr. Blanton of Trigon BC/BS.

The results paid off: About 10% of Trigon's employees now purchase LTC coverage, which Trigon itself underwrites.

—By Jerry Geisel



Utilization review industry sees shrinking market niche

Expanding managed care systems force UR evolution

By ROBERTO CENICEROS

When Federated Department Stores Inc. notified its utilization review company that its services were no longer necessary because the company was scrapping the last vestiges of indemnity coverage in favor of managed care, the UR company was resigned to its fate.

In fact, the company knew it was coming, said Jon Vereeke, manager of managed care plans for the Cincinnati-based retailer. Federated now contracts with 35 HMOs nationwide after eliminating its traditional indemnity option in 1994.

As managed health care spreads across the continent as unstoppably as the Ice Age glaciers, stand-alone utilization management companies are looking more like dinosaurs that must evolve or perish.

To adapt to this changing climate, many firms are forming alliances they hope will put them in the position of competing with HMOs and point-of-service plans by offering employers broader, more integrated health care management services.

UR firms have intermingled with managed care networks and offered to ride herd on PPOs. Looking into the future, some companies also see providers as potential customers.

Utilization review was a good cost-control tool when Federated offered primarily indemnity plans to employees, Ms. Vereeke said. But then managed care companies came along, offering savings and the opportunity for employers to transfer the risk to providers in the form of capitation and other performance-based reimbursement methods.

Federated's experience reflects a growing pattern among employers that are increasingly opting for managed care to control costs. Many firms use PPOs as a transitional step on the way to managed care programs that have built-in utilization review.

Fewer companies nationwide are asking for independent utilization review, said Richard Sinni, a principal and national director of health care management practice at Buck Consultants Inc. in Secaucus, N.J.

Rather than stand-alone review services, most clients now want medical networks, such as HMOs or point-of-service plans, to offer utilization review as part of a complete package of health care services.

"(Utilization review companies) were the managed care of the 1980s," Mr. Sinni said. "The managed care of the 1990s is a much more comprehensive program."

But there are some exceptions. Where managed care is less well-established—for example, in rural areas and in the Northeast—companies still want review services. And some companies that prefer to contract with a variety of regional HMOs rather than national companies continue to use independent services, Mr. Sinni said.

Also, employers that are just starting down the managed care path and still offer indemnity plans remain customers, Mr. Sinni said.

But the desire for independent review services has waned in regions that have led the way in managed care.

At self-insured Kirk Paper Co., a Los Angeles-based distributor with nearly 500 employees, compensation and benefits manager Leo DeJohn is ready to move his company's workers into managed care after offering a PPO option as part of an indemnity plan for seven years.

Stand-alone utilization review companies are looking more like dinosaurs that must evolve or perish.

Never precisely sure what his company gained from using a review company, Mr. DeJohn thinks managed care companies are better positioned for the job of cutting health care costs.

"I think UR was just on the path to managed care, and it may be an important model," Mr. DeJohn said. "But I don't think it does a complete job. Managed care offers more peer review. This in the end will produce a watchful system where doctors will perform better," he said.

Review companies say they are changing to offer employers more complete services, but they are also starting to forage about for a new client base.

"UR companies have to figure out a way to adapt their skills developed 10 years ago to serve a new customer," said Donald M. Duford, senior vp of marketing for Intracorp of Berwyn, Pa.

When he looks into the future, Mr. Duford foresees providers—perhaps those in HMOs and physician hospital organizations, or PHOs—eventually becoming a substantial client base for Intracorp.

As they are pushed into carrying more and more risk through capitation and other performance-based reimbursement arrangements, providers will need help to reduce unnecessary practices, manage complex hospitalization cases and provide the level of quality employers will demand, Mr. Duford said.

However, a shifting of the company's client base won't mean the end of Intracorp's employer services.

There are still plenty of indemnity plans and employers who have combined them with a PPO option, Mr. Duford said. Those companies continue to demand Intracorp's services.

Still, UR companies are metamorphosing and focusing on the mushrooming demand for PPOs. They have been busy intermingling UR with managed care net-

Continued on next page

When an employee is hurt, time is critical: if the injured employee is contacted within 48 hours, likelihood of litigation is reduced by as much as 40%. SAFECO's on-line system allows companies to file claims instantly, electronically, rather than relying on mail. For example, Apple South Inc., of Madison, Georgia, operates 136 Applebee's restaurants in 11 southern states. Using the

porting?

on-line reporting system, each restaurant manager can identify the loss, shift, type of injury and other data. Managers are accountable for losses and paid bonuses for loss-free periods. Agent Broadus Marshall arranges for a SAFECO loss-control professional to visit every Apple South-operated restaurant once a year. The result: Apple South's claims are down and their premium has been cut in half. If these are the kinds of quick results you're looking for, let's talk.

SAFECO *What's right.*

Commercial Lines

10 largest general service utilization review firms*

Based on total acute care inpatient admissions reviewed in 1994

Company	Total acute care inpatient admissions reviewed	Full-time staff			Physicians on retainer
		Total	Physicians	RNs	
Private Healthcare Systems Inc.	638,140	563	29	277	27
Intracorp	534,949	3,493	76	888	630
Healthcare COMPARE Corp.	436,000	1,503	26	166	NA
AXIOM Review	324,000	71	1	58	123
National Health Services Inc.	306,000	126	4	93	9
Peer Review Analysis, CORE Management	278,000	NA	9	64	200
Health Value Management Inc.	270,000	165	8	49	108
CONSERVCO	244,954	303	8	290	275
MetLife Health Care Management Corp.	235,681	879	34	524	16
Cost Care Inc.	195,357	732	60	191	9,750

*Ranking is for U.S.-owned, independently owned and operated corporations only
Source: Bisinfo

GRAPHIC BY KIM ROME

Evolution

Continued from previous page

works and establishing alliances with other related service providers in order to offer employers "seamless" health plan administration.

The UR companies' focus will continue to be on meeting the needs of self-insured companies, said Robin Weiner, a managing consultant in the health and welfare practice of A. Foster Higgins & Co. Inc. in Los Angeles.

"They've always gone after the self-insureds," she said.

The objective is for the companies to provide the means for employers to develop their own networks, complete with patient advocacy services, provider comparison analysis, referral programs for specialists, case management of costly diseases and complex hospitalization problems, employee and provider education and home health care all bundled together.

The integration of UR companies is already under way with the companies aligning themselves with third-party administrators and other players.

For example, Intracorp last year merged its services with Irvine, Calif.-based Beech Street Corp. in a national agreement that gives employees access to the services of both companies through a single toll-free phone number staffed by nurses.

Beech Street, which once simply administered claims, now offers a national provider network and other services, including workers compensation bill review and medical cost containment.

For Intracorp, it was an opportunity to offer clients more convenient utilization review and PPO services.

The need is there because as employers increasingly turned to PPOs to reduce their health care costs, they found there was little or no control over utilization. So unit costs dropped, but frequency did not.

Now, alliances between review companies, TPAs and others could put the employer in a better position to keep costs in check by controlling which services will be covered by the employers' health plans.

The integration of utilization review companies with TPAs and other players is already under way.

"There's been a lot of coalition activity among (review companies)," said Robert Olsen, a managing director for PM Group Life Insurance Co. in Fountain Valley, Calif. "Most of that seems to be (in an effort) to use the size of the group for negotiating clout," he said.

PM Group is an indemnity plan underwriter that offers managed care services to employers by subcontracting with HMOs and PPOs. PM Group suspended its use of independent utilization review companies in 1991 because the PPOs all provide their own services.

Some observers see coalitions as a doomed attempt at self-preservation by the utilization review companies.

A marriage with TPAs is a "mating of dinosaurs," says Dr. Thomas Mayer, president and chief executive officer of Strategic HealthCare Management Inc. The Brea, Calif.-based unit of Friendly Hills HealthCare Network is a physician organization that takes all hospital and physician risk but does no marketing.

Mr. Mayer said UR companies offer too small a portion of health services to steer the drive to integrated services.

"I think it's probably a pretty big stretch to think they are going to be able to do that," he said.

Like others, Mr. Mayer agrees that integrated groups will dominate the health care system in the future because linking medical management services creates economies of scale.

But he argues that only a system that places risk in the providers' lap will work because physicians will always find ways to skirt externally imposed rules. BI

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Savings Nationwide

Directory of utilization review providers and case managers

A

AIIA

275 Williamson Blvd., P.O. Box 11770, Daytona Beach, Fla. 32120; 904-254-7800; fax: 904-254-7888

Utilization Review

1994 Revenues

UR direct to employers	25%
UR to health care/insurance providers	70%
Other services	5%

Staff

Total UR employees on staff	7
Professionals	7
Includes: 2 physicians, 1 RN, 4 medical record technicians	
UR employees on retainer	1
Includes: 1 physician	

UR services since: 1986.
URAC certified.
Frequent services: Concurrent hospital treatment review, retrospective review, case management.
Reviews: Chiropractic, workers comp/disability.
Officers: Bruce Guerin, president; Al Rocneleau, executive vp; Louis Carfizzi, director-operations; Ruth Post, supervisor-managed care; Jeanette DeLapa, supervisor-finance.

Ability Management Associates

103 Elmwood Drive, Brighton, Mich. 48116; 810-227-1215; fax: 517-546-8440

Case Management

1994 Revenues

Case mgmt. direct to employers	20%
Case mgmt. to health/insurance providers	70%
Other services	10%

Staff

Total case mgmt. employees on staff	4
Professionals	4
Includes: 2 RNs, 2 vocational counselors	

Case management clients

Total	7
Employer/group plans with direct service	3

Covered lives/cases managed

Employee benefit plan lives serviced	350
Workers compensation lives serviced	15,000
Cases diverted for outpatient treatment	62%

Case management services since: 1991.
Frequent services: Case management, including discharge planning, concurrent hospital treatment review, onsite and telephone case management, free prescreening, referrals to alternative treatment, review of lab work, patient education, written reports provided monthly.
Medical cases managed: Standard services excluding chiropractic. Other cases include catastrophic injuries, multiple trauma.
Service area: Northwestern Ohio, Michigan (Lower Peninsula).
Officers: Elaine M. Tripi, Nancy Manson, partners.

AccessCare Inc.

2203 N. Lois Ave., Suite 1150, Tampa, Fla. 33607; 813-876-5036; fax: 813-872-8666

Utilization Review

1994 Revenues

Total gross revenue	$3,925,738
UR direct to employers	5%
UR to health care/insurance providers	93%
Other services	2%
UR gross revenue	$70,000

Staff

Total UR employees on staff	6
Professionals	6
Includes: 1 physician, 5 RNs	
UR employees on retainer	6
Includes: 4 physicians, 2 nurses	

Covered lives/reviewed admissions

Employee benefit plan lives serviced	189,570
Acute care inpatient admissions reviewed	650
Diverted for outpatient treatment	20%

UR services since: 1986.
Parent: Comprehensive Care Corp.
Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, outpatient service predetermination, outpatient psychiatric and substance abuse, case management.
Reviews: Psychiatric/substance abuse.
Officers: Ronald G. Hersch, president; Gary A. Pallenik, senior vp-sales/marketing; David A. Sherwin, CFO; Same D. Toney, vp-clinical services/medical director.

ACORN Behavioral HealthCare Management Corp.

The ACORN Building, 134 N. Narberth Ave., Narberth, Pa. 19072-2299; 800-223-7050 or 610-664-8350; fax: 610-664-8373

Utilization Review/Case Management

1994 Revenues

Total gross revenue	$6,300,000
UR direct to employers	35%
Other services	65%
UR gross revenue	$2,200,000

Staff

Total UR employees on staff	45
Professionals	6
Includes: 1 physician, 2 RNs	
Professionals assigned to case mgmt.	45

UR clients

Employer/group plans with direct service	242

Covered lives/reviewed admissions

Employee benefit plan lives serviced	825,000
Acute care inpatient admissions reviewed	354
Diverted for outpatient treatment	10%

UR services since: 1975.
Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse.
Case management services, including discharge planning, concurrent hospital treatment review, onsite and telephone case management.
Occasional services: Retrospective review.
Case management services, including referrals to alternative treatment, patient education, written reports provided upon request.
Reviews: Psychiatric/substance abuse, workers comp/disability.
Officers: Mel S. Goldsmith, president/CEO; Mel Wondolowski, senior vp-corporate relations; Dorothy Harrison, senior vp-clinical services; Arlette McGlade, vp-administrative services.
Contact: Mel Wondolowski, 800-223-7050 ext. 8307.

Action Healthcare Management Services

301 E. Bethany Home Road, C278, Phoenix, Ariz. 85012; 602-265-0681; fax: 602-265-0202

Utilization Review/Case Management

1994 Revenues

UR direct to employers	90%
UR to health care/insurance providers	8%
Other services	2%

Staff

Total UR employees on staff	30
Professionals	25
Includes: 13 RNs, 8 licensed practical nurses, 4 medical record technicians	
UR employees on retainer	1
Includes: 1 physician	
Professionals assigned to case mgmt.	8
UR employees on retainer	1
Includes: 1 physician	

UR clients

Total	125
Employer/group plans with direct service	115

Covered lives/reviewed admissions

Employee benefit plan lives serviced	175,000
Workers compensation lives serviced	1,500
Acute care inpatient admissions reviewed	NA
Diverted for outpatient treatment	2.5%

UR services since: 1987.
Parent: Cavco Industries.
URAC certified.
Frequent 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.
Case management services, including discharge planning, concurrent hospital treatment review, onsite and telephone case management, free prescreening, referrals to alternative treatment, review of lab work, patient education, written reports provided monthly.
Reviews: Standard services, excluding chiropractic. Also reviews high risk maternity.
Officers: Elizabeth Rainwater, president; Dawn Battick, manager-operations; Kate Mills, manager-case management; Kristin Marrs, director-customer service; John Benjamin, manager-MIS.
Contact: Kathryn Estabrook.

Standard UR services include group health, chiropratic, rehabilitation, psychiatric/substance abuse and workers comp/disability.

ADMAR Corp.

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

Utilization Review/Case Management

1994 Revenues

Total gross revenue	$17,552,500
UR gross revenue	$2,379,900

Staff

Total UR employees on staff	33
Professionals	31
Includes: 3 physicians, 16 RNs, 1 licensed practical nurse, 11 medical record technicians	
Professionals assigned to case mgmt.	5
UR employees on retainer	100
Includes: 100 physicians	

UR clients

Total	54
Employer/group plans with direct service	15

Covered lives/reviewed admissions

Employee benefit plan lives serviced	535,000
Acute care inpatient admissions reviewed	32,100
Diverted for outpatient treatment	0.8%

UR services since: 1973.
Parent: The ADMAR Group Inc.
Frequent 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.
Case management services, including discharge planning, concurrent hospital treatment review, telephone case management, free prescreening, referrals to alternative treatment, review of lab work, patient education, written reports provided monthly.
Occasional services: Onsite case management.
Reviews: Group health, chiropractic, psychiatric/substance abuse, high risk maternity.
Officers: Richard Toral, CEO; Virginia Pasqual, executive vp/COO; John Gray, president-managed care; Joseph Briand, vp-sales/marketing; Eleonor Brokaw, assistant vp-HealthWatch.
Contact: Ronelle Decker, manager-marketing/communications, 714-953-9600, ext. 260.

ADVO-CARE

HC 4, Box 3090, Reeds Spring, Mo. 65737; 417-338-9871; fax: 417-338-9871

Case Management

1994 Revenues

Total gross revenue	$20,000
Case mgmt. direct to employers	10%
Case mgmt. to health/insurance providers	75%
Other services	15%
Case mgmt. revenue	$17,000

Staff

Total case mgmt. employees on staff	1
Professionals	1
Includes: 1 RN	

Case management clients

Total	5
Employer/group plans with direct service	3

Covered lives/cases managed

Employee benefit plan lives serviced	23,000
Workers compensation lives serviced	15,000
Cases diverted for outpatient treatment	5%

Case management services since: 1993.
Frequent services: Case management, including discharge planning, concurrent hospital treatment review, onsite and telephone case management, referrals to alternative treatment, patient education, written reports provided upon request.
Occasional services: Case management, including free prescreening.
Medical cases managed: Group health, psychiatric/substance abuse, workers comp/disability.
Service area: Northwest Arizona, southeast Kansas, southwest Missouri, northeast Oklahoma.

The Alliance

3033 E. First Ave., Suite 810, Denver, Colo. 80206; 303-333-6767; fax: 303-322-3830

Utilization Review/Case Management

1994 Revenues

Total gross revenue	$2,100,000
UR direct to employers	100%
UR gross revenue	$2,100,000

Staff

Total UR employees on staff	3
Professionals	3
Includes: 0.5 physicians, 1.5 RNs, 1 medical record technician	
Professionals assigned to case mgmt.	1

UR clients

Total	28
Employer/group plans with direct service	28

Covered lives/reviewed admissions

Employee benefit plan lives serviced	11,325
Acute care inpatient admissions reviewed	442

UR services since: 1992.
Frequent services: Preadmission certification, concurrent hospital treatment review, discharge planning, outpatient service predetermination, informed decision-making directly with employees and dependents.
Case management services, including discharge planning, telephone case management, referrals to alternative treatment, patient education.
Occasional services: Length of stay determination, retrospective review, hospital bill audits, outpatient psychiatric and substance abuses.
Case management services, including concurrent hospital treatment review, onsite case management, review of lab work, written reports provided upon request.
Reviews: Group health, rehabilitation, psychiatric/substance abuse.
Officers: Claire Brockbank, vp-marketing; Linda Hills, director-operations; Cathy Van Doren, director-managed care; Eva Vyas, director-member services/information.
Contact: Cathy Van Doren.

American Claims Evaluation Inc.

1 Jericho Plaza, Jericho, N.Y. 11753, 516-938-8000; fax: 516-938-0405

Utilization Review

1994 Revenues

Total gross revenue	$5,812,000
UR direct to employers	30%
UR to health care/insurance providers	70%
UR gross revenue	$5,812,000

Staff

Total UR employees on staff	70

UR clients

Total	500
Employer/group plans with direct service	200

UR services since: 1981.
Frequent services: Hospital bill audits, vocational rehabilitation services, DRG validation, RN directed negotiations, provider discounts.
Reviews: Group health, rehabilitation, workers comp/disability.
Branch offices: Jericho, N.Y.; Dallas; Spokane, Wash.
Officers: Gary Gelman, president/CEO; Gary J. Knauer, CFO/Treasurer; Louis D'Andrilli, vp-sales/marketing; Bonnie Jackson, vp-operations; Neila Poteshman, president-RPM Rehabilitation & Associates.

American Health Holding Inc.

781 Northwest Blvd., Suite 200, Columbus, Ohio 43212; 614-421-3222; fax: 614-421-3223

Utilization Review/Case Management

1994 Revenues

UR direct to employers	10%
UR to health/insurance providers	62%
Other services	28%

Staff

Total UR employees on staff	40
Professionals	40
Includes: 17 RNs, 1 medical record technician	
Professionals assigned to case mgmt.	7
UR employees on retainer	18
Includes: 18 physicians	

UR clients

Total	16

Covered lives/reviewed admissions

Employee benefit plan lives serviced	100,000
Acute care inpatient admissions reviewed	NA
Diverted for outpatient treatment	2%

UR services since: 1989.
URAC certified.
Frequent 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.
Case management services, including discharge planning, concurrent hospital treatment review, telephone case management, free prescreening, referrals to alternative treatment, patient education, written reports provided monthly.
Occasional services: Onsite case management.
Reviews: Standard services. Also reviews maternity new-born.
Branch offices: Chicago; Indianapolis; Frankfort, Ky.; Cleveland.
Officers: Michael J. Reidelbach, president; Ivan S. Gilbert, chairman; Joan M. Yockel, vp-operations; Merry P. Korn, vp-marketing.

American International Health & Rehabilitation Services Inc.

400 Interpace Parkway, Bldg. A, Parsippany, N.J. 07054; 201-402-2800

Utilization Review/Case Management

1994 Revenues

UR direct to employers	15%
UR to health care/insurance providers	63%
Other services	22%

Staff

Total UR employees on staff	325
Professionals	226
Includes: 151 RNs	
Professionals assigned to case mgmt.	226
UR employees on retainer	210
Includes: 125 physicians, 85 nurses	

UR clients

Total	250
Employer/group plans with direct service	50

Covered lives/reviewed admissions

Employee benefit plan lives serviced	25,000
Workers compensation lives serviced	100,000
Acute care inpatient admissions reviewed	4,000
Diverted for outpatient treatment	2%

UR services since: 1986.
Parent: American International Group.
Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, hospital bill audits, outpatient service predetermination.
Case management services, including discharge planning, onsite case management, free prescreening, written reports.
Occasional services: Second surgical opinion, outpatient psychiatric and substance abuse.
Case management services, including concurrent hospital treatment review, telephone case management, referrals to alternative treatment, review of lab work, patient education.
Reviews: Standard services.
Officers: Ralph Rousseau, president; Dave Griffiths, assistant vp; Ken Roy, assistant vp; Pat Murphy, assistant vp; Ginny Vanderwaal, assistant vp.
Contact: 404-671-2246.

Anthem Health Systems

5543 W. 74th St., Indianapolis, Ind. 46268; 800-367-4207; fax: 317-290-5270

Utilization Review/Case Management

1994 Revenues

Total gross revenue	$12,933,000
UR direct to employers	0.5%
UR to health care/insurance providers	49.5%
Other services	50%
UR gross revenue	$6,436,000

Staff

Total UR employees on staff	52
Professionals	49
Includes: 1 physician, 48 RNs	
Professionals assigned to case mgmt.	19
UR employees on retainer	3

UR clients

Total	25

Covered lives/reviewed admissions

Employee benefit plan lives serviced	300,000
Workers compensation lives serviced	20,000
Acute care inpatient admissions reviewed	43,000

UR services since: 1985.
Parent: Associated Insurance Cos.
URAC certified.
Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, outpatient psychiatric and substance abuse.
Case management services, including discharge planning, telephone case management, referrals to alternative treatment, patient education, written reports provided monthly.
Occasional services: Retrospective review, second surgical opinion, hospital bill audits, outpatient service predetermination.
Case management services, including concurrent hospital treatment review, onsite case management, review of lab work.
Reviews: Group health, rehabilitation, psychiatric/substance abuse, high risk prenatal.
Branch offices: Sacramento, Calif.; Jacksonville, Fla.; Dallas.
Officers: Mike Bell, CEO; Terry Kopp, vp/COO; Jim Sheffield, vp-underwriting; Allen VanFossen, vp-marketing.

Continued on next page

Continued from previous page

Associates for Health Care Inc.

125 N. Executive Drive, Suite 201,
Brookfield, Wis. 53005; 414-784-9007

Utilization Review/Case Management

Staff

Total UR employees on staff	17
Professionals	17
Includes: 2 physicians, 10 RNs, 2 licensed practical nurses, 3 medical record technicians	
Professionals assigned to case mgmt.	11
UR employees on retainer	14
Includes: 14 physicians	

Covered lives/reviewed admissions

Employee benefit plan lives serviced	275,000
Workers compensation lives serviced	1,100
Acute care inpatient admissions reviewed	32,411

UR services since: 1984.

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.

Case management services, including discharge planning, concurrent hospital treatment review, telephone case management, referrals to alternative treatment, patient education, written reports provided monthly.

Occasional services: Onsite case management, free prescreening, review of lab work.

Reviews: Standard services, including dental.

Officers: Richard L. Blomquist, president/CEO; Judith A. Blomquist, vp; Peter J. Grimes, vp-product development.

Associates for Medical and Vocational Rehabilitation Inc. (AMVR)

1350 Remington Road, Suite G,
Schaumburg, Ill. 60173; 708-490-3700;
fax: 708-490-3727

Case Management

1994 Revenues

Case mgmt. direct to employers	10%
Case mgmt. to health/insurance providers	90%

Staff

Total case mgmt. employees on staff	4
Professionals	4
Includes: 3 RNs, 1 vocational counselor	

Case management clients

Total	16
Employer/group plans with direct service	1

Covered lives/cases managed

Employee benefit plan lives serviced	75
Workers compensation lives serviced	150
Cases diverted for outpatient treatment	95%

Case management services since: 1985.

Frequent services: Case management, including discharge planning, concurrent hospital treatment review, onsite case management, free prescreening, referrals to alternative treatment, written reports provided monthly.

Occasional services: Case management, including telephone case management, review of lab work, patient education.

Medical cases managed: Standard services, including long-term disability, auto.

Service area: Illinois, Indiana, Iowa, Wisconsin.

Officers: Elaine D. Rudnicki, president.

AXIOM Review

33 Bleeker St., Millburn, N.J. 07041;
201-379-6300; fax: 201-379-0490

Utilization Review/Case Management

1994 Revenues

Total gross revenue	$7,410,000
UR direct to employers	20%
UR to health care/insurance providers	70%
Other services	10%
UR gross revenue	$6,900,000

Staff

Total UR employees on staff	71
Professionals	71
Includes: 1 physician, 58 RNs, 3 licensed practical nurses, 9 medical record technicians	
Professionals assigned to case mgmt.	7
UR employees on retainer	143
Includes: 123 physicians, 20 nurses	

UR clients

Total	104
Employer/group plans with direct service	25

Covered lives/reviewed admissions

Employee benefit plan lives serviced	430,000
Workers compensation lives serviced	165,000
Acute care inpatient admissions reviewed	324,000
Diverted for outpatient treatment	8%

UR services since: 1975.

Parent: The AXIOM Group.

URAC certified.

Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, retrospective review, hospital bill audits.

Case management services, including discharge planning, concurrent hospital treatment review, onsite and telephone case management, referrals to alternative treatment, review of lab work, patient education, written reports provided monthly.

Occasional services: Discharge planning, retrospective review, second surgical opinion, outpatient service predetermination, outpatient psychiatric and substance abuse.

Continued on next page

How to use directory

In the annual utilization review/case management directory, *Business Insurance* lists companies that offer either utilization review or case management or both services directly to members of employer plans on behalf of employers.

BI 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, case management, retrospective review and second surgical opinions. Case management is defined as providing planning and monitoring throughout the course of high-risk illnesses, including discharge planning, onsite or telephone case review and/or patient referrals.

Listings begin with the company name and address. Financial/statistical information follows, including: total **1993 gross revenues** along with the portion attributable to services provided directly to employers/associations; services to insurance companies, HMOs, PPOs and TPAs; and revenues derived from other services. When given, the actual revenues from utilization review and case management services is listed. Because case management is defined as part of utilization review, case management information is included in the UR figures for companies providing both services. The **staff information** section includes a breakout of total staff assigned to utilization review and case management, including total professional staff members along with the number of professionals assigned just to case management (for organizations providing both utilization review and case management) and staff members on retainer (for organizations providing utilization review).

Staff numbers are provided in full-time equivalents, except for those on retainer.

Business volume is represented by the number of **utilization review/case management clients; covered lives,** including employee benefit plan and workers compensation lives serviced; total **acute care hospital admissions reviewed** (for utilization review providers only) and the percent of proposed admissions/cases diverted for outpatient care. All figures provided are for 1994.

The text section of each listing includes the **year the company began offering utilization review** (including case management, if applicable) **or case management services** and the **parent company**, if applicable. Utilization Review Accreditation Commission certification is noted as **URAC certified** in utilization review provider's listings.

Specific utilization review and case managemnet services the company provides are described under **frequent and occasional services.** Next, the types of **medical services reviewed/cases managed** are provided. Unless otherwise noted, standard services include group health, chiropractic, psychiatric and substance abuse, workers compensation/disability, rehabilitation (for utilization review providers only) and pediatric (for case management providers only).

Branch offices are locations performing utilization review; **service area** is specified for companies providing only case management. Names and titles of **principal officers** and a **contact** complete the listings.

This directory is published as an editorial service. There is no charge to be listed. Listings are based on company responses to a questionnaire. *BI* makes every effort to publish complete and accurate listings, but cannot verify all information.

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Case management services, including free prescreening.

Reviews: Standard services. Also reviews dental, outpatient HMO, MRI utilization, auto insurance liability, Healthplan Employer Data Information Set projects, physician credentialing.

Branch offices: Claims Data Review, Avon, Conn.; Bradenton, Fla.; Syracuse, N.Y.

Officers: Dennis J. Duffy, president/CEO; Michael E. Beams, chairman; Gilbert Melnick, vice chairman; Thomas J. Connolly, secretary/treasurer; Robert J. Jones, senior vp/COO.

B

BPS Healthcare

888 S. Figueroa St., Los Angeles, Calif. 90017; 213-489-2694; fax: 213-627-3043

Case Management

Staff

Total case mgmt. employees on staff	5
Professionals	4
Includes: 4 RNs	

Case management clients

Total	1,319
Employer/group plans with direct service	1,300

Covered lives/cases managed

Employee benefit plan lives serviced	250,000
Cases diverted for outpatient treatment	20%

Case management services since: 1992.

Frequent services: Case management, including discharge planning, concurrent hospital treatment review, telephone case management, free prescreening, referrals to alternative treatment, review of lab work, patient education, written reports provided monthly.

Occasional services: Onsite case management

Medical cases managed: Standard services, excluding chiropractic. Also manages maternity.

Service area: California.

Officers: Marshall Bernes, chairman; W. Mark Jasper, president; Barbara Rodin, vp-operations; Guy Shields, vp-sales/marketing; Irene Lord, director-utilization/case management; Marianne Garrity, director-specialty case management.

Contact: Guy Shields, 213-489-2694 ext. 2110.

BRI Case Management

P.O. Box 436177, Louisville, Ky. 40253; 502-254-9981; fax: 502-426-5935

Case Management

1994 Revenues

Total gross revenue	$1,400,000
Case mgmt. direct to employers	25%
Case mgmt. to health/insurance providers	75%

Staff

Total case mgmt. employees on staff	28
Professionals	22
Includes: 14 RNs, 8 vocational counselors	

Case management clients

Total	42

Covered lives/cases managed

Employee benefit plan lives serviced	3
Workers compensation lives serviced	716

Case management services since: 1989.

Parent: Underwriters Safety & Claims.

Frequent services: Case management, including onsite and telephone case management, referrals to alternative treatment, patient education, written reports provided monthly or upon request.

Occasional services: Case management, including discharge planning, concurrent hospital treatment review, free prescreening.

Medical cases managed: Group health, workers comp/disability, auto.

Service area: Southern Indiana, Kentucky, Southern Ohio, Tennessee.

Officers: Maggie Eden, general manager.

Contact: Barbara Martin or Maggie Eden.

Beech Street Corp.

2 Ada, Suite 200, Irvine, Calif. 92718; 714-727-9300 or 800-233-2478; fax: 714-727-1319

Utilization Review/Case Management

1994 Revenues

UR direct to employers	4%
UR to health care/insurance providers	6%
Other services	90%

Staff

Total UR employees on staff	97
Professionals	62
Includes: 5 physicians, 28 RNs, 10 licensed practical nurses, 19 medical record technicians	
Professionals assigned to case mgmt.	6.5
UR employees on retainer	36
Includes: 36 physicians	

UR clients

Total	155
Employer/group plans with direct service	109

Covered lives/reviewed admissions

Employee benefit plan lives serviced	250,000
Workers compensation lives serviced	4,500,000
Acute care inpatient admissions reviewed	16,480

UR services since: 1982.

Frequent 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, disability management/cost containment.

Case management services, including discharge planning, concurrent hospital treatment review, telephone case management, free prescreening, referrals to alternative treatment, written reports provided twice monthly.

Occasional services: Case management services including, review of lab work, patient education.

Medical services reviewed: Standard services.

Branch offices: Irvine, Sacramento, San Francisco and Torrance, Calif.; Tampa, Fla.; Atlanta; Chicago; Houston.

Officers: Bradley S. Karro, president; John Mills, executive vp-product development; Norman Werthwein, CFO; George Bregante, vp-marketing/sales; Lester Sacks, senior vp-medical affairs.

Contact: Marketing department, 714-727-1353.

Behavioral Healthcare Options Inc.

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

Utilization Review

1994 Revenues

Total gross revenue	$4,366,590
UR direct to employers	2%
UR to health care/insurance providers	16%
Other services	82%
UR gross revenue	$789,928

Staff

Total UR employees on staff	11
Professionals	7
Includes: 5 physicians, 2 RNs	
UR employees on retainer	4.5
Includes: 4 physicians, 0.5 nurses	

UR clients

Total	5

Covered lives/reviewed admissions

Employee benefit plan lives serviced	278,928
Workers compensation lives serviced	62,503
Acute care inpatient admissions reviewed	NA
Diverted for outpatient treatment	37%

UR services since: 1991.

Parent: Sierra Health Services Inc.

URAC certified.

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

Reviews: Psychiatric/substance abuse, workers comp/disability.

Officers: Michael R. Adams, president/COO.

Contact: Daniel J. Slichko.

Benefit Administrators of America Inc.

207 Crocker, Des Moines, Iowa 50309; 515-243-3210; fax: 515-282-0719

Utilization Review/Case Management

1994 Revenues

UR direct to employers	15%
UR to health care/insurance providers	2%
Other services	83%

Staff

Total UR employees on staff	68
Professionals	57
Includes: 2 physicians, 55 RNs	
Professionals assigned to case mgmt.	3
UR employees on retainer	121
Includes: 121 physicians	

UR clients

Total	82

Covered lives/reviewed admissions

Employee benefit plan lives serviced	112,500

UR services since: 1982.

Parent: Blue Cross Blue Shield of Iowa.

URAC certified.

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

Case management services, including dis-

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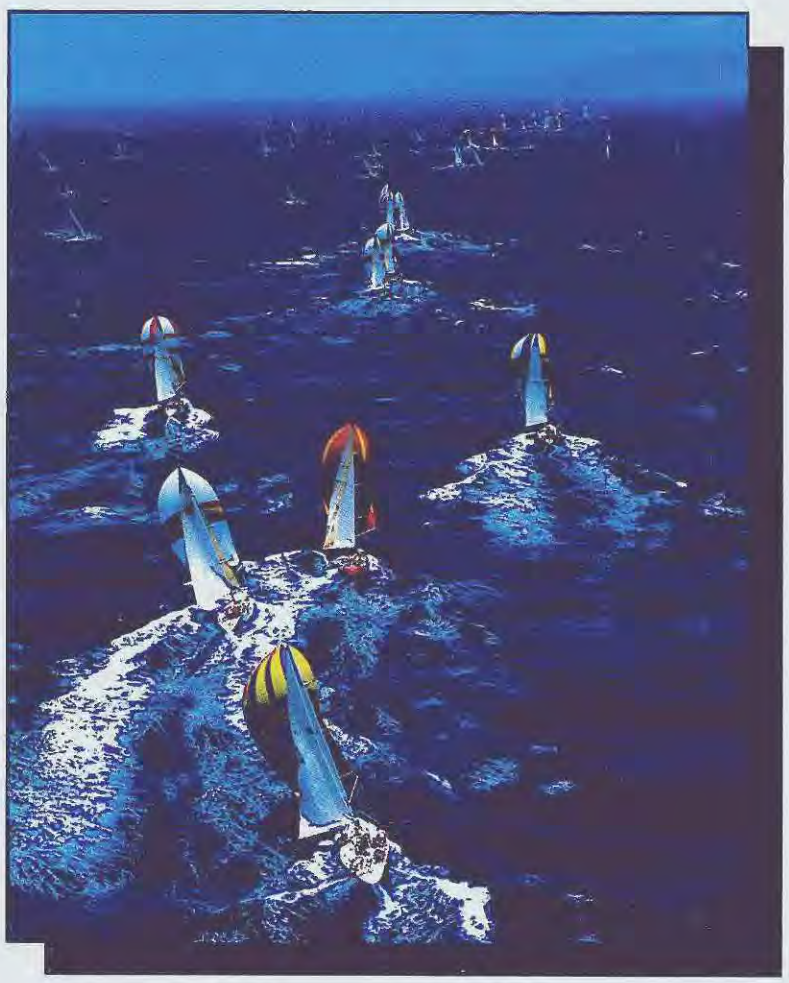
Staying The Course



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Spirit of Enterprise

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charge planning, onsite and telephone case management, free prescreening, referrals to alternative treatment, patient education, written reports provided upon discharge or request.

Occasional services: Retrospective review, outpatient psychiatric and substance abuse, prenatal screening.

Case management services, including concurrent hospital treatment review, review of lab work.

Reviews: Standard services, excluding workers comp/disability.

Branch offices: Sioux City, Iowa.

Officers: Cliff Gold, COO; Steve Reagan, director-client services; Carla Bates, director-financial services; Paula Ryan, director-marketing.

Contact: Denise McWilliams.

Benefit Consultants Inc.

14500 S. Forty Outer Road, Suite 502, Chesterfield, Mo. 63017; 314-434-4620; fax: 314-434-8335

Utilization Review

Staff

UR employees on retainer 5
Includes: 3 physicians, 2 nurses

UR services since: 1995.

URAC certified.

Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination.

Occasional services: Discharge planning, retrospective review, second surgical opinion, outpatient service predetermination, outpatient psychiatric and substance abuse, case management.

Reviews: Standard services, excluding workers comp/disability. Also reviews dental.

Officers: Alan Lemley, president.

Bradley Case Management

P.O. Box 11748, Fort Wayne, Ind. 46860; 219-436-6648; fax: 219-432-6101

Case Management

1994 Revenues

Case mgmt. direct to employers 20%
Case mgmt. to health/insurance providers 80%

Staff

Total case mgmt. employees on staff ..... NA
Professionals 3
Includes: 2 RNs, 1 vocational counselor

Case management clients

Total 18
Employer/group plans with direct service 2

Covered lives/cases managed

Workers compensation lives serviced 88

Case management services since: 1994.

Services: Case management, including discharge planning, onsite and telephone case management, free prescreening, referrals to alternative treatment, patient education, written reports provided monthly.

Medical cases managed: Group health, workers comp/disability.

Service area: Indiana, Michigan.

Officers: Nicki Bradley, president; Michael Bradley, vp-finance.

Bradman/Unipsych Cos.

7951 S.W. Sixth St., Suite 100, Plantation, Fla. 33324; 305-474-8727; fax: 305-474-1351

Utilization Review/Case Management

1994 Revenues

UR direct to employers 25%
UR to health care/insurance providers 25%
Other services 50%

Staff

Total UR employees on staff 12
Professionals assigned to case mgmt. 4

UR clients

Total 16
Employer/group plans with direct service 12

UR services since: 1986.

Frequent 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.

Case management services, including discharge planning, concurrent hospital treatment review, onsite and telephone case management, referrals to alternative treatment, written reports provided upon request.

Occasional services: Case management services, including free prescreening, review of lab work, patient education.

Reviews: Psychiatric/substance abuse, workers comp/disability.

Branch offices: Connecticut; Florida; Georgia.

Officers: Leo Bradman, chairman/CEO; Nelson Fernandez, MIS/computer director; Denise Scott, director-administration; Ernest Cohen, psychiatric director.

Business Health Services Inc.

2022 J St., Sacramento, Calif. 95814-3120; 916-557-9950 or 800-448-2442; fax: 916-557-9970

Utilization Review/Case Management

1994 Revenues

Total gross revenue $2,060,000
UR direct to employers 7%
UR to health care/insurance providers 55%
Other services 38%
UR gross revenue $1,277,000

Staff

Total UR employees on staff 22
Professionals 18
Includes: 1 physician, 13 RNs, 4 medical record technicians
Professionals assigned to case mgmt. 2
UR employees on retainer 51
Includes: 50 physicians, 1 nurse

UR clients

Total 17
Employer/group plans with direct service 4

Covered lives/reviewed admissions

Employee benefit plan lives serviced 65,000
Workers compensation lives serviced 35,000
Acute care inpatient admissions reviewed 4,200

UR services since: 1987.

URAC certified.

Frequent 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; customized PPO networks including hospital, physician and industrial medicine clinics; ancillary providers; physician profiling and outcomes evaluation.

Case management services, including discharge planning, concurrent hospital treatment review, telephone case management, free prescreening, referrals to alternative treatment, review of lab work, written reports provided monthly.

Occasional services: Hospital bill audits.

Case management services, including onsite case management, patient education.

Reviews: Standard services, including dental, physical therapy, MRI/ICT scans.

Officers: E. Scott Rosenbloom, president; Joan H. Batetz, vp-operations; Gregory Ruecker, CFO; James Switzgable, chief information officer; Rigby Leighton, vp-research/development.

C

CCMI Associates

P.O. Box 377, Francestown, N.H. 03043; 603-547-2245; fax: 603-547-2246

Case Management

1994 Revenues

Case mgmt. direct to employers 10%
Case mgmt. to health/insurance providers 60%
Other services 30%

Staff

Total case mgmt. employees on staff 6
Professionals 6
Includes: 6 RNs

Case management clients

Total 29
Employer/group plans with direct service 7

Covered lives/cases managed

Diverted for outpatient treatment 90%

Case management services since: 1989.

Frequent services: Case management, including discharge planning, onsite case management, free prescreening, referrals to alternative treatment, review of lab work, patient education, written reports provided monthly.

Occasional services: Case management, including concurrent hospital treatment review, telephone case management.

Medical cases managed: Standard services, including geriatrics, chronic and long-term care.

Service area: Connecticut, Massachusetts, New Hampshire, Rhode Island, Vermont.

Officers: Sandra L. Lowery, president.

CNR Health Inc.

2400 S. 102 St., Suite 100, Milwaukee, Wis. 53227-2132; 414-327-5197; fax: 414-327-0886

Utilization Review/Case Management

1994 Revenues

Total gross revenue $9,700,000
UR direct to employers 47%
UR to health care/insurance providers 17%
Other services 36%
UR gross revenue $6,240,000

Staff

Total UR employees on staff 29
Professionals 29
Includes: 18 RNs
Professionals assigned to case mgmt. 29

UR clients

Total 47
Employer/group plans with direct service 41

Covered lives/reviewed admissions

Employee benefit plan lives serviced 659,296

UR services since: 1988.

URAC certified.

Frequent 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.

Case management services, including discharge planning, concurrent hospital treatment review, onsite and telephone case management, free prescreening referrals to alternative treatment, review of lab work, patient education, written reports provided upon request.

Occasional services: Hospital bill audits.

Reviews: Standard services, including prenatal, home care, physical therapy, speech therapy, occupational therapy, MRIs, durable medical equipment.

Branch offices: Houston and Lake Jackson, Texas.

Officers: Ralph Cavaiani, president; Dianne Kiehl, executive vp; Nancy Lane, executive director-clinical services; Louise Murphy, vp-southwest region; Peter Levine, national behavioral health medical director.

CAPP CARE

4000 MacArthur Blvd., West Tower, Suite 10,000, Newport Beach, Calif. 92660; 714-251-2200; fax: 714-251-2222

Utilization Review/Case Management

1994 Revenues

Total gross revenue $27,000,000
UR direct to employers 21%
UR to health care/insurance providers 39%
Other services 40%
UR gross revenue $16,200,000

Staff

Total UR employees on staff 59
Professionals 33
Includes: 3 physicians, 30 RNs
Professionals assigned to case mgmt. 26
UR employees on retainer 7
Includes: 7 physicians

UR clients

Total 250
Employer/group plans with direct service 110

Covered lives/reviewed admissions

Employee benefit plan lives serviced 3,800,000
Acute care inpatient admissions reviewed 72,310
Diverted for outpatient treatment 19%

UR services since: 1982.

URAC certified.

Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning.

Case management services, including discharge planning, concurrent hospital treatment review, telephone case management, referrals to alternative treatment, review of lab work, patient education, written reports provided monthly.

Occasional services: Retrospective review, second surgical opinion, outpatient service predetermination, outpatient psychiatric and substance abuse.

Case management services, including onsite case management.

Reviews: Standard services, excluding workers comp/disability. Also reviews maternity.

Officers: Edward Zalta, chairman/CEO; Mike Henry, president/COO; Roberta Holtzman, senior vp-operations; John Unipan, executive vp; Greg Hamblin, CFO.

CaseCo

P.O. Box 16361, Irvine, Calif. 92713; 714-453-5254; fax: 714-453-5220

Case Management

1994 Revenues

Total gross revenue $100,000
Case mgmt. direct to employers 25%
Case mgmt. to health/insurance providers 75%
Case mgmt. revenue $100,000

Staff

Total case mgmt. employees on staff 5
Professionals 5
Includes: 5 RNs

Case management clients

Total 15

Covered lives/cases managed

Diverted for outpatient treatment 30%

Case management services since: 1994

Frequent services: Case management, including discharge planning, concurrent hospital treatment review, onsite case management, referrals to alternative treatment, review of lab work, patient education, written reports provided monthly.

Occasional services: Case management, including telephone case management, free prescreening.

Medical cases managed: Group health, psychiatric/substance abuse, workers comp/disability.

Service area: California.

Officers: Sally Swenson, Ron Vestil.

Contact: Sally Swenson.

Catastrophic & Rehabilitation Management Inc.

2735 Clyde Park Ave. S.W., Grand Rapids, Mich. 49509; 616-531-4040; 616-531-4070

Case Management

Staff

Total case mgmt. employees on staff 2
Professionals 2

Case management clients

Total 12
Employer/group plans with direct service 2

Case management services since: 1991.

Frequent services: Case management, including discharge planning, concurrent hospital treatment review, onsite and telephone case management, referrals to alternative treatment, patient education, written reports provided monthly.

Medical cases managed: Standard services, excluding chiropractic. Also reviews auto.

Service area: Northern Indiana, western Michigan.

Officers: Charlotte B. Stein, president.

Contact: Charlotte B. Stein.

Comprehensive Rehabilitation Associates Inc. (CRA)

312 Union Wharf, Boston, Mass. 02109; 617-367-2163; fax: 617-367-8519

Utilization Review

1994 Revenues

Total gross revenue $120,000,000
UR direct to employers 2%
UR to health care/insurance providers 10%
Other services 88%
UR gross revenue $14,000,000

Staff

Total UR employees on staff 170

UR clients

Total 1,300
Employer/group plans with direct service 150

UR services since: 1985.

URAC certified.

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

Occasional services: Outpatient psychiatric and substance abuse.

Reviews: Standard services, excluding psychiatric/substance abuse. Also reviews dental.

Branch offices: Waltham, Mass.; Freehold, N.J.; Irving, Texas.

Officers: Lois E. Silverman, CEO.; Donald J. Larson, president; Anne Kirby, vp-marketing; John A. McCarthy Jr., vp-corporate development

ComPsych Behavioral Health

515 N. State St., Chicago, Ill. 60610; 312-595-4000

Utilization Review/Case Management

1994 Revenues

UR direct to employers 45%
UR to health care/insurance providers 15%
Other services 40%

Staff

Total UR employees on staff 12
Professionals 12
Includes: 1 physician, 1 RN
Professionals assigned to case mgmt. 12

UR clients

Total 15
Employer/group plans with direct service 12

Covered lives/reviewed admissions

Employee benefit plan lives serviced 550,000
Workers compensation lives serviced 40,000
Acute care inpatient admissions reviewed 2,200
Diverted for outpatient treatment 40%

UR services since: 1988.

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

Case management services, including discharge planning, concurrent hospital treatment review, telephone case management, free prescreening, referrals to alternative treatment, patient education, written reports provided quarterly or upon request.

Occasional services: Retrospective review.

Case management services, including onsite case management.

Reviews: Psychiatric/substance abuse, workers comp/disability.

Officers: Rich Chaifetz, president/CEO; David Levine, senior vp; Mike Garfield, vp-account management; Anita Campbell, director-training; Ewa Antonowicz, clinical director.

CONSERVCO Inc.

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

Utilization Review/Case Management

1994 Revenues

Total gross revenue $102,834,345
UR direct to employers 35%
UR to health care/insurance providers 5%
Other services 60%
UR gross revenue $35,528,940

Staff

Total UR employees on staff 303
Professionals 303
Includes: 8 physicians, 290 RNs, 5 licensed practical nurses
Professionals assigned to case mgmt. 106
UR employees on retainer 275
Includes: 275 physicians

Covered lives/reviewed admissions

Employee benefit plan lives serviced 3,000,000
Workers compensation lives serviced 49,000
Acute care inpatient admissions reviewed 244,954
Diverted for outpatient treatment 5%

UR services since: 1985.

Parent: MetraHealth.

URAC certified.

Frequent 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.

Case management services, including discharge planning, concurrent hospital treatment review, telephone case management, referrals to alternative treatment, review of lab work, patient education, written reports provided monthly.

Occasional services: Retrospective review.

Reviews: Standard services, including dental, physical therapy.

Branch offices: San Diego; Glastonbury, Conn.; Tampa, Fla.

Officers: Larry Dorman, president; Kam Shah, CFO; Steve Rosen, chief medical officer; Joe Paduda, vp-sales/marketing.

Contact: Tom Wille, 813-960-6267.

Contemporary Health Care Management Inc.

3 Penn Plaza E., Newark, N.J. 07105-2200; 201-466-6166; fax: 201-466-6047

Utilization Review/Case Management

1994 Revenues

UR direct to employers 1.2%
UR to health care/insurance providers 98.8%

Staff

Total UR employees on staff 106
Professionals 73
Includes: 3 physicians, 70 RNs
Professionals assigned to case mgmt. 13

UR clients

Total 1

Covered lives/reviewed admissions

Employee benefit plan lives serviced 1,250,000
Acute care inpatient admissions reviewed 102,000

UR services since: 1994.

Parent: Blue Cross & Blue Shield of New Jersey.

URAC certified.

Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion.

Case management services, including discharge planning, concurrent hospital treatment review, telephone case management, free prescreening, referrals to alternative treatment.

Occasional services: Outpatient service predetermination.

Case management services, including onsite case management, patient education, written reports.

Reviews: Group health, rehabilitation, private duty nursing, home health care, maternity discharge.

Officers: Robert Ailes, president; William Marino, chairman; Susan Connor, secretary; Robert Pures, treasurer.

Contact: Pegeen O'Driscoll.

Corporate Care Management

142 Corporate Drive, Binghamton, N.Y. 13904; 607-724-6520; fax: 607-722-1332

Utilization Review/Case Management

1994 Revenues

UR direct to employers 94%
UR to health care/insurance providers 1%
Other services 5%

Staff

Total UR employees on staff 27
Professionals 20
Includes: 1 physician, 18 RNs, 1 licensed practical nurse
Professionals assigned to case mgmt. 20
UR employees on retainer 17
Includes: 14 physicians

Continued on next page

Continued from previous page

UR clients

Total 35
Employer/group plans with direct service 33

Covered lives/reviewed admissions

Employee benefit plan lives serviced 55,000
Workers compensation lives serviced 7,800
Acute care inpatient admissions reviewed 13,872
Diverted for outpatient treatment 9%

UR services since: 1976.
URAC certified.
Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, outpatient service predetermination, outpatient psychiatric and substance abuse, DRG validation, facility and physician fee negotiation, plan language consultations.

Case management services, including discharge planning, concurrent hospital treatment review, telephone case management, referrals to alternative treatment, written reports provided upon request.

Occasional services: Second surgical opinion, hospital bill audits.

Case management services, including onsite case management, free prescreening, review of lab work, patient education.

Reviews: Standard services, including dental, prescriptions.

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Officers: Patrick J. Kearse, president/CEO; Barbara S. Kane, vp/COO.
Contact: Kathleen E. Heslin, marketing representative.

CorVel Corp.

1920 Main St., Suite 1090, Irvine, Calif. 92714; 714-851-1473; fax: 714-851-1469

Utilization Review/Case Management

1994 Revenues

Total gross revenue $90,000,000
UR direct to employers 4%
UR to health care/insurance providers 12%
Other services 84%
UR gross revenue $14,000,000

Staff

Total UR employees on staff 130*
Professionals 130
Includes: 90 RNs, 40 medical record technicians
Professionals assigned to case mgmt. 750
UR employees on retainer 140
Includes: 140 physicians

UR clients

Total 300
Employer/group plans with direct service 50

Covered lives/reviewed admissions

Acute care inpatient admissions reviewed ..... NA
Diverted for outpatient treatment 5%
**UR employees do not include case management.*

UR services since: 1990.
URAC certified.
Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, hospital bill audits, outpatient service predetermination, concurrent and retrospective outpatient treatment review, early intervention, state-imposed UR conformance.

Case management services, including discharge planning, concurrent hospital treatment review, onsite and telephone case management, free prescreening, referrals to alternative treatment, patient education, vocational counseling/placement, written reports provided upon request.

Occasional services: Outpatient psychiatric and substance abuse.
Reviews: Standard services, including dental.
Branch offices: 47 locations nationwide.
Officers: Gordon Clemons, president/CEO; Bennie Hamlin, vp-operations; Daniel H. Davis, vp-marketing; Lou Silverman, vp-operations; Richard Schweppe, CFO.
Contact: Daniel H. Davis, 215-953-5060.

Cost Care Inc.

660 Newport Center Drive, Suite 600, Newport Beach, Calif. 92660; 714-729-4500; fax: 714-729-4650

Utilization Review

1994 Revenues

Total gross revenue $56,600,000
UR direct to employers 65%
UR to health care/insurance providers 15%
Other services 20%
UR gross revenue $45,300,000

Staff

Total UR employees on staff 732
Professionals 395
Includes: 60 physicians, 181 RNs, 25 licensed practical nurses, 129 medical record technicians
UR employees on retainer 9,750
Includes: 9,750 physicians

UR clients

Total 7,200
Employer/group plans with direct service 5,040

Covered lives/reviewed admissions

Employee benefit plan lives serviced 5,400,000
Workers compensation lives serviced 96,000
Acute care inpatient admissions reviewed 195,357
Diverted for outpatient treatment 6%

UR services since: 1981.
Parent: John Hancock Mutual Life Insurance Co.
URAC certified.
Frequent 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, case management, provider network, patient advocacy hotline.
Occasional services: Retrospective review.
Reviews: Standard services, including dental, physical therapy, podiatry, home health care, high risk maternity.
Branch offices: Huntington Beach, Calif.; Atlanta; Hoffman Estates, Ill.; Wakefield, Mass.; Ridgeland, Miss.
Officers: Lawrence Goelman, chairman/CEO; Bob Vohs, president/COO; David Ackley, vp-finance/CFO; Alan Greenfield, vp-medical services/chief medical officer; Terry Booth, vp-sales/marketing.

Crawford & Co.

5620 Glenridge Drive N.E., Atlanta, Ga. 30102; 404-843-6225; fax: 404-843-6238

Utilization Review/Case Management

1994 Revenues

Total gross revenue $588,000,000
UR direct to employers 1%
UR to health care/insurance providers 0.5%
Other services 98.5%
UR gross revenue $7,000,000

Staff

Total UR employees on staff 104
Professionals 63
Includes: 6 physicians, 44 RNs, 8 licensed practical nurses, 5 medical record technicians
Professionals assigned to case mgmt. 460
UR employees on retainer 106
Includes: 106 physicians

UR clients

Total 1,198
Employer/group plans with direct service 1,021

Covered lives/reviewed admissions

Employee benefit plan lives serviced 629,357
Workers compensation lives serviced 3,275
Acute care inpatient admissions reviewed 37,195
Diverted for outpatient treatment 17%

UR services since: 1981.
URAC certified.
Frequent 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, point of service program.

Case management services, including discharge planning, concurrent hospital treatment review, onsite and telephone case management, free prescreening, referrals to alternative treatment, patient education, written reports provided upon request.

Reviews: Standard services.
Branch offices: Atlanta and Savannah, Ga.
Officers: Forrest Minix, CEO; Dennis Smith, president/COO; P.A. Bollinger, president; Jeff Aycock, vp-managed care services.

D

DataMed Inc.

105 Perimeter Drive, Schaumburg, Ill. 60173-5053; 708-240-3515 or 800-258-5859; fax: 708-240-3530

Utilization Review

1994 Revenues

UR direct to employers 100%

Staff

Total UR employees on staff 43
Professionals 43
Includes: 40 physicians, 8 RNs, 2 medical record technicians

UR clients

Total 95
Employer/group plans with direct service 95

Covered lives/reviewed admissions

Employee benefit plan lives serviced 32,000
Workers compensation lives serviced 5,000
Acute care inpatient admissions reviewed 4,800
Diverted for outpatient treatment 15%

UR services since: 1986.
Frequent 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, case management.
Reviews: Standard services, excluding chiropractic. Also reviews dental.
Officers: Louis R. Morgan, president.

Derek & Associates Case Management & Consulting Services

P.O. Box 11122, Merrillville, Ind. 46411; 219-988-3858; fax: 219-988-3858

Case Management

1994 Revenues

Total gross revenue $77,000
Case mgmt. direct to employers 80%
Case mgmt. to health/insurance providers 20%
Case mgmt. revenue $77,000

Case management clients

Total 6
Employer/group plans with direct service 4

Covered lives/cases managed

Employee benefit plan lives serviced 52
Workers compensation lives serviced 211
Cases diverted for outpatient treatment 65%

Case management services since: 1990.
Frequent services: Case management, including discharge planning, concurrent hospital treatment review, onsite and telephone case management, free prescreening, written reports provided monthly or upon request.
Occasional services: Case management, including referrals to alternative treatment, review of lab work, patient education, written reports.
Medical cases managed: Group health, workers comp/disability.
Service area: Northwest Indiana.

Disability Management Associates

100 Diplomat Drive, Ambassador I Building, Lester, Pa.; 610-521-9373 or 800-388-7877; fax: 610-521-6893

Utilization Review

1994 Revenues

Total gross revenue $2,500,000
UR direct to employers 15%
UR to health care/insurance providers 45%
Other services 40%
UR gross revenue $1,500,000

Staff

Total UR employees on staff 17
Professionals 6
Includes: 3 physical therapists, 3 RNs
UR employees on retainer 254
Includes: 190 physicians, 4 nurses

UR clients

Total 20
Employer/group plans with direct service 5

Covered lives/reviewed admissions

Workers compensation lives serviced 10,000

UR services since: 1986.
Parent: Physical Therapy Review Services Inc.
UR services: Preadmission certification, retrospective review, second surgical opinion, outpatient service predetermination, case management (physical therapy, chiropractic), provider credentialing/profiling.
Reviews: Standard services, excluding psychiatric/substance abuse. Also reviews dental, physical/occupational therapy, ancillary health care services.
Officers: David W. Clifton Jr., president/CEO; Leslie B. Clifton, controller.
Contact: Jayne McLaughlin, executive director.

E

EBC Review

5235 N. Ironwood, Glendale, Wis. 53024; 414-962-7771; fax: 414-962-2995

Utilization Review/Case Management

1994 Revenues

Total gross revenue ..... NA
UR direct to employers 100%
UR gross revenue $450,000

Staff

Total UR employees on staff 4
Professionals 4
Includes: 3 RNs, 1 medical record technician
Professionals assigned to case mgmt. 1

UR clients

Total 350
Employer/group plans with direct service 350

Covered lives/reviewed admissions

Employee benefit plan lives serviced 40 000
Acute care inpatient admissions reviewed ..... NA
Diverted for outpatient treatment 14%

UR services since: 1987.
Parent: Safeco Life Insurance Co.
Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, retrospective review.
Occasional services: Discharge planning, hospital bill audits.

Case management services, including discharge planning, concurrent hospital treatment review, onsite and telephone case management, free prescreening, referrals to alternative treatment, review of lab work, patient education, written reports provided upon request.

Reviews: Group health, rehabilitation, psychiatric/substance abuse.
Officers: Larry Pych, president; John A. Feith, vp.

EM Associates Inc.

520 Columbia Drive, Johnson City, N.Y. 13790, 607-770-0070; fax: 607-770-8709

Utilization Review/Case Management

1994 Revenues

UR direct to employers 25%
UR to health care/insurance providers 25%
Other services 50%

Staff

Total UR employees on staff 15
Professionals 12
Includes: 1 physician, 8 RNs, 1 licensed practical nurse, 2 medical record technicians
Professionals assigned to case mgmt. 8
UR employees on retainer 16
Includes: 16 physicians

UR clients

Total 30
Employer/group plans with direct service 3

Covered lives/reviewed admissions

Employee benefit plan lives serviced 2,000

UR services since: 1987.
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.

Case management services, including discharge planning, concurrent hospital treatment review, onsite and telephone case management, free prescreening, referrals to alternative treatment, review of lab work, patient education, written reports provided upon request.

Reviews: Standard services, including auto no-fault.
Branch offices: Rochester and Syracuse, N.Y.
Officers: K.A. Ernst, president; J. Howland, director-case management; S. Miller, director-utilization management; S. Outman, director-medical audits.
Contact: K.A. Ernst.

E-V Benefits Management Inc.

475 Metro Place N., Suite 201, Dublin, Ohio 43017; 614-764-7587; fax: 614-764-7599

Utilization Review

1994 Revenues

UR direct to employers 8.4%
Other services 91.6%

Staff

Total UR employees on staff 2
Professionals 2
Includes: 2 RNs

UR clients

Total 9
Employer/group plans with direct service 9

Covered lives/reviewed admissions

Employee benefit plan lives serviced 31,000
Acute care inpatient admissions reviewed 1,000
Diverted for outpatient treatment 3%

UR services since: 1991.
Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, outpatient service predetermination, case management, retrospective claim auditing.
Occasional services: Second surgical opinion, hospital bill audits, outpatient psychiatric and substance abuse.
Reviews: Standard services, excluding workers comp/disability. Also reviews dental.
Officers: J.R. Eggert, CEO; Gary VanArsdale, president; Greg Nickell, vp.

Ellis & Associates Inc.

300 W. Grand, Suite 500, Chicago, Ill. 60613; 312-645-1214; fax: 312-645-0752

Case Management

1994 Revenues

Total gross revenue $4,500,000
Case mgmt. direct to employers 10%
Case mgmt. to health/insurance providers 85%
Other services 5%
Case mgmt. revenue $4,300,000

Staff

Total case mgmt. employees on staff 45
Professionals 45
Includes: 28 RNs, 17 vocational counselors

Case management clients

Total 250
Employer/group plans with direct service 30

Covered lives/cases managed

Workers compensation lives serviced 1,500

Case management services since: 1979.
Parent: Ellis Enterprises Ltd.
Frequent services: Case management, including discharge planning, onsite and telephone case management, free prescreening, referrals to alternative treatment, patient education, written reports.
Medical cases managed: Standard services, including long-term disability.
Service area: Illinois, Indiana, southwestern Kentucky, Missouri, Wisconsin.
Officers: Cindy R. Ellis, president.

Employee Benefit Management Services/ CARE LINK

P.O. Box 21367, Billings, Mont. 59104-1367; 406-245-3575; fax: 406-259-7871

Utilization Review/Case Management

1994 Revenues

Total gross revenue $2,750,656
UR direct to employers 6.1%
Other services 93.9%
UR gross revenue $167,993

Staff

Total employees on staff 3
Includes: 3 RNs

Continued on next page

Continued from previous page

UR clients

Total	79
Employer/group plans with direct service	79

Covered lives/reviewed admissions

Employee benefit plan lives serviced	33,000

UR services since: 1989.

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

Case management services, including discharge planning, concurrent hospital treatment review, telephone case management, free prescreening, written reports provided monthly.

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

Case management services, including onsite case management, referrals to alternative treatment, review of lab work, patient education.

Reviews: Group health, psychiatric/substance abuse.

Officers: Frederick H. Larson; Nicki L. Larson.

ENCOMPASS Health Management Systems*

6000 Westown Parkway, Suite 350E, West Des Moines, Iowa 50266-7771; 515-223-2900; fax: 515-222-2407

Utilization Review/Case Management

1994 Revenues

Total gross revenue	$22,000,000
UR direct to employers	56.5%
UR to health care/insurance providers	22%
Other services	21.5%
UR gross revenue	$17,500,000

Staff

Total UR employees on staff	279
Professionals	173
Includes: 2 physicians, 166 RNs, 4 licensed practical nurses, 1 medical record technician	
Professionals assigned to case mgmt.	16
UR employees on retainer	352
Includes: 350 physicians, 2 nurses	

UR clients

Total	224
Employer/group plans with direct service	168

Covered lives/reviewed admissions

Employee benefit plan lives serviced	4,300,000
Workers compensation lives serviced	1,200,000
Acute care inpatient admissions reviewed	178,000
Diverted for outpatient treatment	9%

UR services since: 1975.

Parent: Iowa Foundation for Medical Care.

URAC certified.

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.

Case management services, including discharge planning, telephone case management, free prescreening, referrals to alternative treatment, patient education, written reports provided monthly.

Occasional UR services: Length of stay determination, skilled nursing facility review.

Case management services, including concurrent hospital treatment review, review of lab work, ambulatory case management.

Reviews: Standard services, including procedures, physician office care, home health care, skilled nursing services, intensive care facilities, hospice.

Branch offices: Chicago and Peoria, Ill.; Baltimore; St. Louis; Lincoln, Neb.

Officers: Fred Ferree, executive vp; Kathy Fliehler, John Clark, Rebecca Hemann, Ronna Pochter, vps.

Contact: Kathy Fliehler, 515-223-2857.

** Formerly Sunderbruch/ENCOMPASS.*

EXCEL Rehabilitation Consultants Inc.

P.O. Box 815848, Dallas, Texas 75381; 214-242-0901; fax: 214-242-9534

Case Management

1994 Revenues

Total gross revenue	$360,000
Case mgmt. direct to employers	25%
Case mgmt. to health/insurance providers	75%
Case mgmt. revenue	$360,000

Staff

Total case mgmt. employees on staff	8
Professionals	5
Includes: 1 vocational counselor	

Case management clients

Total	14
Employer/group plans with direct service	4

Covered lives/cases managed

Workers compensation lives serviced	283
Cases diverted for outpatient treatment	10%

Case management services since: 1990.

Frequent services: Case management, including discharge planning, onsite and telephone case management, referrals to alternative treatment, patient education, written reports provided monthly or every other week.

Occasional services: Case management, including concurrent hospital treatment review.

Medical cases managed: Standard services, excluding pediatric. Also manages liability, catastrophic.

Service area: Texas.

Officers: Carol Franzen, president/secretary; Stephen Klarer, treasurer.

F

FPM Behavioral Health Inc.

1276 Minnesota Ave., Winter Park, Fla. 32789; 407-647-1781; fax: 407-647-0668

Utilization Review/Case Management

1994 Revenues

UR direct to employers	50%
UR to health care/insurance providers	40%
Other services	10%

Staff

Total UR employees on staff	6
Professionals	6
Includes: 1 physician, 2 RNs	
Professionals assigned to case mgmt.	5

UR clients

Total	18
Employer/group plans with direct service	15

Covered lives/reviewed admissions

Employee benefit plan lives serviced	450,000
Acute care inpatient admissions reviewed	1,767

UR services since: 1987.

Parent: Ramsay Health Care Inc.

Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, outpatient service predetermination, outpatient psychiatric and substance abuse, physician-to-physician review, outcome evaluation, aftercare/high risk patient identification and monitoring.

Case management services, including discharge planning, concurrent hospital treatment review, telephone case management, referrals to alternative treatment.

Occasional services: Retrospective review, hospital bill audits.

Case management services, including onsite case management, review of lab work, patient education.

Reviews: Psychiatric/substance abuse.

Branch offices: Phoenix.

Officers: Dr. Martin Lazoritz, president/CEO; Richard C. Peters, executive vp; Paul Mandelkern, senior vp; Gordon Steinhauer, senior vp; Philip Symon, vp-finance.

Contact: Richard C. Peters.

FARA Healthcare Management

2360 Fifth Ave., Mandeville, La. 70448; 504-624-8383; fax: 504-624-8489

Utilization Review/Case Management

1994 Revenues

Total gross revenue	$13,200,000
UR direct to employers	1%
UR to health care/insurance providers	4%
Other services	95%
UR gross revenue	$600,000

Staff

Total UR employees on staff	18
Professionals	18
Includes: 11 RNs	
Professionals assigned to case mgmt.	18

UR clients

Total	200
Employer/group plans with direct service	75

Covered lives/reviewed admissions

Workers compensation lives serviced	110,000
Acute care inpatient admissions reviewed	1,200

UR services since: 1992.

Parent: F.A. Richard & Associates Inc.

Frequent services: Preadmission certification, concurrent hospital treatment review, second surgical opinion, outpatient service predetermination.

Case management services, including onsite case management, written reports provided monthly.

Occasional services: Length of stay determination, discharge planning, retrospective review, hospital bill audits, outpatient psychiatric and substance abuse.

Case management services, including discharge planning, concurrent hospital treatment review, telephone case management, referrals to alternative treatment, review of lab work, patient education.

Reviews: Standard services, excluding group health.

Continued on next page

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Branch Offices: Baton Rouge, Lafayette and New Orleans, La.; Houston; Norfolk, Va.

Officers: Francis A. Richard, president; Todd Richard, executive vp; Reed A. Bell, senior vp; Dan Clark, senior vp.

Contact: Reed A. Bell.

The J.P. Farley Corp.

22021 Brookpark Road, Suite 100, Cleveland, Ohio 44126; 216-734-6800; fax: 216-734-1668

Utilization Review/Case Management

1994 Revenues

Total gross revenue	$1,700,000
UR direct to employers	12%
Other services	88%
UR gross revenue	$204,000

Staff

Total UR employees on staff	5
Professionals	4
Includes: 3 RNs	
Professionals assigned to case mgmt.	3
UR employees on retainer	2
Includes: 2 physicians	

UR clients

Employer / group plans with direct service	30

Covered lives/reviewed admissions

Employee benefit plan lives serviced	17,000
Acute care inpatient admissions reviewed	709
Diverted for outpatient treatment	2%

UR services since: 1988.

URAC certified.

Frequent 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.

Case management services, including discharge planning, concurrent hospital treatment review, review of lab work, patient education.

Occasional services: Case management services, including review of lab work, patient education, written reports provided monthly.

Reviews: Chiropractic, podiatry, durable medical equipment, maternity, elective surgery.

Officers: James P. Farley, president/CEO; Dr. Patricia Hannigan-Farley, vp/COO.

Contact: Dr. Patricia Hannigan-Farley.

FIRST HEALTH Strategies

6975 Union Park Center, Suite 600, Salt Lake City, Utah 84047; 801-568-5500; fax: 801-568-5652

Utilization Review

1994 Revenues

UR direct to employers	12%
Other services	88%

Staff

Total UR employees on staff	210
Professionals	113
Includes: 2 physicians, 96 RNs, 15 licensed practical nurses	
UR employees on retainer	175
Includes: 175 physicians	

UR clients

Total	650
Employer / group plans with direct service	650

Covered lives/reviewed admissions

Employee benefit plan lives serviced	1,300,000
Acute care inpatient admissions reviewed	65,000
Diverted for outpatient treatment	2%

UR services since: 1987.

Parent: First Financial Management Corp.

Frequent 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, case management.

Occasional services: Second surgical opinion.

Reviews: Standard services, including dental.

Branch offices: Atlanta; Pittsburgh; Houston; Salt Lake City; Milwaukee.

Officers: Ted White, CEO; Dave Kreager, senior vp-marketing; George Dreisbach, executive vp-marketing; Bob Davis, senior vp-administration; Gayle Michler, senior vp-UR services.

Contact: David A. Kreager, 801-568-5618.

Foundation Health-Preferred Administrators

3034 Gold Canal Drive, Suite D, Rancho Cordova, Calif. 95670; 916-631-3300; fax: 916-631-3369

Utilization Review/Case Management

1994 Revenues

Total gross revenue	$9,500,000
UR direct to employers	4%
UR to health care/insurance providers	29%

Staff

Total UR employees on staff	15
Professionals	14
Includes: 1 physician, 7 RNs, 6 medical record technicians	
Professionals assigned to case mgmt.	7
UR employees on retainer	1

UR clients

Total	19
Employer / group plans with direct service	15

Covered lives/reviewed admissions

Employee benefit plan lives serviced	160,000

UR services since: 1985.

Parent: Foundation Health Corp.

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

Case management services, including discharge planning, concurrent hospital treatment review, telephone case management, pre-certification, patient education.

Occasional services: Retrospective review, second surgical opinion, hospital bill audits.

Case management services, including referrals to alternative treatment, review of lab work, written case reports.

Reviews: Standard services, excluding workers comp/disability.

Officers: Scott R. Kelly, president; Randall D. Frakes, vp-operations; Dr. Lawrence A. William, medical director; Zon Dunn, director-Independent Practice Assn. management.

Frontline Health Management Services

401 N. Executive Drive, Brookfield, Wis. 53008; 800-558-9296; fax: 414-797-2870

Utilization Review

1994 Revenues

UR to health care/insurance providers	95%
Other services	5%

Staff

Total UR employees on staff	11
Professionals	9
Includes: 2 physicians, 6 RNs	

UR clients

Total	25

Covered lives/reviewed admissions

Employee benefit plan lives serviced	11,000
Acute care inpatient admissions reviewed	520
Diverted for outpatient treatment	40%

UR services since: 1993.

Parent: The Mutual Group (U.S.) Employee Benefits.

URAC certified.

Frequent 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, case management, HPR's CodeReview Procedure Code Undbundling Detection Service Bureau.

Reviews: Group health, rehabilitation,

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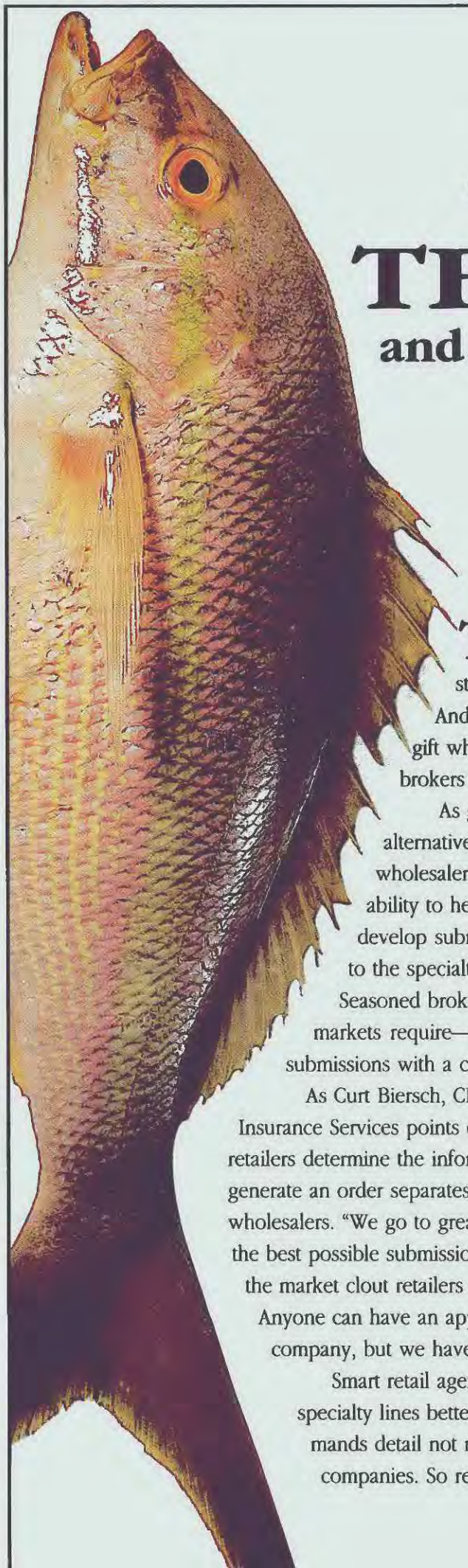

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Curt Biersch, CPCU
Sherwood Insurance Services
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RLI salutes Curt Biersch as a wholesale broker from whom we can all learn a thing or two about quality submissions. Together, we're working to solve our clients' and our industry's problems.

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Continued from previous page
psychiatric/substance abuse.

Officers: E. Everett Edwards, president-employee benefits.

Contact: Patricia Nienow.

Future Diagnostics Inc.

6380 Wilshire Blvd., Suite 900, Los Angeles, Calif. 90048; 800-659-0200; fax: 213-655-2147

Utilization Review

1994 Revenues

UR direct to employers	10%
UR to health care/insurance providers	10%
Other services	80%

Staff

Total UR employees on staff	5
Professionals	5
Includes: 1 physician, 2 RNs, 2 medical record technicians	
UR employees on retainer	3
Includes: 3 physicians	

UR clients

Total	65
Employer/group plans with direct service	20

Covered lives/reviewed admissions

Employee benefit plan lives serviced	12

UR services since: 1993.

Frequent services: Retrospective review, physician profiling, precertification for diagnostic imaging and other radiological examinations.

Reviews: Group health, workers comp/disability.

Officers: Jaana Cohan, president; Gerald Graber, director-operations; Bill Wood, vp; Joan Lang, vp-contracts; Helen White, director-UR; Joel Lipin, director-managed care.

Directory terms explained on page 18.

G

Gateway Health Management Services

19800 Detroit Road, Cleveland, Ohio 44116-1800; 800-442-8392; fax: 216-356-0140

Utilization Review/Case Management

1994 Revenues

UR direct to employers	90%
Other services	10%

Staff

Total UR employees on staff	15
Professionals	14
Includes: 13 RNs, 1 licensed practical nurse	
Professionals assigned to case mgmt.	11
UR employees on retainer	63
Includes: 63 physicians	

UR clients

Total	121
Employer/group plans with direct service	118

Covered lives/reviewed admissions

Employee benefit plan lives serviced	101,000
Acute care inpatient admissions reviewed	NA
Diverted for outpatient treatment	20%

UR services since: 1990.

Parent: North American Benefits Network.

URAC certified.

Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, outpatient service predetermination.

Case management services, including discharge planning, onsite and telephone case management, free prescreening, referrals to alternative treatment, review of lab work, written reports provided monthly.

Occasional services: Retrospective review, second surgical opinion, hospital bill audits.

Case management services, including concurrent hospital treatment review.

Reviews: Standard services, including dental.

Officers: Donald J. Baker, president; Martha L. Was, vp.

Contact: Ernest G. Hopp, director-managed care services.

GENEX Services Inc.

735 Chesterbrook Blvd., Suite 200, Wayne, Pa. 19087; 610-993-2800; fax: 610-651-2707

Utilization Review/Case Management

1994 Revenues

UR direct to employers	30%
UR to health care/insurance providers	70%

Staff

Total UR employees on staff	35
Professionals	26
Includes: 2 physicians, 24 RNs	
Professionals assigned to case mgmt.	1,240
UR employees on retainer	4
Includes: 2 physicians, 2 nurses	

UR clients

Total	122
Employer/group plans with direct service	10

Covered lives/reviewed admissions

Acute care inpatient admissions reviewed	3,000
Diverted for outpatient treatment	10%

UR services since: 1992.

Parent: First Financial Management Co.

URAC certified.

Frequent 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.

Case management services, including discharge planning, concurrent hospital treatment review, telephone case management, free prescreening, referrals to alternative treatment, review of lab work, written reports.

Occasional services: Hospital bill audits.

Reviews: Standard services, including dental, durable medical equipment, home health care, early injury management.

Officers: Peter Madeja, president/CEO; Larry Palmer, CFO; Delphia Frisch, vp; Gary Billiard, executive vp-sales/marketing; Mary Kay Dunne, director-managed care.

Contact: Mary Kay Dunne.

Global Medical Review Inc.

150 E. 58th St., 27th Floor, New York, N.Y. 10155; 212-593-0960; fax: 212-593-7247

Utilization Review/Case Management

1994 Revenues

Total gross revenue	$5,000,000

Staff

Total UR employees on staff	27
Professionals	27
Includes: 15 physicians, 10 RNs, 2 medical record technicians	
Professionals assigned to case mgmt.	10
UR employees on retainer	77
Includes: 32 physicians, 45 nurses	

UR clients

Total	110
Employer/group plans with direct service	30

UR services since: 1986.

Frequent 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.

Case management services, including discharge planning, concurrent hospital treatment review, telephone case management, free prescreening, referrals to alternative treatment, review of lab work, written reports provided weekly.

Occasional services: Case management services, including onsite case management, patient education.

Reviews: Standard services, including dental, network discounts, overseas accident (Europe, Asia, South America).

Branch offices: Los Angeles; San Francisco; Atlanta; Chicago; Providence, R.I.; Dallas.

Officers: J.A. Marshall, president/CEO; Lawrence Curcio, executive vp; Richard Chira, executive vp; Eileen Johnson, director-national sales.

Contact: Lawrence Curcio.

Great-West Life & Annuity Insurance Co.

8505 E. Orchard Road, Englewood, Colo. 80111; 800-537-2033; fax: 303-689-4889

Utilization Review/Case Management

Staff

Total UR employees on staff	73
Professionals	70
Includes: 3 physicians, 58 RNs, 9 medical record technicians	
Professionals assigned to case mgmt.	15
UR employees on retainer	75
Includes: 75 physicians	

UR clients

Total	5,850
Employer/group plans with direct service	5,848

Covered lives/reviewed admissions

Employee benefit plan lives serviced	1,322,436
Acute care inpatient admissions reviewed	68,432
Diverted for outpatient treatment	2.2%

UR services since: 1985.

Parent: Great-West Life Assurance Co.

Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning.

Case management services, including discharge planning, concurrent hospital treatment review, telephone case management, referrals to alternative treatment, patient education, written reports.

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

Case management services, including on-site case management.

Reviews: Standard services, including dental.

Officers: William McCallum, president/CEO; Alan MacLennan, executive vp; Jim Motz, senior vp; Marty Rosenbaum, vp; Dave Grapko, assistant vp.

Green Spring Health Services Inc.

5565 Sterrett Place, Suite 500, Columbia, Md. 21042; 410-740-9501; fax: 410-740-8573

Utilization Review/Case Management

1994 Revenues

Total gross revenue	$130,000,000
UR direct to employers	55%
UR to health care/insurance providers	40%
Other services	5%
UR gross revenue	$123,500,000

Staff

Total UR employees on staff	269
Professionals	166
Includes: 11.5 physicians, 57 RNs, 30 medical record technicians	
Professionals assigned to case mgmt.	120
UR employees on retainer	103
Includes: 96 physicians, 7 nurses	

UR clients

Total	22,011
Employer/group plans with direct service	22,000

Covered lives/reviewed admissions

Employee benefit plan lives serviced	10,000,000
Acute care inpatient admissions reviewed	24,933
Diverted for outpatient treatment	10%

UR services since: 1989.

Parent: Veritus Inc., Blue Cross & Blue Shield of New Jersey, Pierce County Medical, Health Care Service Corp., Pennsylvania Blue Shield, Indiana Blue Cross.

URAC certified.

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

Case management services, including discharge planning, concurrent hospital treatment review, onsite and telephone case management, referrals to alternative treatment, patient education, written reports.

Occasional services: Retrospective review, hospital bill audits.

Case management services, including free prescreening.

Reviews: Psychiatric/substance abuse, workers comp/disability, employee assistance programs.

Branch offices: Atlanta; Chicago; Cincinnati; Portland, Maine; Columbia, Md.; Parsippany, N.J.; Philadelphia and Pittsburgh, Pa.; West Warwick, R.I.; Chattanooga, Tenn.; Tacoma, Wash.

Officers: Dr. Henry Harbin, president/CEO; Charles Kanach, executive vp; Charles Kiskaden, chief marketing officer; Clarissa Marques, senior vp/chief clinical officer; Dr. Jonathon Book, senior vp/chief medical officer.

Contact: 401-964-8496.

H

HBM Inc.

7600 Chevy Chase Drive, Suite 500, Austin, Texas 78752; 512-371-8100 or 800-580-4567; fax: 512-371-8448

Utilization Review/Case Management

1994 Revenues

UR direct to employers	40%
UR to health care/insurance providers	60%

Staff

Total UR employees on staff	35
Professionals	22
Includes: 2 physicians, 10 RNs, 10 licensed practical nurses	
Professionals assigned to case mgmt.	17
UR employees on retainer	116

UR clients

Total	98
Employer/group plans with direct service	26

Covered lives/reviewed admissions

Workers compensation lives serviced	21,320
Acute care inpatient admissions reviewed	2,500
Diverted for outpatient treatment	5%

UR services since: 1986.

Parent: Ron Luke & Associates.

Frequent 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 services, including discharge planning, onsite case management, free prescreening, referrals to alternative treatment, review of lab work, patient education, written reports provided monthly or upon request.

Occasional services: Outpatient psychiatric and substance abuse.

Case management services, including telephone case management.

Reviews: Standard services. Also reviews dental, physical therapy, work hardening, work conditioning.

Branch offices: Orlando, Fla.; Atlanta; Minneapolis; Dallas, El Paso, Houston and San Antonio, Texas; Arlington, Va.

Officers: Larry Mattingly, president; Ronald Luke, CEO; Margaret Small, vp-operations; Don Grier, vp-information systems.

Contact: 800-580-4567.

Continued on next page

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InsurerTopics

A special editorial section sent exclusively to insurers and reinsurers

Long-term plans key to insurers' future

Evolution of underwriting vital, experts say

By RODD ZOLKOS

A growing acceptance among insurers that the industry's market cycle is a thing of the past is making underwriters look at how to face the future.

And, insurers that are most likely to be around to greet that future are those that are giving serious thought today to crafting long-term underwriting strategies.

Alan Levin, managing director at Standard & Poor's Corp. in New York, says the issue can be framed in simple terms. "Those that improve their approach to underwriting to enhance it will succeed and those who don't do it will probably cease to exist or they'll be bought up by someone else," he said.

"Some companies have stated publicly that they assume that there isn't going to be any turn and they're operating on that basis, which is exactly what they should be doing," said Barbara Stewart, president of Stewart Economics in Atlanta.

And yet, she said she doubts many of them have taken the next step of determining how they'll survive into the future given the current, highly competitive environment.

"Many of these companies have really not thought about strategy. They've said they have a strategy but it's really been that 'We want to be customer-driven' or 'We want to excel,' " Ms. Stewart said.

Such "nebulous" and "vague" approaches aren't strategies, she said, but rather "goals that the company should be possessing all the time."

"In terms of strategy or what a company can do better than the competition, I don't think there's been a lot of thinking about what a company can do, especially at some of the ones that are in trouble today," Ms. Stewart said.

Terry Van Gilder, senior vp and chief underwriting officer for Chubb Corp. in Warren, N.J., said that while the industry's market cycle is not necessarily gone forever, he doesn't see the kinds of factors that would cause the sort of swings that occurred as recently as 10 years ago.

At the same time, he said, there are some underlying forces that could influence the industry "or how much income is required to support certain levels of risk."

Regardless, he believes his job at Chubb remains the same in any market: "To find things for Chubb to do that we can do better than anybody else, or at least as well as."

"We are always looking for new products that we can bring to market or innovations in old products," Mr. Van Gilder said.

Just as a successful long-term underwriting strategy requires more than philosophical pronouncements, future success requires going beyond simply trying to design a product that will stand out from a shelf full of similar products.

While the soft market has forced many insurers to seek short-term advantage by emphasizing service or the special nuances of the products they offer, that won't suffice in the long run, S&P's Mr. Levin said.

"When you think about long-term strategies, we don't think that it is very possible to differentiate yourself over the long term through product," he said. "It is almost impossible to differentiate yourself through service."

"In this world that we live in, doing it online, that's hardly unusual, except in the insurance industry," Mr. Levin said. "You can deliver it in a day? So what?"

Ultimately, the formula for success lies in recognizing that "insurance is not a business that defies economic logic," Mr. Levin said. "The bottom line is delivering value for the price."

Ultimately then, the insurers that survive will be those offering the best value, he said. Value "is something the buyer determines. Cost is something the seller determines."

In today's highly competitive market, insurers have been known to price their products below their cost. But some also walk away from writing a coverage when they find they can't charge enough to meet their costs, and they'll continue to do so, Mr. Levin said.

"They've done that with regularity," he said. "In '75, it was medical malpractice, in '84-'85 it was general liability. Some companies have come back to those lines of business. In a lot of states many companies have walked away from workers comp."

"This is one of the reasons there has ceased to be a cycle as we know it," he said. "There is no longer a U.S. market for property and casualty insurance."

Instead, what has developed is a highly segmented market, divided among 50 or 60 different geographic segments with companies simultaneously implementing varying strategies for different lines of business within those geographical segments.

Essentially, in creating those segments, insurers organize buyers into groups with similar characteristics.

At the very least, Mr. Levin said, companies have separated their commercial lines underwriting from their personal lines. Many even separate, for example, large commercial accounts from small commercial accounts, local accounts from national accounts, media companies from forest product companies and so on.

One way to think of it is to visualize a grid with 50 or more geographic segments on one axis and, on the other, the dozens of different lines and coverage types the company offers, Mr. Levin suggested. Each cell of that grid is a market in which the insurer is making strategic decisions on how to price coverage or whether to offer it at all.

"They may be considering raising their rates on lines three, four and five in states 15, 16 and 17," he said. "Workers comp companies may be very aggressive in trying to write the business in one state and unwilling to write it in another."

While those individual cells may show signs of cyclical activity, in the aggregate the picture remains as it has now for years, a flat market with no signs of a property/casualty cycle.

From the perspective of an insurer like Chubb, that segmentation means looking for opportunity.

"I would say that at any given time anywhere in the world there are opportunities to do things, opportunities to do things better than anybody else," Mr. Van Gilder said. Basically, the approach comes down to finding the best places to apply the company's "pool of capital," he said.

"If you're reasonably good at managing your application of resources, whether it's monetary or human or whatever it happens to be, you are able to do things," he said.

In the long term, the most successful companies will be those able to look for underwriting opportunities worldwide, he believes. "Ultimately it's not here in the United States," he said.

Still, "there are many companies that I think will be able to develop a localized strategy for some time to come," and there will be a place in the market for those localized companies as well as the more global operations, Mr. Van Gilder said.

The market segmentation that has developed in the insurance industry couldn't have occurred without improvements in information technology and the greater and faster access to information that accompanied it.

"Clearly, now the computer gives people the ability to segment," said Mr. Levin, noting that it would have been impossible to adequately address such market segmentation with mere adding machines.

And that segmentation will only increase as the technology improves, he predicted. For some companies, computer technology holds the key to successful long-term underwriting strategies.

Some insurers have also created competitive advantages for themselves by developing specialized products, Mr. Levin noted.

"Knowledge comes from specialization," said Ms. Stewart. "When you do something you make mistakes, but you learn from your mistakes and you keep at it and you keep adding and that way you can be ahead of everyone else."

The long-term underwriting strategy that Royal Group Inc. is taking fits with the future Mr. Levin and Ms. Stewart described, said Jerry Bushey, vp-specialty operations at the Charlotte, N.C.-based insurer.

"In terms of how we plan for things I don't think we see significant swings or cycles in the industry impacting us like they have in the past," he said. "And we're not looking to rely on these types of cycles to take us from bad times into good times."

So, rather than hope for market swings, Royal is looking at specialization to make the most of the market.

"Probably as much as anything it forces us to focus that much more on the niches that provide us opportunity to make an underwriting profit rather than trying to be all things to all people," he said.

And, the knowledge the insurer acquires through specialization not only adds to its bottom line, it increases the company's ability to deliver value for price, he said.

"As you. . .acquire those kinds of expertise, you become a more efficient deliverer of insurance for those underwriting niches," he said. "Not only does your underwriting focus get tighter but your ability to deliver those services on a more cost-effective basis becomes sharper as well."

The number of companies experiencing financial trouble today may underscore the importance of that sort of approach.

Ms. Stewart believes those insurers got into trouble because "they never really focused on anything."

And many of those companies, the consultant said, continue to take that approach. "My guess is that any strategy they have is not a market strategy but a financial strategy."

A financial strategy is "simply a holding action" until those companies are sold or find a way to get more capital, she said. "But in the long term it's like rearranging the deck chairs on the Titanic. . .If they don't have a market strategy, they don't have a future." BI

Insurer Topics

Underwriting new products requires insight, information and initiative

By MARK A. HOFMANN

Knowledge, modern management theorists are fond of saying, is power. Underwriters hoping to ensure the success of a new product certainly wouldn't disagree.

But acquiring knowledge—in the form of every available scrap of information concerning the exposure the proposed coverage seeks to insure—is only one step in developing a new coverage.

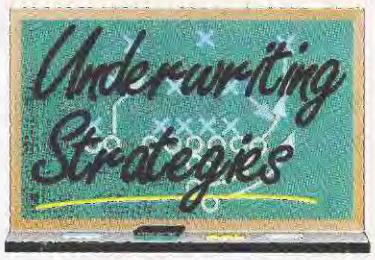
There are meetings with the lawyers and actuaries to determine language and rates, and discussions with brokers and potential clients to find out if the product meets a real need. There are also regulatory and marketing hurdles. After all that, there still is the disturbing possibility that the product might prove to be an expensive dud, whether through a lack of understanding of the market or sheer bad luck.

The first bit of information required is whether there is a need for the product. Successful product launches require time to refine ideas with client and broker focus groups to make sure the proposed coverage fulfills not just a small niche need but offers something to the broader market.

"Initially, the way most new products are developed at AIG is through client discussions," explained Anthony S. Codding Jr., an assistant vp at National Union Fire Insurance Co. of Pittsburgh, Pa., a unit of American International Group Inc.

Sometimes clients ask for a coverage that doesn't exist, and other times new legislation spurs the need, said Mr. Codding, who played a key role in developing National Union's patent infringement liability policy, which was introduced about a year ago (*BI*, Jan. 2).

"It all starts with listening to the client. Our best source is asking our clients, and that includes brokers," said William Kronenberg, president of Environmental Compliance Services



Inc., a privately held insurer in Exton, Pa.

One product that was driven by client demand, the consultants environmental liability policy, was introduced by ECS in 1990 and is today one of the insurer's mainstays.

Before then, ECS sold both a contractors pollution legal liability policy and a professional liability policy for environmental consultants. But clients told ECS that, as they grew, consultants hired contractors and vice versa.

"They told us there were going to be fewer and fewer stand-alone" contractors and consultants, said Mr. Kronenberg.

ECS responded by creating a single policy with coverage A and coverage B to cover both contractors and consultants, with the policy provisions rated separately, he said.

"That matched the market. The product really took off," he said.

Once an underwriter has identified a need, a great deal of background information is needed to determine how often claims would come in, how severe they would be and which sort of companies might have more claims than others.

The information is gathered from "any source available," said Thomas R. Cornwall, vp-electronics industry group in the commercial lines division of Chubb & Son Inc. in Warren, N.J.

One of the best sources is trade associations, said Connor M. Harrison, director-underwriting education for the Insurance Institute of America in Malvern, Pa.

"Those folks can also give you a good idea of what is a good risk and a bad risk," he said.

ECS's Mr. Kronenberg agreed, saying that ECS joins trade associations as an associate member to find out what exposures particular industries face.

He said access to the association publications is particularly valuable. The insurer also subscribes to periodicals dealing with an industry's environmental exposures and scours state, federal and even county environmental regulations, he said.

"We read (all the) case law that exists out there," he said.

Another source of information, one that was not available only 20 years ago, is online databases, noted David J. Firstenberg, a vp with Chubb who was instrumental in developing Chubb's Customarq policy that recently hit the market (*IT*, Jan. 16). He said databases like Nexis and Lexis made information gathering somewhat easier than it was in the past.

Mr. Kronenberg called databases a "dual-edged sword." On one hand, "you can find out almost anything you want to know about any square acre in the U.S. by plugging in."

On the other hand, some insurers "are convincing themselves that they can get all they need to know about a site from a database. They become technojunkies," he said. Databases cannot replace the importance of sending a trained professional to a site to get firsthand information about the exposure, he said.

As the insurer gathers information, an underwriting team meets with inside and outside counsel, actuaries and experts in the field to look at every angle of the exposure, said National Union's Mr. Codding.

"One of the key things we were looking for was some historical experience as far as the frequency and severity" of patent infringement suits, he said. Such data is the key to pricing the product.

The team had the counsel draft policy language and worked with actuaries to develop initial rate guidelines. Mr. Codding said that when the team developed rates, it looked at other products National Union knew a lot about, such as directors and officers liability insurance and

Continued on next page

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New product

Continued from previous page

various errors and omissions policies because claims in both appeared to be similar in frequency and severity.

ECS's Mr. Kronenberg also follows the team approach, with representatives of loss control, claims handling and underwriting helping to formulate the new coverage.

After a proposed product is outlined, the insurer brings in potential customers and asks them about their concerns, and what they would want to know about an account like this, he said. In fact, clients have helped develop the applications for the new coverages, he said. The lawyers actually write the policy.

Mr. Kronenberg said that over the years, he has realized that almost any property owner has a potential pollution exposure. As a result, when ECS is developing a new coverage, the insurer tries to determine which other customer groups might have the same risks and tries to "tweak" policies to fit the needs of new potential industries as clients, he said.

An example of how pending legislation can spur new products came in 1974, when National Union launched the Employee Retirement Income Security Act fiduciary liability policy, said Joseph DeAlessandro, a one-time National Union officer who also is credited with developing the directors and officers liability policy. Mr. DeAlessandro, who is now a senior vp with The Travelers Inc. in New York, said he began tracking the ERISA debate through legislative bulletins months before the bill became law. As the probable shape of the new law became clearer, he says he realized that "if this happens, we have an absolute need to protect these people."

Mr. DeAlessandro assembled a team that included inside and outside counsel as well as senior underwriting staff to devise an ERISA fiduciary liability policy. That task was somewhat easier than might be expected because ERISA fiduciary liability is "awfully close to D&O" liability, he said.

The team explored policy wordings with inside and outside counsel and discussed the exposure with actuaries. The team sought to answer questions such as whether ERISA fiduciary liability would generate much litigation and how many fiduciaries would be affected by the law, he said.

"Pricing was tricky because there was no great body of knowledge" about the exposure, he said. As a result, National Union proceeded on a "what-if basis," by examining worst-case scenarios and their likelihood.

Tricky though it may have been, the brainstorming and research paid off, said Mr. DeAlessandro. "We did not change the premium structure for a number of years."

And the morning after President Gerald R. Ford signed ERISA into law in September 1974, the insurer had its product on the market.

But Mr. DeAlessandro noted that simply introducing a product isn't the end of the process. In fact, the aim of a successful marketer of a new product is to make it "basically competition proof," he said. While competitors play catch-up, the underwriters that introduced the new coverage attempt to refine and improve it by adding new features or options, he said.

Regulators can also present problems for a new product launch.

"The hardest part is to get the state insurance departments to let you develop something for which there is no statistical base," said Mr. Cornwell of Chubb.

In addition, a truly new product means a truly new policy form, and that "can really jar the regulator," said Mr. Firstenberg, also of Chubb.

Regulators' pace in approving changes generates "enormous frustration" among underwriters. Insurance departments sometimes require "rafts of paper" concerning how an insurer has developed its rates, he said.

Even with regulatory approval, some products simply don't fly according to plan.

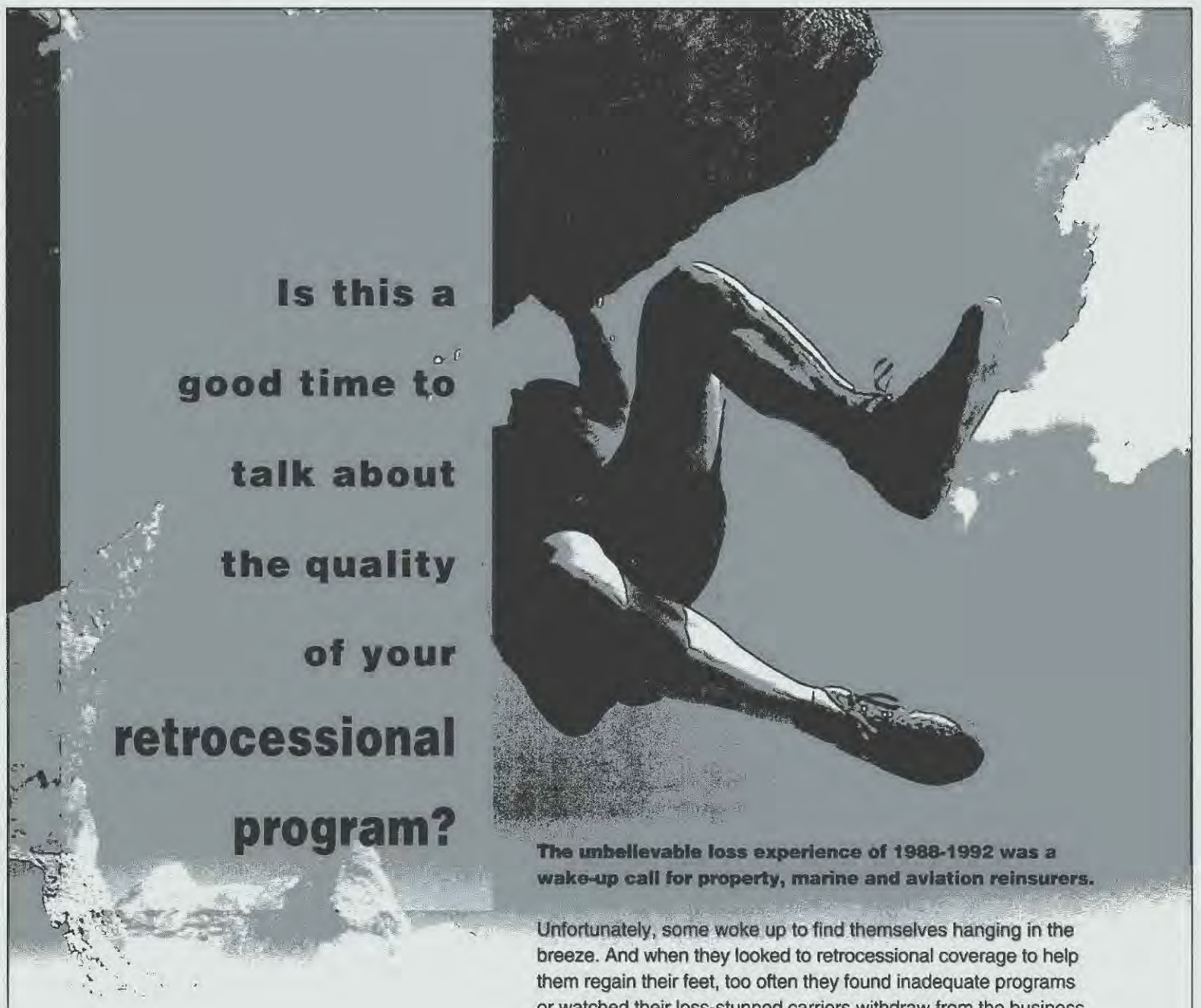
ECS's Mr. Kronenberg noted that a few years ago, ECS—like many other insurers—put a considerable amount of resources into trying to persuade lenders that its pollution legal liability policy would help lenders. But he said ECS failed to do two important things: Listen to the bankers and work closely enough with their trade associations. Had it done so, the insurer would have realized that "we're trying to sell a policy to somebody who's convinced that the problem we're insuring against is going to disappear shortly," he said.

Bankers felt that their environmental liability would be circumscribed by federal and state authorities, which is in the process of happening. The policy turned out to be a slow seller.

Then there are the new coverages insurers wish never sold, pointed out Mr. Harrison of the Insurance Institute. While working for a regional insurer a few years ago, Mr. Harrison helped develop a beekeeper's liability policy. Although such coverages were not new, they weren't common, he said. After months of research, the first policy was issued.

The owner covered by that first policy had to move his hives from one location to another, and doing so meant driving through a small town. As fate would have it, the truck carrying the hives overturned in town, freeing thousands of bees. The mayor, worried about the citizens, ordered the town sprayed to kill the bees. The spray worked, the bees were a total loss and all of the insurer's assumptions went up in smoke because of a freak accident.

"We probably could have gone for 20 years without that happening," said Mr. Harrison.



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Insurer Topics

Insurers take the urban plunge

Whether perceived or real, redlining issues must be addressed

By ROBERTO CENICEROS

From his insurance office in a working-class community just south of Los Angeles, broker Morris Davis Jr. hasn't noticed much change in the way insurers approach his urban surroundings.

He understands the market forces and social ills that drive up rates and squeeze availability. But he also sees rates too exorbitant to bother with, a lack of insurer cooperation with brokers who want to work in his area and insurer requirements that discourage the placement of business.

"That's how they redline, if you want to call it that," he said, laughing. "They just label these areas as bad news and that's going to stay that way until new players come in."

But insurers say they do want in, or that they never left, and there are many changes addressing "urban availability" and affordability. Representatives of several large personal lines insurers admit a lack of agents is a problem in many areas where complaints of "redlining" occur.

Throughout the country, insurance companies and trade associations have embarked on inner-city bus tours to familiarize company executives, agents and underwriters with underserved communities. They also have funded housing programs aimed at teaching community leaders and homeowners about insurance and what companies look for in risks.

And some insurers say a review of underwriting standards is in progress that might better equip them to insure urban property.

"We clearly have increased our marketing efforts and are reviewing our underwriting guidelines to see whether or not they can be reworked to meet urban needs," said Leo Jordan, vp-counsel for State Farm Mutual Automobile Insurance Co. in Bloomington, Ill. "I think most of the large, national companies are probably looking at their underwriting standards and seeing if they need to revise their standards."

State Farm is evaluating whether there is a practical way to insure urban properties for replacement value rather than market value, which community activists frequently complain falls below the amount required to rebuild a destroyed structure, he said.

State Farm recently pledged $30 million to a housing group to make low-interest loans available to inner-city residents.

Charges of redlining—whether overt discrimination exists or not—have dogged insurers for decades. But, 1994 saw increased attention paid to the issue.

Two "anti-redlining" bills died in Congress last year but still fueled interest in the issue. And, a 1993 Supreme Court decision to let stand an appellate court ruling emboldened federal regulators and community housing activists, Mr. Jordan said.

In *American Family Mutual Insurance Co. vs. NAACP et al.*, the 7th U.S. Circuit Court of Appeals held that the federal Fair Housing Act applies to a redlining suit involving homeowners insurance.

The position of regulators and interest groups materialized in studies and press releases.

For example, a National Assn. of Insurance Commissioners study in December concluded "there is considerable evidence that residents of urban communities, particularly low-income and minority neighborhoods, face greater difficulty in obtaining high-quality homeowners coverage through the voluntary market."

In January, the Missouri Department of Insurance released the results of a 21-month study on the underwriting guidelines of the 14 largest residential insurance groups that operate 26 companies in the state.

"Very few insurance companies refuse to insure people living in specific ZIP codes, which has been the common complaint in the debate on so-called 'redlining' in the residential insurance industry," said Missouri Director of Insurance Jay Angoff. "But many insurers follow rules that, as a practical matter, prevent Missourians living in certain rural and urban communities from purchasing insurance."

Many of the companies eventually complied with recommendations that they drop or modify their underwriting restrictions, the department said. Among the insurer practices the department found were: declining to insure older homes as well as homes that fell below a certain property value, and assigning points to characteristics such as geography and employment status.

Insurers note there is no evidence of overt discrimination, which they oppose. They say they are doing their best to serve urban markets despite crime, an older housing stock and higher losses.

Insurers cite other studies, such as a January survey of 1,000 inner-city residents conducted by Charleston, S.C.-based America's Research Group and A.M. Best Co. of Oldwick, N.J.

The survey found 95.7% of African-American and Latino respondents stated that neither they nor any of their family members had ever been turned down for any type of insurance. Yet half of those surveyed said they believed insurance companies refused to sell to minorities.

The results suggest the perception of redlining exists despite a lack of evidence or direct experience by residents. Perception is an area that insurers are attempting to address.

For example, SAFECO Corp. does not plan to revise underwriting standards, said Pat Kari, assistant vp of personal lines underwriting. But the

Continued on next page

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August 28	August 16
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Insurers forced to find new strategies for success

After serving in the U.S. Army, Charles A. Bryan began his actuarial career in 1972 with Allstate Insurance Co. as an associate actuary in Northbrook, Ill., and then became director of actuarial research in the insurer's Menlo Park, Calif., office. He later served as senior vp, chief actuary and chief financial officer for USAA Life Insurance Co. in San Antonio.

Since 1989, Mr. Bryan has been a partner at Ernst & Young in New York, where he provides property/casualty insurance strategic consulting and actuarial services.

He also served as president of the Casualty Actuarial Society from 1991-1992 and is currently president of the American Academy of Actuaries.

He recently discussed underwriting issues with Associate Editor Sally Roberts.

•

How have insurers' underwriting strategies changed in the past 10 years?

There is a very different philosophy among underwriters.

Before, there was a strong inclination to offer a broad base of coverages. Today is the age of specialization. Today's shopper is so sophisticated, it wants to deal with the best company in a particular area, even if that means dealing with three or four different companies.

Most U.S. insurers are becoming very expert in the specific business, or niche, they write.

Mr. Bryan

Also, it was very unusual four to five years ago for a broker or reinsurer to have an extensive actuarial department. Now, it's common for both to have a department to do extensive analyzing of historical data and risks associated with each exposure.

How would you define "prudent underwriting"? And by that definition, are most U.S. insurers' underwriting practices acceptable or unacceptable?

A prudent underwriter is one that attempts to gather and evaluate enough information to estimate reasonably the profit of a particular risk.

Most U.S. insurers are becoming very expert in the business they consider their primary business. When they haven't been an expert, they've gotten burned.

By and large, most insurers are exercising prudent underwriting because lots of companies that have not have been forced out of the market.

How has the competitive marketplace affected underwriting practices?

Profitable companies are selecting specific markets to operate in and are reviewing each program by its loss experience. If the program is not producing good results, insurers are shedding the program. If the program is producing good results, insurers are increasing their exposure in that area.

While that sounds natural, insurers today do not seem that inclined to clean up a book of business. Due to the competitive marketplace, insurers are generally not confident that they will be successful in cleaning up bad

Continued on next page

Redlining

Continued from previous page

Seattle-based insurer is among companies that have stepped up efforts to reach inner-city leaders and residents.

Ms. Kari said she has driven around an Oakland, Calif., neighborhood with a community housing activist to point out houses the company insures and to learn more about neighborhood needs.

Branch underwriting representatives have also joined community housing leaders on bus tours of Chicago, St. Louis and other cities.

Such trips can help insurance personnel better connect with neighborhoods and teach housing leaders how their efforts and funds can best be spent to make the type of improvements that insurers seek, Ms. Kari said.

Northbrook, Ill.-based Allstate Insurance Co. created a pilot program in Philadelphia in conjunction with neighborhood groups. Urban residents learn about controlling their losses and, if they do so, the insurer pledges to pay a dividend on their policies.

The program will expand to 20 more cities this year, said Daryll Fletcher, Allstate's director of underwriting.

A number of insurers have provided grants for non-profit organizations like Neighborhood Housing Services, which has independent chapters throughout the United States.

For example, in May of 1994 the California Department of Insurance praised Los Angeles-based Farmers Insurance Group for renewed efforts to reach underserved communities, including a pledge of $40,000 for NHS.

A Farmers spokesman recently added that the company was reviewing other areas, including underwriting standards, in an attempt to reach underserved neighborhoods. But, he refused to provide details.

NHS chapters help revitalize neighborhoods by rehabilitating houses, arranging low-cost loans and conducting homeowner education programs on financing and insurance.

At the Los Angeles Neighborhood Housing Services, Teri Zambon, director of resource development, said she sees changes taking place among insurers. "What I'm seeing is actually a reverse," she said. "They're saying, 'There's a huge market and we want to get involved.' In talking with Allstate, Farmers and SAFECO, they are all saying the same thing."

But she does not deny availability has been a problem.

"It's hard to find the big-name insurers," Ms. Zambon said. "You can find the off-the-wall kind (of insurers), but those aren't the ones you want to be insured with when there is a problem." BI

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Insurer Topics

Catastrophe modeling no longer a luxury

By GAVIN SOUTER

Reinsurers are finding computer catastrophe modeling systems increasingly helpful in assessing ceding companies' exposures.

As the modeling systems become more sophisticated and able to include more geographic areas and different types of natural catastrophes, they allow reinsurers to fine-tune their underwriting strategies and more carefully allocate capacity, experts say.

"Catastrophe modeling has become an indispensable part of underwriting analysis for reinsurers in the same way that the bread-and-butter premium incomes used to be," said John Reinman, senior vp at reinsurance intermediary Willcox Inc. in New York.

Although most large reinsurers use some form of modeling system, their role in underwriting varies. Reinsurers that only write a small catastrophe line may not use a modeling system all the time, but others seldom write a coverage without first running it through the computer.

About 75% to 80% of insurers can now run their exposures through a computer model, said Bill Payton, financial analyst at A.M. Best Co. in Oldwick, N.J. In a few years, 95% will have that capability, he said.

"Most of the major companies have some kind of modeling, a lot of the regional companies are doing it and even the small local companies have their reinsurers do it for them," Mr. Payton said.

Best "highly recommends" that the insurers it rates provide catastrophe modeling information to the rating agency.

Although these systems have been available for more than 10 years, they have only become an important underwriting tool in the past three years, said James N. Stannard, chairman, president and chief executive officer of Renaissance Reinsurance Ltd. in Bermuda.

"Hurricane Andrew was the event that really triggered the move by companies to get good, quality data," he said.

"In the past 12 months it has become standard that the information is available on a county-level basis. That's a tremendous improvement on 24 months ago, when only state-level information was available," he said.

The systems are also able to simulate catastrophes in more areas. Instead of just California and the East Coast, programs can now cover Midwest tornado areas and earthquake risks for the entire country, he said.

Outside the United States, the programs are being expanded to include wind and earthquake exposures in Japan and wind exposures in the Caribbean and Europe, Mr. Stannard said.

The more detailed information available allows underwriters to control their exposures in catastrophe-prone areas, said David Wolfe, assistant vp and property/casualty catastrophe underwriter at F&G Re Inc. in Morristown, N.J.

For example, the systems can show proximity to fault lines and wind-exposed areas in even more detail, in some cases down to streets, he said.

"They allow us to look at the exposures of an insurer and see where they have pockets of exposure, so you can spot a company that has a lot of exposure in southern Florida rather than exposures spread throughout the state," Mr. Wolfe said.

Reinsurers can then charge higher premiums and restrict capacity more effectively in higher-risk counties in individual states.

Conversely, the models allow reinsurers to extend their capacity for companies that have few risks in catastrophe-prone areas of certain states or areas, Willcox's Mr. Reinman said.

"Instead of saying, 'I'm full up in New England,' the reinsurers can look at the pockets where an insured is exposed and still write the business if it is acceptable," he said.

While some insurers believed processing the same data would lead to similar reinsurance rates for a given area, that actually has not happened, Mr. Reinman said. "The reinsurers take the same raw data and run it through similar or the same programs but they apply different loadings and different standard deviations and take into account commercial realities and established relationships so the underwriting is still part art and part science."

The varied underwriting requirements of reinsurers and insurers led to the rate differences, agreed John Cashin, executive vp at Willis Faber North America Inc. "Although the aggregate numbers might agree, one company might say that they require storm shutters or another might say that the buildings need to be X number of yards away from the coast or another may require different deductibles, so you get a variation in rates."

Reinsurers may not agree on rates, but they do agree that catastrophe models' role in catastrophe underwriting will expand in the future.

Also the programs will soon be able to provide information on how the addition of one reinsurance program will affect an entire catastrophe portfolio, Mr. Stannard said. "You will not just see how it performs in a vacuum but how it performs in an entire portfolio." BI

Actuary

Continued from previous page

books of business. Secondly, many take the attitude that they would be better off to merely look at programs good for the company, rather than spend the time and effort to clean it up.

On which risks have insurers abandoned or changed their underwriting strategies?

Companies have really gotten burned with product liability claims and some underwriters are now writing aggregate limits. So, even if a product is defective, you won't have a situation where every time the product is used, it results in more claims. The most the company will lose is the aggregate limit. This, of course, is great for insurers but causes problems for those buying the policy.

Asbestos, lead paint and silicone breast implants have led to enormous claims for liability insurers. Is it possible to predict the next such liability nightmare? Are insurers writing any risks now that could come back to haunt them?

The biggest single threat on the horizon is risks associated with tobacco manufacturing. To date, there has not been any real successful liability claim brought against a tobacco manufacturer. But a legal precedent could easily be set and lead to more lawsuits. There is also a potential issue with the sellers of tobacco products like the druggists or retailers. It's a very deep-pocket situation.

Another potential haunting liability is the repetitive stress risk. It's fairly new and is related to people who use computer workstations. Like the tobacco risks, there is limited success so far in lawsuits brought against manufacturers, but one to two successful suits will encourage more suits.

Underwriting by necessity involves some selectivity about the risks insurers accept. How can insures defend themselves against charges of redlining?

Real redlining doesn't exist today like it did in the '40s, '50s and into the '60s when a map was taken out and a red pen was used to draw lines around certain areas to avoid.

Today, redlining is really exposure control. For example, companies today make sure they don't write too much business in areas subject to major catastrophic losses. Insurers got burned in Hurricane Andrew and are now very sensitive to how much business they write in catastrophe-prone areas.

On the commercial urban side, a lot of the redlining issues arose after the riots in 1968, when whole blocks burned down. After that, insurers' reactions tended to be that this risk was too great to take.

The issue now—commercial and personal—tends to be not availability but affordability. Commercial accounts, for instance, are now handled with more exclusions and requirements.

If an insurer needs to defend itself against redlining, it needs to show that insurance is available to residents of the urban area. . .that there is no trouble finding insurance, there is just trouble buying insurance. The insurers should then show the difference between the average cost it pays out per policy in urban areas compared to other areas.

What role has technology played in how insurers underwrite risks?

Advances in technology have been remarkable in underwriting. Today, underwriters can evaluate in great detail whether a business has been profitable in the past and whether it wants to write that business. These data collection systems can also evaluate a specific program in a specific state for a specific line of business. While data collection systems for personal lines have been around since the '70s, good database systems are fairly new to the commercial side.

Insurance analysts and executives generally agree that the insurance marketplace is consolidating, and large mergers like CNA/Continental and Home Holdings/Zurich Insurance seem to bear that out. How will a market that has fewer but larger insurance companies affect underwriting strategies?

Clearly, consolidation is going on very rapidly. People have predicted that for years, and the amount of consolidation will increase in the future. However, there are so many companies offering any particular line of business in any particular geographic area that if the number of companies dropped in half due to consolidation, there would still be lots of companies out there. Underwriters will continue to get more and more sophisticated in smaller risk categories because buyers want to deal with the best company, even if it means buying coverage from multiple companies. BI

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Utilization Review/Case Management

1994 Revenues

Total gross revenue	$3,141,571
UR direct to employers	61%
Other services	39%
UR gross revenue	$1,911,856

Staff

Total UR employees on staff	25.5
Professionals	25.5
Includes: 20.5 RNs, 5 medical record technicians	
Professionals assigned to case mgmt.	5.5
UR employees on retainer	1
Includes: 1 physician	

UR clients

Total	245
Employer/group plans with direct service	220

Covered lives/reviewed admissions

Employee benefit plan lives serviced	12,091
Workers compensation lives serviced	75
Acute care inpatient admissions reviewed	8,306
Diverted for outpatient treatment	10%

UR services since: 1986.
URAC certified.
Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, second surgical opinion, outpatient service predetermination, outpatient psychiatric and substance abuse.

Case management services, including discharge planning, concurrent hospital treatment review, telephone case management, free prescreening, referrals to alternative treatment, patient education, written reports provided upon request.

Occasional services: Retrospective review, hospital bill audits.

Case management services, including onsite case management, review of lab work.

Reviews: Standard services, including pre-natal, eldercare.

Officers: David Cuneo, CEO; Denise Zoeterman, executive vp; Bill Jones, director-finance; Harriett Keast, director-care management; Elise Glettler, director-health management.

Contact: Richard J. Hodson Jr., 800-634-2712.

Harrington/ProHealth

3401 Loop Road A, Columbus, Ohio 43219; 800-832-1647; fax: 614-890-0604

Utilization Review/Case Management

1994 Revenues

Total gross revenue	$2,800,0000
UR direct to employers	90%
UR to health care/insurance providers	5%
Other services	5%
UR gross revenue	$2,520,000

Staff

Total UR employees on staff	46
Professionals	25
Includes: 2 physicians, 19 RNs, 4 licensed practical nurses	
Professionals assigned to case mgmt.	4
UR employees on retainer	21
Includes: 20 physicians, 1 nurse	

UR clients

Total	175

Covered lives/reviewed admissions

Employee benefit plan lives serviced	85,000
Acute care inpatient admissions reviewed	34,000
Diverted for outpatient treatment	6%

UR services since: 1985.
Parent: R.E. Harrington.
URAC certified.
Frequent 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.

Case management services, including discharge planning, concurrent hospital treatment review, telephone case management, referrals to alternative treatment, review of lab work, patient education, written reports provided monthly and quarterly.

Occasional services: Case management services, including onsite case management, free prescreening.

Reviews: Standard services, excluding group health.

Branch offices: El Monte, Calif.; Springfield, Mo.

Officers: Robert Parker, chairman; Rick Stainbrook, controller; Kenneth DiBella, president; Thomas McDonough, executive president; Steven Weber, COO.

Health Care Evaluation Inc.

6702 N. Inglewood Ave., Suite G, Stockton, Calif. 95207; 209-951-6711; fax: 209-951-2731

Utilization Review/Case Management

1994 Revenues

Total gross revenue	$2,700,000
UR direct to employers	99%
Other services	1%
UR gross revenue	$2,675,000

Staff

Total UR employees on staff	45
Professionals	45
Includes: 2 physicians, 22 RNs, 7 licensed practical nurses, 14 medical record technicians	
Professionals assigned to case mgmt.	7
UR employees on retainer	232
Includes: 229 physicians, 3 nurses	

UR clients

Total	61
Employer/group plans with direct service	60

Covered lives/reviewed admissions

Employee benefit plan lives serviced	397,787
Workers compensation lives serviced	43,437
Acute care inpatient admissions reviewed	23,000
Diverted for outpatient treatment	15%

UR services since: 1968.
URAC certified.
Frequent 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, high risk pregnancy screening, claims review.

Case management services, including discharge planning, concurrent hospital treatment review, telephone case management, free prescreening, referrals to alternative treatment, review of lab work, patient education, written reports provided upon request.

Occasional services: Case management services, including onsite case management.

Reviews: Standard services. Also reviews skilled nursing, facility review, dental.

Branch offices: Bakersfield, Fresno, Sacramento and San Francisco (Bay Area), Calif.

Officers: Bernice Wahler, president; Dr. George Williams, vp; Dr. John Keller, secretary/medical director; Paul Wandel, CFO; Jeff Roby, executive director.

Contact: Stefan Paciotti, director-marketing, 415-461-9152.

Health Cost Consultants Inc.

1945 Old Gallows Road, Suite 350, Vienna, Va. 22182; 703-883-0217; fax: 203-883-2956

Utilization Review/Case Management

1994 Revenues

Total gross revenue	$142,000,000
UR direct to employers	29%
UR to health care/insurance providers	65%
Other services	6%

Staff

Total UR employees on staff	37
Professionals	37
Includes: 5 physicians, 24 RNs, 1 licensed practical nurse, 7 medical record technicians	
Professionals assigned to case mgmt.	6
UR employees on retainer	106
Includes: 106 physicians	

UR clients

Total	65
Employer/group plans with direct service	7

Covered lives/reviewed admissions

Employee benefit plan lives serviced	354,000
Workers compensation lives serviced	38,000
Acute care inpatient admissions reviewed	25,700
Diverted for outpatient treatment	23%

UR services since: 1983.
Parent: PHP Healthcare Corp.
URAC certified.
Frequent 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, medical chart consulting.

Case management services, including discharge planning, concurrent hospital treatment review, telephone case management, free prescreening, referrals to alternative treatment, review of lab work, patient education, written reports provided monthly.

Occasional services: Hospital bill audits.

Case management services, including onsite case management.

Reviews: Standard services, excluding group health.

Branch offices: Plantation, Fla.

Officers: Debbie Scheff, president; Dr. Tracey Goessel, medical director; Sally Ann Polson, vp-marketing; Ann Meyer, vp-operations.

Contact: Carolyn Smith, marketing manager.

Health Design Plus

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Utilization Review/Case Management

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Continued from previous page

1994 Revenues

UR direct to employers	51%
UR to health care/insurance providers	18%
Other services	31%

Staff

Total UR employees on staff	12
Professionals	7
Includes: 1 physician, 6 RNs	
Professionals assigned to case mgmt.	4

UR clients

Total	15
Employer/group plans with direct service	14

Covered lives/reviewed admissions

Employee benefit plan lives serviced	17,970
Acute care inpatient admissions reviewed	1,513
Diverted for outpatient treatment	1%

UR services since: 1989.

Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, outpatient service predetermination, outpatient psychiatric and substance abuse, claims review program.

Case management services, including discharge planning, concurrent hospital treatment review, telephone case management, free prescreening, referrals to alternative treatment, patient education, written reports.

Occasional services: Second surgical opinion.

Case management services, including onsite case management, review of lab work.

Reviews: Group health, chiropractic, rehabilitation, psychiatric/substance abuse, well-baby program.

Officers: M. Ruth Coleman, president; Dr. Morton Grossman, medical director; Connie Jones, director-managed care.

Contact: Karen W. Tercek.

Health Direct Inc.

1011 E. Touhy Ave., Suite 500, Des Plaines, Ill. 60018-2808; 708-391-9500; fax: 708-390-7715

Utilization Review/Case Management

1994 Revenues

UR direct to employers	40%
UR to health care/insurance providers	40%
Other services	20%

Staff

Total UR employees on staff	125
Professionals	110
Includes: 3 physicians, 105 RNs, 2 licensed practical nurses	
Professionals assigned to case mgmt.	8
UR employees on retainer	15
Includes: 5 physicians, 10 nurses	

UR clients

Total	400
Employer/group plans with direct service	350

Covered lives/reviewed admissions

Employee benefit plan lives serviced	1,000,000
Acute care inpatient admissions reviewed	20,000

UR services since: 1980.

Parent: EHS Health Care and Lutheran General Health System.

URAC certified.

Frequent 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; HMO, PPO and POS network; Medicare risk product; high-risk maternity screening; surgical case review; special case review; medical info help line.

Case management services, including discharge planning, concurrent hospital treatment review, telephone case management, referrals to alternative treatment, review of lab work, patient education, written reports provided monthly or upon request.

Occasional services: Hospital bill audits.

Case management services, including onsite case management.

Reviews: Standard services, including podiatric.

Officers: Charles Stark, president/CEO; Jenifer Cline, COO; Kerry Finnegan, vp-sales/marketing; Les Preuss, vp-finance/administration; Jay Gore, vp-MIS.

Health Economics Corp., an Equifax Healthcare Administrative Services Co.

5001 Spring Valley Road, Suite 1000E, Dallas, Texas 75244; 214-789-6400; fax: 214-789-6412

Utilization Review/Case Management

1994 Revenues

Total gross revenue	$30,516,000
UR direct to employers	7%
Other services	93%
UR gross revenue	$2,093,216

Staff

Total UR employees on staff	40
Professionals	39
Includes: 1 physician, 24 RNs, 14 licensed practical nurses	
Professionals assigned to case mgmt.	15
UR employees on retainer	12
Includes: 12 physicians	

UR clients

Total	68
Employer/group plans with direct service	68

Covered lives/reviewed admissions

Employee benefit plan lives serviced	500,000
Workers compensation lives serviced	100,000
Acute care inpatient admissions reviewed	22,424

UR services since: 1984.

Parent: Equifax Inc.

URAC certified.

Frequent 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.

Case management services, including discharge planning, concurrent hospital treatment review, onsite and telephone case management, referrals to alternative treatment, patient education, behavioral health care, written reports provided monthly.

Occasional services: Retrospective review.

Case management services, including review of lab work.

Reviews: Standard services, including high-risk pregnancy.

Branch offices: Cedar Rapids, Iowa; Duncan, Okla.; Houston; Charleston, W.Va.

Officers: Mike Kenney, COO; Dr. Larry Dotin, vp/medical director; Nancy Coleman, senior vp-healthcare administration; Joe Orefice, vp-sales; Leah Ward-Lee, vp/chief information officer.

Contact: Barbara Mercer, marketing manager.

Health International Inc.

1840 Century Park E., Suite 770, Los Angeles, Calif. 90067; 800-333-3760; fax: 602-948-2523

Utilization Review/Case Management

1994 Revenues

Total gross revenue	$7,500,000
UR direct to employers	90%
UR to health care/insurance providers	10%
UR gross revenue	$7,500,000

Staff

Total UR employees on staff	89
Professionals	63
Includes: 4 physicians, 58 RNs, 1 licensed practical nurse	
Professionals assigned to case mgmt.	63
UR employees on retainer	17
Includes: 17 physicians	

UR clients

Employer/group plans with direct service	135

Covered lives/reviewed admissions

Employee benefit plan lives serviced	500,000
Workers compensation lives serviced	23,000
Acute care inpatient admissions reviewed	NA
Diverted for outpatient treatment	50%

UR services since: 1987.

URAC certified.

Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, outpatient service predetermination, outpatient psychiatric and substance abuse, high-risk maternity screening, claims analysis to confirm savings, surgicenter networks with rates, exclusive delivery networks.

Case management services, including discharge planning, concurrent hospital treatment review, telephone case management, free prescreening, referrals to alternative treatment, review of lab work, patient education, prospective large case management.

Occasional services: Retrospective review, second surgical opinion.

Case management services, including written case reports provided monthly.

Reviews: Group health, rehabilitation, psychiatric/substance abuse, workers comp/disability.

Branch offices: Scottsdale, Ariz.

Officers: Dr. Donald K. Kelly, chairman/CEO; Suzanne D. Kelly, vice chairman; Michael C. Peerboom, president/COO; Dr. Kenneth R. Roepke, vp/chief medical officer; Ronald L. Eggleston, vp/medical administration.

Contact: Michael C. Peerboom.

Health Management Corp.

P.O. Box 26016, Richmond, Va. 23260; 804-354-4183; fax: 804-354-4097

Case Management

1994 Revenues

Total gross revenue	$5,721,992
Case mgmt. direct to employers	43.2%
Other services	56.8%
Case mgmt. revenue	$2,472,637

Staff

Total case mgmt. employees on staff	13
Professionals	13
Includes: 11 RNs, 2 licensed practical nurses	

Case management clients

Total	16,225
Employer/group plans with direct service	4,217

Continued on page 28

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The changing nature of risk

Survival strategies for risk managers

By Brian M. Kawamoto

The boundaries of risk are exploding. Technological advancements, cross border financial intermediation and the globalization of markets are serving to disrupt conventional patterns of risk and the models for treatment. Furthermore, large U.S. domestic and multinational organizations recognize this phenomenon and are undertaking risk-based initiatives to overhaul their current risk systems.

Why all the hoopla? For the most part, risk and insurance managers can point favorably to yet another year of soft pricing, continued capital formation/capacity and the consolidation or financial rescue of underwriters and brokers that had gone astray. Despite the relative prosperity of the insurance industry, it remains debatable whether the industry can effectively serve the myriad risk profiles in this Brave New World.

Where are the sources of these new risks? Consider, for example, the following:

- Financial risk, which is the risk of utilizing various financial instruments—ironically—to manage risk. This risk has been dramatized by recent derivatives investment losses. Corporate casualties include Metallgesellschaft A.G., the German minerals and mining concern, for $1 billion; Piper Jaffray Cos. Inc., $700 million; Bank of America Corp., $68 million; and Procter & Gamble Co., $157 million.

On the public side, Orange County's much publicized bankruptcy will likely yield losses of $1.5 billion to $2 billion.

A corollary to financial risk is credit risk. This risk can be viewed from several perspectives: the potential default of a counterparty in a derivatives transaction; the repudiation of an obligation in multinational trade; and the risk of a guarantor, such as a reinsurer or insurer, not fulfilling its obligations.

- Insurance market risk, which arises when insurers can no longer afford to provide terms and conditions palatable to business. Natural catastrophes have been significant. Over the past 10½ years, losses have reduced the net worth of the industry by some $61 billion. For California-based insurance operations, the recent Northridge earthquake has proved problematic.
- Operations risks, which are the risks inherent in one's fundamental business. For manufacturers, environmental risks pose substantial challenges. According to various reports, the cost to cleanup America's hazardous waste ranges from $300 billion to $1 trillion.
- Management risk, which is the risk that senior managers', officers' or directors' time is compromised managing public relations nightmares, compliance issues, regulatory threats, litigation, etc. Several Wall Street firms have been engaged in this time-consuming process as a result of derivative transactions, phantom trades and arbitration complaints.
- Career risk, which is the risk that individuals who fail to invest in developing or upgrading skills will become obsolete. This is applicable to broker, underwriter and risk manager.

Is the industry sufficiently resilient to adapt to the changing nature of risk? What are the implications for the risk manager? the broker? the underwriter? While a multitude of scenarios can be developed, the following represent trends that are currently emerging.

Trend No. 1: The Convergence of Financial and Risk Management

The scope and responsibilities of risk managers vary considerably. This is due in part because of the skills the person possesses, the reporting relationship to treasury, finance and legal departments, life experiences and the relative maturity of an organization.

Due to the aforementioned, risk managers have been relegated, for the most part, to roles involving the procurement of insurance (albeit rather efficiently and formidably) and the control of losses. Although there have been some variations on this theme, the typical risk manager has lacked access to financing initiatives, investment policy and strategic financial planning.

Invariably, this process developed a breed of risk manager highly skilled in a discipline with an insurance orientation. Balance sheet management translates to asset protection or property insurance; income statement management translates to multiyear guarantees or, in some cases, captive insurance premium stabilization; cashflow maximization translates to paid loss retros until the prevalence of LBOs, which in turn precipitated the move toward self-insured retentions.

Although insurance may very well serve as the cornerstone of many asset protection strategies, it should not and cannot accommodate all of the risks. Today's manager of risk is adopting strategies that complement the organizations's financial profile. This will often include using commercial bankers, investment bankers, insurance brokers and consultants.

For example, raising capital in the Euro markets to finance overseas plant expansion will inevitably create a variety of risk scenarios—interest rate, currency, emerging market, credit and political—that must be managed.

A new breed of risk manager is assuming this responsibility. At the high end of this continuum, major organizations like Merck, Merrill Lynch and Prudential are assigning senior level officers to oversee this integrated process. For the career risk manager, progressive companies like The Walt Disney Co., Wal-Mart Stores Inc. and J.P. Morgan & Co. are conferring officer status and sizable staffs to this cause.

Finally, the composition and background of the new risk manager is beginning to change. Organizations are populating their staffs with corporate finance, treasury and operations people who have or will be rotated in a variety of assignments. As one new-age risk manager stated: while buying deutsche marks as a currency hedge and buying stop-loss cover on medical insurance are different processes, they serve the same need.

Trend No. 2: Broker As Adviser

What are brokers doing to continue adding value in this environment? Buying insurance is rapidly losing its value. Purveyors of product-driven insurance solutions are not far behind. For those Doubting Thomases, early retirement may be an answer. For the rest of the brokerage community, change is inevitable. A number of trends are outlined below:

- Broker as market maker. The capacity shortage of the mid-1980s led to the formation of several shareholder-owned insurers. These organizations proved to be hugely successful and are now serving clients as public organizations.

A second generation of insurers was also formed in response to perceived shortages in the property catastrophe market. While it is still too early to judge the outlook for these insurers, many involved brokers in their formation and as equity investors. This capital formation process looks remarkably similar to classic investment banking, a trait that will likely be more the norm for the broker of the future.

- Broker as risk consultant. Many large brokerage operations employ staff that serve as internal consulting operations. Tasks had historically been focused on actuarial analysis, feasibility studies and discounted cash flow analysis. This was the first generation of financial engineers in the risk management process. These same operations must be reconfigured to recognize new demands. Investments in technology, software development and people are occurring to support more sophisticated ways of quantifying and securitizing risk.
- Corporate finance and structured products. While the market-making activities of brokers have served a whole range of clients, brokers are now moving toward very structured solutions for individual clients. These activities are more often resembling corporate finance initiatives rather than classic broking. These financial intermediaries are providing capital, research and development, and best of all, brain power to develop today's new structures. In addition, accessing new sources of risk bearing capital such as the futures markets will continue to play a role in broker activities.

Trend No. 3: Underwriting the Future

Insurers, the ultimate risk takers, have not been sitting idle. There are a number of insurer initiatives underway that bear closer examination.

TAmerican International Group Inc., for example, has established a number of subsidiaries that embrace this new order of risk. Currently, subsidiaries engage in commodities hedging, financial products/derivatives trading and investment banking. While these business units operate autonomously, the possible synergy among all units is potentially quite powerful.

Similarly, Swiss Reinsurance Co. has entered into a joint venture with CS First Boston Group Inc. to develop an insurance derivatives unit. This follows a joint venture between Goldman Sachs & Co. and Mitsui Marine & Fire Insurance Co. Ltd., the Japanese insurer.

All initiatives imply a future where insurers and reinsurers provide a one-stop shopping approach to managing risk. It also implies that large, well capitalized organizations will be distancing themselves from more conventional insurers that are unable to make the same transition.

To a lesser extent, the same pattern of investment in alternative facilities can be evidenced by the development of the finite risk/financial reinsurance market. Corporate sponsors like Zurich Insurance Group, J.P. Morgan and Citibank provided capital to fund these operations. These finite reinsurers have in turn given birth to new subsidiaries that continue to accelerate the convergence of the financial and insurance markets. Nowhere is this more evident than with finite risk reinsurer Centre Reinsurance Co.

Finally, where sophisticated financial strategies fail, insurers have attempted to develop solutions in a more traditional manner. The M200 Group is a perfect example of insurers collaborating with clients to provide mutually beneficial solutions (*BI*, Jan. 3, 1994).

What will the future bring? Risk practitioners of the future will need to be multicultural, multilingual and technologically skilled in assessing risk tradeoffs.

As always, for the enterprising, well-educated and experienced risk manager, the future is bright. If current trends continue to develop, both for the institutions as well as their people, the industry will continue to fulfill its legacy as the ultimate guardian of risk. BI

Brian M. Kawamoto is executive vp, major account brokerage division at Rollins Hudig Hall of Northern California in San Francisco.

Continued from page 26

Covered lives/cases managed

Employee benefit plan lives serviced.....1,199,429

Case management services since: 1989.
Parent: Trigon Blue Cross Blue Shield.
Frequent services: Case management, including telephone case management, referrals to alternative treatment, patient education, written reports.
Medical cases managed: Prenatal, chronic disease.
Service area: Nationwide.
Officers: Marty Rowan, president; Rhonda Day, Robin F. Foust, Elizabeth Smith, directors.

Health Management Strategies International Inc.

1725 Duke St., Suite 300, Alexandria, Va. 22314; 703-706-4100; fax: 703-706-4803

Utilization Review/Case Management

1994 Revenues

Total gross revenue.....$25,000,000
UR direct to employers.....60%
UR to health care/insurance providers.....35%
Other services.....5%
UR gross revenue.....$24,000,000

Staff

Total UR employees on staff.....200
Professionals.....83
Includes: 3 physicians, 80 RNs
Professionals assigned to case mgmt.....4
UR employees on retainer.....20

UR clients

Total.....20
Employer/group plans with direct service.....5

Covered lives/reviewed admissions

Employee benefit plan lives serviced.....8,000,000

UR services since: 1985.
Parent: Group Hospitalization & Medical Services Inc.
URAC certified.
Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, outpatient service predetermination, outpatient psychiatric and substance abuse.
Case management services, including discharge planning, concurrent hospital treatment review, telephone case management, referrals to alternative treatment.
Occasional services: Hospital bill audits.
Reviews: Psychiatric/substance abuse.
Branch offices: Denver; Topeka, Kan.; Detroit.
Officers: William R. Vandervennet Jr., president/CEO; Karen Berg, vp-operations; Mark P. Nelson, director-network operations development; Stefanie Green, corporate medical director; Clifford R. Reynolds III, controller.

Health Resources Ltd.

P.O. Box 246, Pittsfield, Maine 04967; 207-487-5135; fax: 207-487-2496

Utilization Review/Case Management

1994 Revenues

UR direct to employers.....97%
UR to health care/insurance providers.....2%
Other services.....1%

Staff

Total UR employees on staff.....14
Professionals.....12
Includes: 11 RNs, 1 licensed practical nurse
Professionals assigned to case mgmt.....8
UR employees on retainer.....2
Includes: 2 physicians

UR clients

Total.....29
Employer/group plans with direct service.....28

UR services since: 1984.
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, health education hotline, patient advocacy.
Case management services, including discharge planning; concurrent hospital treatment review; onsite and telephone case management; free prescreening; referrals to alternative treatment; review of lab work; patient education; written reports provided monthly, quarterly and annually.
Reviews: Standard services.
Branch offices: Portland, Maine.
Officers: Myles Hutchins, vp; Deborah Seneca, senior case manager.
Contact: Myles Hutchins.

Health Service Affiliates

11499 Chester Road, South Tower, 6th Floor, Cincinnati, Ohio 45246; 513-772-9009; fax: 513-772-9111

Utilization Review/Case Management

1994 Revenues

UR direct to employers.....30%
UR to health care/insurance providers.....25%
Other services.....45%

Staff

Total UR employees on staff.....8
Professionals.....8
Includes: 1 physician, 4 RNs, 3 licensed practical nurses
Professionals assigned to case mgmt.....2
UR employees on retainer.....32
Includes: 30 physicians, 2 nurses

UR clients

Total.....110
Employer/group plans with direct service.....71

Covered lives/reviewed admissions

Employee benefit plan lives serviced.....19,994
Acute care inpatient admissions reviewed.....2,067
Diverted for outpatient treatment.....3%

UR services since: 1991.
Parent: Health Service Affiliates.
Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, outpatient service predetermination, outpatient psychiatric and substance abuse.
Case management services, including discharge planning, concurrent hospital treatment review, telephone case management, free prescreening, referrals to alternative treatment, written reports provided quarterly.
Occasional services: Retrospective review, second surgical opinion, hospital bill audits.
Case management services, including onsite case management, review of lab work, patient education.
Reviews: Standard services.
Officers: Mary J. Hanley, president; William D. Stief, CEO.
Contact: Jerry Schwartz, manager-care coordination.

Health Service Review Inc.

6730 Roosevelt, Franklin, Ohio 45005; 513-422-0063; fax: 513-422-1281

Utilization Review/Case Management

1994 Revenues

UR direct to employers.....80%
UR to health care/insurance providers.....5%
Other services.....15%

Staff

Total UR employees on staff.....26
Professionals.....16
Includes: 16 RNs
Professionals assigned to case mgmt.....5
UR employees on retainer.....29
Includes: 27 physicians, 2 nurses

UR clients

Total.....181
Employer/group plans with direct service.....165

Covered lives/reviewed admissions

Employee benefit plan lives serviced.....181,000
Workers compensation lives serviced.....6,800
Acute care inpatient admissions reviewed.....9,676
Diverted for outpatient treatment.....6%

UR services since: 1983.
Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, outpatient service predetermination, outpatient psychiatric and substance abuse, physician fee review.
Case management services, including discharge planning, concurrent hospital treatment review, telephone case management, free prescreening, referrals to alternative treatment, review of lab work, patient education, written reports provided quarterly.
Occasional services: Retrospective review, second surgical opinion, hospital bill audits.
Case management services, including onsite case management.
Reviews: Standard services. Also reviews dental, podiatric.
Officers: Thomas L. Wiley, president; Donald J. Barker, Karen L. Mehl, vps.

Health Value Management Inc.

500 W. Main St., Louisville, Ky. 40202; 800-732-3333; fax: 502-580-4516

Utilization Review/Case Management

1994 Revenues

Total gross revenue.....$10,000,000
UR direct to employers.....25%
UR to health care/insurance providers.....75%
UR gross revenue.....$10,000,000

Staff

Total UR employees on staff.....165
Professionals.....85
Includes: 8 physicians, 49 RNs, 28 licensed practical nurses
Professionals assigned to case mgmt.....12
UR employees on retainer.....108
Includes: 108 physicians

Covered lives/reviewed admissions

Employee benefit plan lives serviced.....1,600,000
Workers compensation lives serviced.....100,000
Acute care inpatient admissions reviewed.....270,000

UR services since: 1987.
Parent: Humana Inc.
URAC certified.
UR services: Preadmission certification, concurrent hospital treatment review, discharge planning, retrospective review, outpatient service predetermination, outpatient psychiatric and substance abuse.
Case management services, including discharge planning, concurrent hospital treatment review, telephone case management, referrals to alternative treatment, written reports provided quarterly.
Reviews: Standard services, including HMO after-hours triage support.
Officers: Dr. Ron Lankford, senior vp; Dr. John Crum, physician director-preadmission; Dr. Bill Runyon, physician director-case management; Dr. Jim Maroc, physician director-surgical prior authorization; Sue Mattingly, director-transplant management.

Healthcare Advantage Inc.

4427 S. Robertson St., New Orleans, La. 70115; 504-899-8686; fax: 504-899-8677

Utilization Review/Case Management

1994 Revenues

Total gross revenue.....$4,000,000
UR direct to employers.....7.5%
UR to health care/insurance providers.....5%
Other services.....87.5%
UR gross revenue.....$500,000

Staff

Total UR employees on staff.....14
Professionals.....14
Includes: 11 RNs, 3 medical record technicians
Professionals assigned to case mgmt.....2

UR clients

Total.....102
Employer/group plans with direct service.....95

Covered lives/reviewed admissions

Employee benefit plan lives serviced.....106,000
Workers compensation lives serviced.....39,000
Acute care inpatient admissions reviewed.....17,500

UR services since: 1989.
Parent: Touro Infirmary.
Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, outpatient service predetermination, outpatient psychiatric and substance abuse.
Case management services, including discharge planning, concurrent hospital treatment review, telephone case management, referrals to alternative treatment, written reports provided monthly.
Occasional services: Second surgical opinion, hospital bill audits.
Case management services, including onsite case management, review of lab work, patient education.
Reviews: Standard services.
Branch offices: Jackson, Miss.
Officers: Jane Cooper, president; Mindy Brown, vp-medical management.
Contact: Cynthia Fransen, vp-marketing.

Directory terms explained on page 18.

HealthCare COMPARE Corp.

3200 Highland Ave., Downers Grove, Ill. 60515; 708-241-7900; fax: 708-241-7856

Utilization Review

1994 Revenues

Total gross revenue.....$185,000,000

Staff

Total UR employees on staff.....1,503
Professionals.....315
Includes: 26 physicians, 166 RNs, 42 licensed practical nurses

UR clients

Total.....2,805
Employer/group plans with direct service.....954

Covered lives/reviewed admissions

Employee benefit plan lives serviced.....12,400,000
Workers compensation lives serviced.....7,650,000
Acute care inpatient admissions reviewed.....436,000
Diverted for outpatient treatment.....3%

UR services since: 1982.
URAC certified.
Frequent 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, practitioner bill audit.
Occasional services: Outpatient service predetermination.

Continued on next page

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Issue of February 20

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Continued from previous page

Reviews: Standard services. Also reviews medical cost management services for auto insurance carriers, physical medicine, Maternity Line, Care Line.

Branch offices: Sacramento, Calif.

Officers: James C. Smith, president/CEO; John L. Krakauer, executive vp/COO; Ronald H. Galowich, executive vp/secretary/general counsel; Daniel S. Brunner, executive vp/COO-policy & government affairs; Edward L. Wristen, executive vp/COO-provider networks.

HealthCare Directions Inc.

1000 Roscommon Drive, Suite 118, Middletown, Conn. 06457; 203-635-1103; fax: 203-632-5854

Utilization Review

1994 Revenues

UR direct to employers	60%
UR to health care/insurance providers	30%
Other services	10%

Staff

Total UR employees on staff	12
Professionals	12
Includes: 8 physicians, 3 RNs, 1 medical record technician	
UR employees on retainer	45
Includes: 45 physicians	

UR clients

Total	22
Employer/group plans with direct service	9

Covered lives/reviewed admissions

Employee benefit plan lives serviced	27,500
Workers compensation lives serviced	58,000
Acute care inpatient admissions reviewed	4,525

UR services since: 1989.

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

Occasional services: Hospital bill audits.

Reviews: Standard services, excluding psychiatric/substance abuse. Also reviews auto liability.

Officers: Edward A. Kamens, president; Marcia Petrillo, COO; Bruce J. Ripley, vp-operations/marketing.

HealthCare Options

3103 Airport Blvd., Suite 540, Mobile, Ala. 36606; 334-471-5666; fax: 334-471-1233

Utilization Review/Case Management

1994 Revenues

Total gross revenue	$1,400,000
UR direct to employers	10%
UR to health care/insurance providers	90%
UR gross revenue	$1,400,000

Staff

Total UR employees on staff	19
Professionals	15
Includes: 14 RNs, 1 licensed practical nurse	
Professionals assigned to case mgmt.	3
UR employees on retainer	4
Includes: 4 physicians	

UR clients

Total	33
Employer/group plans with direct service	5

Covered lives/reviewed admissions

Employee benefit plan lives serviced	180,000
Workers compensation lives serviced	5,000
Acute care inpatient admissions reviewed	10,080
Diverted for outpatient treatment	7%

UR services since: 1987.

URAC certified.

Frequent 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.

Case management services, including discharge planning, concurrent hospital treatment review, telephone case management, free prescreening, referrals to alternative treatment, written reports provided every 10 days.

Occasional services: Hospital bill audits.

Case management services, including onsite case management, patient education.

Reviews: Standard services.

Branch offices: Birmingham, Ala.; Grand Rapids, Mich.

Officers: Richard Shell, president; Brasher V. Miller, executive vp.

Contact: Brasher V. Miller.

HealthNetwork Inc.

1420 Kensington Road, Suite 203, Oak Brook, Ill. 60521; 708-954-2900; fax: 708-954-1518

Utilization Review/Case Management

1994 Revenues

Total gross revenue	$6,274,000
UR direct to employers	14.87%
Other services	85.13%
UR gross revenue	$928,000

Staff

Total UR employees on staff	10
Professionals	10
Includes: 1 physician, 8 RNs, 1 medical record technician	
Professionals assigned to case mgmt.	1.5
UR employees on retainer	1
Includes: 1 nurse	

UR clients

Total	55
Employer/group plans with direct service	53

Covered lives/reviewed admissions

Employee benefit plan lives serviced	110,462
Acute care inpatient admissions reviewed	10,847
Diverted for outpatient treatment	4%

UR services since: 1985.

URAC certified.

Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, second surgical opinion, outpatient service predetermination, outpatient psychiatric and substance abuse.

Case management services, including discharge planning, concurrent hospital treatment review, telephone case management, free prescreening, referrals to alternative treatment, written reports.

Occasional services: Discharge planning, retrospective review, hospital bill audits.

Case management services, including onsite case management, review of lab work, patient education.

Reviews: Standard services.

Officers: George C. Phillips Jr., president; Donna Wolak, vp-finance; Lore Stanley, vp-operations; Bill Leary, vp-sales; Robert Wright, vp-professional services.

HealthQuest Inc./Mediq Review Services Inc.

12000 J Commerce Parkway, Mount Laurel, N.J. 08054; 800-525-4088; fax: 609-231-7401

Utilization Review

1994 Revenues

UR direct to employers	10%
UR to health care/insurance providers	40%
Other services	50%

Staff

Total UR employees on staff	50
Professionals	15
Includes: 6 physicians, 6 RNs	
UR employees on retainer	1,000
Includes: 1,000 physicians	

UR clients

Total	20
Employer/group plans with direct service	2

Covered lives/reviewed admissions

Employee benefit plan lives serviced	23,000
Workers compensation lives serviced	8,000
Acute care inpatient admissions reviewed	4,143
Diverted for outpatient treatment	12%

UR services since: 1992.

Parent: Mediq Inc.

URAC certified.

Frequent 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, hospital bill audit and negotiation, direction to PPO, fee schedule review.

Reviews: Standard services. Also reviews dental and auto.

Officers: John T. Gallagher, chairman; Glenn E. Haas, medical director.

Contact: Glenn E. Haas or Melissa Plenzick.

Hines & Associates

115 E. Highland Ave., Elgin, Ill. 60120; 708-741-1291 or 800-735-1200; fax: 708-741-1391

Utilization Review/Case Management

1994 Revenues

UR direct to employers	4%
UR to health care/insurance providers	96%

Staff

Total UR employees on staff	109
Professionals	78
Includes: 5 physicians, 73 RNs	
Professionals assigned to case mgmt.	73
UR employees on retainer	21
Includes: 21 physicians	

UR clients

Total	277
Employer/group plans with direct service	12

Covered lives/reviewed admissions

Employee benefit plan lives serviced	203,870
Workers compensation lives serviced	2,000

UR services since: 1987.

URAC certified.

Frequent 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, maternity management, peer review, software leasing and support.

Case management services, including discharge planning, concurrent hospital treatment review, onsite and telephone case management, free prescreening, referrals to alternative treatment, review of lab work, patient education, written reports.

Occasional services: Hospital bill audits.

Reviews: Standard services including dental.

Branch offices: San Diego; Boulder and Denver, Colo.; Washington; Bloomington-Normal, Elgin and Rockford, Ill.; Des Moines and Dubuque, Iowa; Bay City, Mich.; Omaha, Neb.; Hilton Head and Charleston, S.C.; Dallas; Portsmouth, Va.; Seattle; Appleton and Milwaukee, Wis.

Officers: Judith Hines, president; Eileen Zurblis, executive vp; Lynn Breitbach, vp; Mary Hasterok, associate vp; Grace Richard, director.

Contact: Grace Richard.

I

Independent Medical & Dental Consultants

2215 Old Marlton Pike, P.O. Box 448, Marlton, N.J. 08053; 800-441-4632; fax: 609-596-0057

Utilization Review

1994 Revenues

UR direct to employers	5%
UR to health care/insurance providers	95%

Staff

Total UR employees on staff	8
Professionals	8
Includes: 2 physicians, 6 medical record technicians	
UR employees on retainer	5,502
Includes: 5,500 physicians, 2 nurses	

UR clients

Total	1,200

UR services since: 1982.

Frequent services: Retrospective review, independent medical evaluations.

Occasional services: Hospital bill audits.

Medical services reviewed: Standard services, excluding group health. Also reviews all medical specialties.

Officers: Dr. Herbert B. Morgenroth, president/director.

Innovative Care Management Inc.

1001 Molalla Ave., Suite 209, Oregon City, Ore. 97045; 503-655-0114; fax: 503-655-1922

Utilization Review/Case Management

1994 Revenues

Total gross revenue	$500,000
UR direct to employers	70%
Other services	30%
UR gross revenue	$350,000

Staff

Total UR employees on staff	8
Professionals	5
Includes: 1 physician, 4 RNs	
Professionals assigned to case mgmt.	6
UR employees on retainer	6
Includes: 4 physicians, 2 nurses	

UR clients

Total	18
Employer/group plans with direct service	16

Covered lives/reviewed admissions

Employee benefit plan lives serviced	80,000
Workers compensation lives serviced	500
Acute care inpatient admissions reviewed	12,000
Diverted for outpatient treatment	10%

UR services since: 1991.

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

Case management services, including discharge planning, concurrent hospital treatment review, onsite and telephone case management, referrals to alternative treatment, review of lab work, patient education, written reports provided monthly and weekly.

Occasional services: Retrospective review, second surgical opinion, hospital bill audits.

Case management services, including free prescreening.

Reviews: Standard services.

Officers: Sherry L. Chenell, president/CEO; Kristine M. Hallock, COO.

Integrated Benefit Services Inc.

2731 S. MacArthur, Springfield, Ill. 62704; 217-698-5600; fax: 217-698-5310

Utilization Review/Case Management

1994 Revenues

Total gross revenue	$1,220,259
UR direct to employers	15%
Other services	85%
UR gross revenue	$184,423

Staff

Total UR employees on staff	3
Professionals	2
Includes: 2 RNs	
Professionals assigned to case mgmt.	1
UR employees on retainer	3
Includes: 2 physicians, 1 nurse	

UR clients

Total	22
Employer/group plans with direct service	22

Covered lives/reviewed admissions

Employee benefit plan lives serviced	13,512
Acute care inpatient admissions reviewed	1,517

UR services since: 1990.

Parent: VHA Great Rivers Inc.; Casper, Bartholf & Associates Inc.

Frequent 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.

Case management services, including discharge planning, concurrent hospital treatment review, telephone case management, free prescreening, referrals to alternative treatment, written reports provided monthly.

Occasional services: Retrospective review, prompt payment discounts, provider contracts.

Case management services, including review of lab work, patient education.

Reviews: Standard services, excluding workers comp/disability.

Officers: Ron Krause, chairman; Pete Casper, president; Kathy Lewis, vp; Keith Rechner, COO; Steve Bartholf, secretary/treasurer.

Contact: Dawn Smith, product specialist.

Integrated Physicians Consulting Services Inc.

Lincoln Drive W., Suite 3003-A, Marlton, N.J. 08053; 609-988-9023; fax: 609-988-9027

Utilization Review/Case Management

Staff

Total UR employees on staff	24
Professionals	11
Includes: 8 physicians, 2 RNs, 1 licensed practical nurse	
Professionals assigned to case mgmt.	6
UR employees on retainer	40
Includes: 30 physicians, 10 nurses	

UR clients

Total	50
Employer/group plans with direct service	10

Covered lives/reviewed admissions

Employee benefit plan lives serviced	70,000
Workers compensation lives serviced	20,000
Acute care inpatient admissions reviewed	9,798
Diverted for outpatient treatment	40%

UR services since: 1993.

Frequent 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, job analysis.

Case management services, including discharge planning, concurrent hospital treatment review, telephone case management, free prescreening, referrals to alternative treatment, review of lab work, patient education, written reports provided monthly.

Reviews: Standard services, including dental.

Officers: David Bukstel, president; Mark Stern, CEO.

Intracorp

1205 Westlakes Drive, Suite 300, Berwyn, Pa. 19312; 610-889-2600; fax: 610-889-2621

Utilization Review/Case Management

1994 Revenues

Total gross revenue	$271,000,000
UR direct to employers	4.7%
UR to health care/insurance providers	38.4%
Other services	56.9%
UR gross revenue	$117,000,000

Staff

Total UR employees on staff	3,493
Professionals	964
Includes: 76 physicians, 888 RNs	
Professionals assigned to case mgmt.	1,360
UR employees on retainer	630
Includes: 630 physicians	

UR clients

Total	15,563
Employer/group plans with direct service	1,004

Covered lives/reviewed admissions

Employee benefit plan lives serviced	23,764,642
Workers compensation lives serviced	2,914,720
Acute care inpatient admissions reviewed	534,949
Diverted for outpatient treatment	4.2%

UR services since: 1984.

Parent: CIGNA.

URAC certified.

Frequent 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, DRG review, provider bill auditing, PPO integration, early intervention for workers comp, specialty care review.

Case management services, including discharge planning; concurrent hospital treatment review; onsite and telephone case management; free prescreening; referrals to alternative treatment; review of lab work; patient education; written reports provided monthly, weekly or quarterly.

Occasional services: Hospital bill audits.

Reviews: Standard services, including auto liability, high-risk maternity, personal health.

Branch offices: Anaheim, Calif.; Norcross, Ga.; Itasca, Ill.; Pittsburgh and Plymouth Meeting, Pa.; Dallas.

Officers: Patricia Rowland, president; Michael Bell, CFO; Don Duford, senior vp-marketing; Claire Annechini, vp-MIS; Lynne Frazier, vp-human resources.

Contact: Betty Nelson.

K

Kepple & Co.

209 W. Fifth Ave., Peoria, Ill. 61605; 309-673-7330; fax: 309-673-7369

Utilization Review/Case Management

1994 Revenues

UR direct to employers	83%
UR to health care/insurance providers	17%
UR gross revenue	$490,000

Staff

Total UR employees on staff	5
Professionals	5
Includes: 4 RNs, 1 licensed practical nurse	
Professionals assigned to case mgmt.	3
UR employees on retainer	3
Includes: 3 physicians	

UR clients

Total	58
Employer/group plans with direct service	53

Covered lives/reviewed admissions

Employee benefit plan lives serviced	60,000
Acute care inpatient admissions reviewed	3,834
Diverted for outpatient treatment	3%

UR services since: 1982.

Frequent services: Preadmission certification, concurrent hospital treatment review, discharge planning, outpatient service predetermination, outpatient psychiatric and substance abuse.

Case management services, including discharge planning, concurrent hospital treatment review.

Occasional services: Length of stay determination, retrospective review, second surgical opinion, hospital bill audits.

Case management services, including telephone case management, free prescreening, referrals to alternative treatment, review of lab work, patient education, written reports provided upon request.

Reviews: Group health, psychiatric/substance abuse.

Officers: Philip C. Walker II, CEO; James D. Stevenson, president; Gloria J. Towles, vp; Patti Thornton, director-claims; Linda Walker, director-UR review.

L

Anne Llewellyn, Independent Case Manager

1876 N.W. 97th Ave., Plantation, Fla. 33322; 305-476-7143; fax: 305-476-0716

Case Management

1994 Revenues

Total gross revenue	$40,000
Case mgmt. to health/insurance providers	100%
Case mgmt. revenue	$40,000

Staff

Total case mgmt. employees on staff	1
Professionals	1
Includes: 1 RN	

Case management clients

Total	5
Employer/group plans with direct service	2

Covered lives/cases managed

Diverted for outpatient treatment	75%

Case management services since: 1988.

Frequent services: Case management, including discharge planning, onsite and telephone case management, free prescreening,

Continued on next page

Continued from previous page
referrals to alternative treatment, review of lab work, patient education, written reports provided monthly.

Occasional services: Case management, including concurrent hospital treatment review

Medical cases managed: Group health, pediatric, workers comp/disability, long term disability.

Service area: South Florida.

Officers: Anne Llewellyn, independent case manager.

Laurel Rehabilitation Services

67 S. Black Horse Pike, Blackwood, N.J. 08012; 609-346-9748; fax: 609-232-8430

Utilization Review/Case Management	
1994 Revenues	
Total gross revenue	$1,200,000
UR direct to employers	5%
UR to health care/insurance providers	95%
UR gross revenue	$1,200,000
Staff	
Total UR employees on staff	25
Professionals	9
Includes: 9 RNs	
Professionals assigned to case mgmt.	8
UR employees on retainer	59
Includes: 58 physicians, 1 nurse	
UR clients	
Total	132
Employer/group plans with direct service	4
Covered lives/reviewed admissions	
Acute care inpatient admissions reviewed	22
Diverted for outpatient treatment	10%

UR services since: 1987.

Frequent services: Discharge planning, retrospective review, second surgical opinion, hospital bill audits, outpatient service predetermination, peer review.

Case management services, including discharge planning, concurrent hospital treatment review, onsite and telephone case management, free prescreening, referrals to alternative treatment, review of lab work, patient education, written reports.

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

Reviews: Standard services, excluding group health. Also reviews dental.

Branch offices: Lansdale, Pa.

Officers: Pat Deffler, president; Jack Deffler, vp.

Contact: Liz Adomanio, director.

MRA/Managed Care Solutions

110 Pine Ave., Suite 525, Long Beach, Calif. 90802; 310-437-4331; fax: 310-437-7721

Utilization Review/Case Management	
1994 Revenues	
Total gross revenue	$885,000
UR direct to employers	5%
UR to health care/insurance providers	20%
Other services	75%
UR gross revenue	$235,000
Staff	
Total UR employees on staff	5
Professionals	4
Professionals assigned to case mgmt.	5
UR employees on retainer	1
Includes: 1 physician	
UR clients	
Total	3
Employer/group plans with direct service	1
Covered lives/reviewed admissions	
Employee benefit plan lives serviced	18,000
Acute care inpatient admissions reviewed	900
Diverted for outpatient treatment	20%

UR services since: 1992.

Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, hospital bill audits, outpatient service predetermination.

Case management services, including discharge planning, concurrent hospital treatment review, telephone case management, free prescreening, referrals to alternative treatment, review of lab work, patient education, written reports provided monthly or upon request.

Occasional services: Retrospective review, second surgical opinion, outpatient psychiatric and substance abuse.

Case management services, including onsite case management.

Reviews: Standard services, excluding workers comp/disability. Also reviews dental, medical peer.

Officers: V. Fullerton, president; S. Fullerton, vp; L. Sacks, medical director.

Contact: Stephen B. Fullerton.

Managed Care 2000

P.O. Box 10040, Tampa, Fla. 33679; 800-226-6334; fax: 813-289-0444

Utilization Review/Case Management	
1994 Revenues	
UR direct to employers	50%*
UR to health care/insurance providers	50%*
Staff	
Total UR employees on staff	2.5
Professionals assigned to case mgmt.	1.5
** Anticipated for 1995.*	

UR services since: 1995.

Parent: Robey Barber Insurance Services.

Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination.

Case management services, including discharge planning, concurrent hospital treatment review, telephone case management, free prescreening, referrals to alternative treatment, patient education, written reports.

Occasional services: Discharge planning, retrospective review, outpatient service predetermination.

Case management services, including onsite case management, review of lab work.

Reviews: Group health, rehabilitation, psychiatric/substance abuse.

Officers: Margaret Weingart, executive director.

Managed Care Programs Inc.

4830 W. Kennedy, Suite 450, Tampa, Fla. 33609; 813-282-8424; fax: 813-282-8034

Utilization Review/Case Management	
1994 Revenues	
Total gross revenue	$8,000,000
UR direct to employers	92%
UR to health care/insurance providers	5%
Other services	3%
Staff	
Total UR employees on staff	29
Professionals	16
Includes: 1 physician, 10 RNs, 4 medical record technicians	
Professionals assigned to case mgmt.	1
UR clients	
Total	100
Covered lives/reviewed admissions	
Employee benefit plan lives serviced	750,000
Workers compensation lives serviced	20,000
Acute care inpatient admissions reviewed	NA
Diverted for outpatient treatment	85%

UR services since: 1991.

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

Case management services, including discharge planning, concurrent hospital treatment review, telephone case management, free prescreening, written reports provided upon request.

Occasional services: Case management services, including onsite case management, review of lab work, patient education.

Reviews: Psychiatric/substance abuse, workers comp/disability.

Branch offices: Louisville, Ky.

Officers: Jim Kent, president/CEO; John Kelly, vp; Rick Trethaway, vp-corporate.

Managed Health Network Inc.

5100 W. Goldleaf Circle, Suite 300, Los Angeles, Calif. 90056; 213-299-0999; fax: 213-298-2777

Utilization Review/Case Management	
1994 Revenues	
Total gross revenue	$40,076,481
UR direct to employers	62%
UR to health care/insurance providers	13%
Other services	25%
UR gross revenue	$30,214,455
Staff	
Total UR employees on staff	31
Professionals	31
Includes: 2 physicians, 9 RNs, 1 licensed practical nurse	
Professionals assigned to case mgmt.	31
UR clients	
Total	112
Employer/group plans with direct service	109
Covered lives/reviewed admissions	
Employee benefit plan lives serviced	24,496
Acute care inpatient admissions reviewed	5,800
Diverted for outpatient treatment	0.8%

UR services since: 1987.

URAC certified.

Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, outpatient service predetermination, outpatient psychiatric and substance abuse, full outpatient utilization management.

Case management services, including discharge planning, concurrent hospital treatment review, free prescreening, referrals to alternative treatment, patient education, written reports provided upon request.

Occasional services: Retrospective review, hospital bill audits.

Case management services, including telephone case management.

Reviews: Psychiatric/substance abuse.

Branch offices: New York; Dallas.

Officers: Ron Morland, chairman; Alethea Caldwell, president; David Buhler, CFO; Dr. Greg Miller, medical director; Richard Hansen, vp-sales/marketing.

Contact: Richard Hansen.

Massachusetts Peer Review Organization Inc.

235 Wyman St., Waltham. Mass. 02154-1231; 617-890-0011; fax: 617-487-0083

Utilization Review	
1994 Revenues	
Total gross revenue	$8,613,611
UR direct to employers	99.8%
Other services	0.2%
UR gross revenue	$8,596,947
Staff	
Total UR employees on staff	365.5
Professionals	63.5
Includes: 4 physicians, 54 RNs, 3.5 licensed practical nurses, 2 medical record technicians	
UR employees on retainer	302
Includes: 300 physicians, 2 nurses	
UR clients	
Total	8
Employer/group plans with direct service	3
Covered lives/reviewed admissions	
Employee benefit plan lives serviced	1,350,000
Acute care inpatient admissions reviewed	100,000

UR services since: 1986.

Parent: Massachusetts Medical Society.

Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, retrospective review, hospital bill audits, guideline development.

Occasional services: Discharge planning, second surgical opinion, outpatient service predetermination.

Reviews: Rehabilitation, psychiatric/substance abuse.

Officers: Dr. Brenda E. Richardson, president; Kathleen E. McCarthy, CEC; Robert A. Krovitz, COO; Dr. J. Peter Maselli, medical director.

MedCost Inc.

1399 Ashleybrook Lane, Suite 100, P.O. Box 25347, Winston-Salem, N.C. 27114-5347; 910-760-3090; fax: 910-760-2352

Utilization Review/Case Management	
1994 Revenues	
UR direct to employers	55%
Other services	45%
Staff	
Total UR employees on staff	29
Professionals	29
Includes: 29 RNs	
Professionals assigned to case mgmt.	9
UR clients	
Total	41
Employer/group plans with direct service	30
Covered lives/reviewed admissions	
Employee benefit plan lives serviced	370,000
Acute care inpatient admissions reviewed	22,000
Diverted for outpatient treatment	5%

UR services since: 1984.

Parent: Coastal Healthcare Group Inc.

URAC certified.

Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, retrospective review, second surgical opinion, outpatient service predetermination, outpatient psychiatric and substance abuse, Prenatal Program, HealthTips Program.

Case management services, including discharge planning, concurrent hospital treatment review, telephone case management, referrals to alternative treatment.

Occasional services: Discharge planning, hospital bill audits.

Case management services, including free prescreening, review of lab work, patient education, written reports.

Reviews: Group health, psychiatric/substance abuse, rehabilitation*.

Officers: Otto W. Mueller, president; Billie J. Davis, vp; Kathryn C. Showalter, manager-managed care operations; Judith R. Beauchamp, manager-MedReview services; Dr. William B. Lorentz Jr., medical; Sarah M. Browning, systems manager.

** Rehabilitation reviewed through case management.*

For a description of standard services and methodology, see page 15.

Medical Cost Management

111 W. Jackson, 22nd Floor, Chicago, Ill. 60604; 312-341-0217; fax: 312-341-9283

Utilization Review/Case Management	
1994 Revenues	
UR direct to employers	80%
UR to health care/insurance providers	20%
Staff	
Total UR employees on staff	15
Professionals assigned to case mgmt.	8
UR clients	
Total	95
Covered lives/reviewed admissions	
Employee benefit plan lives serviced	200,000
Workers compensation lives serviced	40,000

UR services since: 1986.

Frequent 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.

Case management services, including discharge planning, concurrent hospital treatment review, telephone case management, free prescreening, referrals to alternative treatment, review of lab work, patient education, written reports provided monthly or upon request.

Occasional services: Case management services, including onsite case management.

Reviews: Standard services, including dental.

Officers: Michael J. O'Connor, president; Dr. David S. Fox, vp/medical director/secretary; Dr. Lawrence Kerns, treasurer.

Medical Foundation Services Inc.

3625 N.W. 82nd Ave., Suite 211, Miami, Fla. 33166; 305-593-0404; fax: 305-477-6622

Utilization Review/Case Management	
1994 Revenues	
Total gross revenue	$3,500,000
UR direct to employers	50%
UR to health care/insurance providers	30%
Other services	20%
UR gross revenue	$2,800,000
Staff	
Total UR employees on staff	50
Professionals	50
Includes: 5 physicians, 20 RNs, 20 licensed practical nurses, 5 medical record technicians	
Professionals assigned to case mgmt.	3
UR employees on retainer	45
Includes: 40 physicians, 5 nurses	
UR clients	
Total	25
Employer/group plans with direct service	10
Covered lives/reviewed admissions	
Employee benefit plan lives serviced	100,000
Workers compensation lives serviced	10,000
Acute care inpatient admissions reviewed	15,000
Diverted for outpatient treatment	15%

UR services since: 1970.

URAC certified.

Frequent 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.

Case management services, including discharge planning, concurrent hospital treatment review, onsite and telephone case management, free prescreening, referrals to alternative treatment, review of lab work, patient education, written reports provided upon request.

Reviews: Standard services, excluding psychiatric/substance abuse.

Officers: Rose Strain, executive director; Dr. Robert Furlong, medical director; Richard Dietrich, marketing director.

Medical Manages Services Inc.

8620 S.W. 179 St., Miami, Fla. 33157; 305-378-2567; fax: 305-251-0246

Case Management	
1994 Revenues	
Total gross revenue	$90,000
Case mgmt. direct to employers	40%
Case mgmt. to health/insurance providers	60%
Case mgmt. revenue	$90,000
Staff	
Total case mgmt. employees on staff	1
Includes: 1 RN	
Case management clients	
Total	11
Employer/group plans with direct service	2
Covered lives/cases managed	
Workers compensation lives serviced	32

Case management services since: 1989.

Frequent services: Case management, including onsite and telephone case management, written reports provided monthly.

Occasional services: Case management, including discharge planning, concurrent hospital treatment review, referrals to alternative treatment, review of lab work, patient education.

Medical cases managed: Standard services, including AIDS, catastrophic, burns.

Service area: Southeast Florida.

Officers: Andree Theobald, president/owner.

Medical Rehabilitation Consultants Inc.

P.O. Box 141289, 300 N. Argonne Road, Suite 202, Spokane, Wash. 99214; 509-927-5058; fax: 509-928-9132

Utilization Review/Case Management	
1994 Revenues	
Total gross revenue	$1,000,000
UR direct to employers	15%
UR to health care/insurance providers	5%
Other services	80%
UR gross revenue	$200,000
Staff	
Total UR employees on staff	2.5
Professionals	2.5
Includes: 2.5 RNs	
Professionals assigned to case mgmt.	11
UR employees on retainer	1
Includes: 1 physician	
UR clients	
Total	6
Employer/group plans with direct service	6
Covered lives/reviewed admissions	
Employee benefit plan lives serviced	7,000
Workers compensation lives serviced	2,000

UR services since: 1990.

Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, retrospective review, second surgical opinion, outpatient service predetermination, better baby program.

Case management services, including onsite case management, referrals to alternative treatment, review of lab work, patient education, written reports provided monthly or upon request.

Occasional services: Discharge planning, hospital bill audits, outpatient psychiatric and substance abuse.

Case management services, including discharge planning, concurrent hospital treatment review, telephone case management, free prescreening.

Reviews: Standard services, excluding psychiatric/substance abuse. Also reviews dental.

Officers: Mary M. Glidden, president; Jeff H. Glidden, vp.

Contact: Jeff Glidden.

Medical Review Corp.

1240 Sussex Turnpike, Randolph, N.J. 07869; 201-895-2244; fax: 201-895-2266

Utilization Review/Case Management	
1994 Revenues	
UR direct to employers	60%
UR to health care/insurance providers	30%
Other services	10%
Staff	
Professionals assigned to case mgmt.	8
Covered lives/reviewed admissions	
Acute care inpatient admissions reviewed	NA
Diverted for outpatient treatment	12%

UR services since: 1984.

Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, second surgical opinion, outpatient service predetermination, outpatient psychiatric and substance abuse, workers compensation, chiropractic, fee negotiation.

Case management services, including telephone case management, free prescreening, referrals to alternative treatment, review of lab work, patient education, written reports provided monthly.

Occasional services: Retrospective review, hospital bill audits.

Case management services, including onsite case management.

Reviews: Standard services.

Officers: Marc Allen, chairman; Judy Luray, president.

Contact: Judy Luray.

Medical Review Institute/Physician Consultation Institute

670 East 3900 South, Suite 300, Salt Lake City, Utah 84107; 800-654-2422; fax: 801-261-3189

Utilization Review	
1994 Revenues	
UR direct to employers	5%

Continued on next page

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UR to health care/insurance providers 95%

Staff

Total UR employees on staff 50
Professionals 15
Includes: 2 physicians, 2 RNs, 4 medical record technicians
UR consultants on retainer 340
Includes: 340 physicians

UR clients

Total 700
Employer/group plans with direct service 20

UR services since: 1982.
Parent: Medical Opinions Inc.
Frequent services: Concurrent hospital treatment review, length of stay determination, retrospective review, second surgical opinion, physician peer review and telephone consultation, UCR fee data by phone, UCR fee data for drugs and supplies.
Occasional services: Preadmission certification, outpatient service predetermination, outpatient psychiatric and substance abuse, case management.
Reviews: Standard services, including dental, auto medical review, legal medical claims, fraud review.
Officers: William Low, president; Joni Pierce, vp/operations management; Robert Maddock, medical director.

Medicus Resource Management Inc.

833 Park Road N., Wyomissing, Pa. 19610; 610-372-8417; fax: 610-371-0310

Utilization Review

1994 Revenues

UR direct to employers 90%
UR to health care/insurance providers 8%
Other services 2%

Staff

Total UR employees on staff 8
Professionals 6
Includes: 3 physicians, 3 RNs

UR clients

Total 45
Employer/group plans with direct service 38

Covered lives/reviewed admissions

Employee benefit plan lives serviced 27,000
Acute care inpatient admissions reviewed 2,858

UR services since: 1989.
Parent: Berkshire Health Plan.
Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, second surgical opinion, outpatient service predetermination, outpatient psychiatric and substance abuse, case management.
Occasional services: Retrospective review.
Medical services reviewed: Group health, rehabilitation, psychiatric/substance abuse.
Officers: Edward J. Wargo, president; Dr. Gerald Malick, chairman; Dr. Rocco Chirieleison, vice chairman; Dr. C. Harold Cohn, medical director; Lawrence Cobaugh, treasurer.

Med-One Case Management Services Inc.

Mount Pleasant Corporate Center, 115 Stevens Ave., Valhalla, N.Y. 10595; 800-743-9181; fax: 914-747-9161

Utilization Review/Case Management

1994 Revenues

UR direct to employers 40%
UR to health care/insurance providers 40%
Other services 20%

Staff

Total UR employees on staff 30
Professionals 20
Includes: 1 RN, 1 medical record technician
Professionals assigned to case mgmt 18

UR services since: 1989.
Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, second surgical opinion, hospital bill audits, outpatient psychiatric and substance abuse.
Case management services, including discharge planning, concurrent hospital treatment review, onsite and telephone case management, referrals to alternative treatment, patient education, written reports.
Occasional services: Retrospective review, outpatient service predetermination.
Case management services, including free prescreening, review of lab work.
Reviews: Standard services, including dental, liability.
Officers: Carole Bronfmon, president.
Contact: Carole Bronfmon.

MedPlans Review

14 E. First St., Fort Scott, Kan. 66701; 800-826-2898; fax: 316-223-8292

Utilization Review/Case Management

1994 Revenues

UR direct to employers 10%
UR to health care/insurance providers 90%

Staff

Total UR employees on staff 6
Professionals 5
Includes: 3 RNs
Professionals assigned to case mgmt 3
UR employees on retainer 11
Includes: 10 physicians, 1 nurse

UR clients

Total 15
Employer/group plans with direct service 11

Covered lives/reviewed admissions

Employee benefit plan lives serviced 50,800
Workers compensation lives serviced 7,000
Acute care inpatient admissions reviewed 2,250
Diverted for outpatient treatment 5%

UR services since: 1993.
Parent: MedPlans 2000 Inc.
URAC certified.

Frequent 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.
Case management services, including discharge planning, concurrent hospital treatment review, telephone case management, referrals to alternative treatment, review of lab work, patient education, written reports provided upon request.
Occasional services: Outpatient service predetermination, return to work, claims medical review, fraud and abuse investigation.
Case management services, including onsite case management, free prescreening.
Reviews: Standard services, including dental.
Officers: Martin T. Miner, president/CEO; Andrew Lorimer, managed care officer; David Barnes, secretary/treasurer; Pat Scott, medical management officer.

MedTrac Inc.

26 Century Blvd., Nashville, Tenn. 37214; 615-872-6300; fax: 615-872-6310

Utilization Review/Case Management

1994 Revenues

UR direct to employers 40%
UR to health care/insurance providers 35%
Other services 25%

Staff

Total UR employees on staff 36
Professionals 29.5
Includes: 29.5 RNs
Professionals assigned to case mgmt 18
UR employees on retainer 112
Includes: 112 physicians

UR clients

Total 70
Employer/group plans with direct service 54

Covered lives/reviewed admissions

Employee benefit plan lives serviced 220,000
Workers compensation lives serviced 175,000
Acute care inpatient admissions reviewed 13,789
Diverted for outpatient treatment 5%

Parent: Willis Corroon Corp.
Frequent 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.
Case management services, including discharge planning, concurrent hospital treatment review, telephone case management, referrals to alternative treatment, written reports provided monthly or upon request.
Reviews: Standard services, including dental.
Branch offices: Wichita, Kan.; Minneapolis; Harrisburg, Pa.; Spartanburg, S.C.
Officers: Terry Warren; Sherri Borowski.

MED-VALU Inc.

485 Metro Place S., Suite 200, Dublin, Ohio 43017; 614-764-2282; fax: 614-766-0004

Utilization Review/Case Management

1994 Revenues

Total gross revenue $3,500,000
UR direct to employers 10%
UR to health care/insurance providers 80%
Other services 10%
UR gross revenue $3,100,000

Staff

Total UR employees on staff .....NA
Professionals 75
Includes: 25 physicians, 50 RNs
Professionals assigned to case mgmt 6

UR clients

Total 28
Employer/group plans with direct service 1

Covered lives/reviewed admissions

Employee benefit plan lives serviced 850,000
Workers compensation lives serviced 60,000

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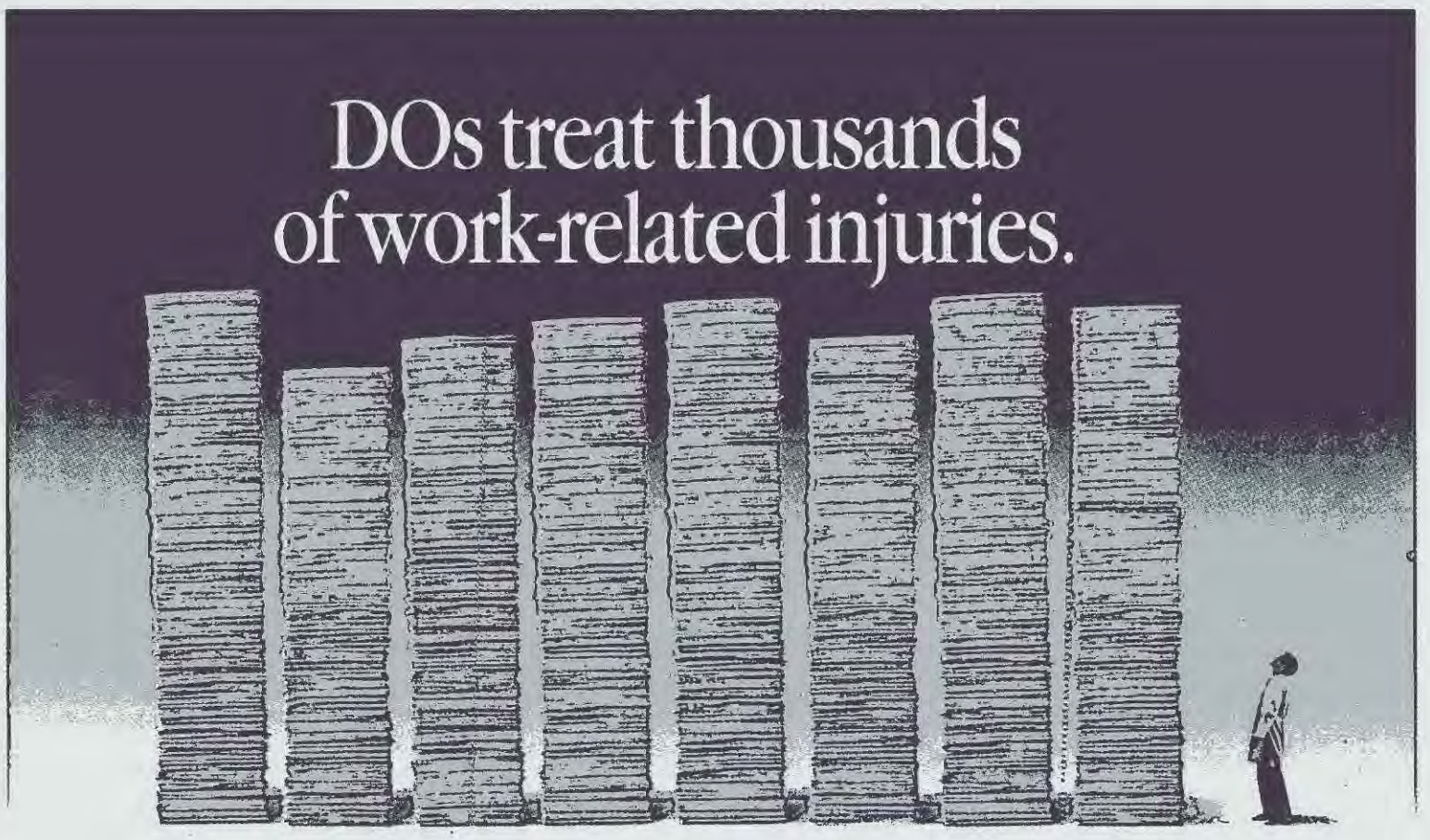

How many they prevent is an even better story.

Osteopathic physicians (DOs) take an aggressive approach to employee wellness and accident prevention. They believe a majority of the estimated $115.9 billion spent last year on employee injuries and illnesses could be avoided.

DOs incorporate special knowledge of the musculoskeletal system, exercise, fitness, and nutrition into their wellness plans.

And if structural injuries do occur, DOs offer a unique diagnostic and treatment technique: osteopathic manipulative treatment (OMT). It may be used instead of or in combination with other medical technologies to provide high-quality, cost-effective care.

Most of all, DOs are concerned with the whole person. They treat people, not just symptoms. In fact, the osteopathic medical profession trains DOs first as primary care doctors, mostly at community hospitals. Then they may choose a specialty such as surgery, ophthalmology, and psychiatry. That's why DO generalists and specialists need to refer patients far less frequently.

To learn more about how DOs and osteopathic clinics and hospitals can fit your employee benefits plan, send for a FREE 12-page kit that includes a list of DO occupational medicine consultants and osteopathic hospitals. Simply return this coupon or call **1-800-621-1773, ext. 7403.**

Name _____
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Office phone ( ) _____
Names of others in your organization who should also receive information about osteopathic medicine: _____
_____
_____

Mail to:
AAOA
Auxiliary to the American Osteopathic Association
142 E. Ontario St.
Chicago, IL 60611

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AUXILIARY TO THE AMERICAN OSTEOPATHIC ASSOCIATION
AOA AMERICAN OSTEOPATHIC ASSOCIATION

Continued from previous page

Acute care inpatient admissions reviewed.....NA
Diverted for outpatient treatment.....7%

UR services since: 1987.

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

Case management services, including discharge planning, concurrent hospital treatment review, onsite and telephone case management, referrals to alternative treatment, written reports provided.

Occasional services: Second surgical opinion, gatekeeper/referral tracking, PPO redirection, retrospective medical necessity audits.

Reviews: Standard services, excluding rehabilitation.

Officers: Michael Linde, president; Frank Anzelmo, vp; Mary Ellen O'Grady, vp.

Contact: Mary Ellen O'Grady.

Medview Services Inc.

32991 Hamilton Court, Suite 300,
Farmington Hills, Mich. 48334;
810-488-5260; fax: 810-488-5261

Utilization Review/Case Management

Staff

Total UR employees on staff.....11
Professionals.....7
Includes: 2 physicians, 4 RNs, 1 medical record technician
Professionals assigned to case mgmt.....1

UR clients

Total.....294

Covered lives/reviewed admissions

Workers compensation lives serviced.....15,000,000
Acute care inpatient admissions reviewed.....3,191

UR services since: 1983.

Parent: Pharmacy Management Services Inc.

URAC certified.

Frequent services: Preadmission certification, concurrent hospital treatment review, discharge planning, retrospective review, outpatient service predetermination, outpatient psychiatric and substance abuse, bill screens, reports.

Case management services, including concurrent hospital treatment review, telephone case management, free prescreening, referrals to alternative treatment, patient education, written reports.

Occasional services: Length of stay determination.

Case management services, including discharge planning, review of lab work.

Reviews: Group health, workers comp/disability, auto liability.

Officers: Robert H. Marks, president; Debra Cerre-Ruedisili, senior vp/COO; Gerald L. Page, vp/CFO; Polly Jantzen, vp; Valerie Wilson, vp-operations; Russell Whatmore, vp-contracting.

Contact: Polly Jantzen.

Medwatch Inc.

120 International Parkway, Suite 170,
Lake Mary, Fla. 32795; 407-333-8166;
fax: 407-333-8928

Utilization Review

1994 Revenues

UR direct to employers.....40%
UR to health care/insurance providers.....45%
Other services.....15%

Staff

Total UR employees on staff.....15
Professionals.....12
Includes: 12 RNs
UR employees on retainer.....24
Includes: 24 physicians

UR clients

Total.....150
Employer/group plans with direct service.....120

Covered lives/reviewed admissions

Employee benefit plan lives serviced.....120,000
Acute care inpatient admissions reviewed.....50,000
Diverted for outpatient treatment.....20%

UR services since: 1987.

Frequent 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, case management, PPO steerage/evaluation, peer review quality assurance.

Reviews: Standard services, including legal/medical consulting.

Officers: Lynn Jennings, president; Arlene McKechnie, vp/nursing supervisor; Jean Newman, vp-case management; Judy Garber, director; Jack Baldwin, attorney.

Memphis Business Group on Health

2675 Union Ave. Extended, Memphis,
Tenn. 38112; 901-323-1808;
fax: 901-458-0709

Utilization Review/Case Management

1994 Revenues

Total gross revenue.....$930,000
UR direct to employers.....39%
Other services.....61%
UR gross revenue.....$370,000

Staff

Total UR employees on staff.....5
Professionals.....5
Includes. 2 RNs, 3 licensed practical nurses
Professionals assigned to case mgmt.....3
UR employees on retainer.....54
Includes: 54 physicians

UR clients

Employer/group plans with direct service.....27

Covered lives/reviewed admissions

Employee benefit plan lives serviced.....486,000
Workers compensation lives serviced.....7,000
Acute care inpatient admissions reviewed.....NA
Diverted for outpatient treatment.....45%

UR services since: 1985.

URAC certified.

Frequent 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.

Case management services, including discharge planning, concurrent hospital treatment review, onsite and telephone case management, free prescreening, referrals to alternative treatment, review of lab work, patient education, written reports provided quarterly.

Occasional services: Hospital bill audits.

Reviews: Standard services, excluding psychiatric/substance abuse. Also reviews high risk obstetrics (case management).

Officers: Cristie U. Travis, CEO.

MetLife Healthcare Management Corp.

57 Greens Farms Road, Westport,
Conn. 06880; 203-454-6107;
fax: 203-454-6111

Utilization Review/Case Management

1994 Revenues

UR direct to employers.....100%

Staff

Total UR employees on staff.....879
Professionals.....558
Includes: 34 physicians, 524 RNs
Professionals assigned to case mgmt.....35
UR employees on retainer.....16
Includes: 16 physicians

Covered lives/reviewed admissions

Employee benefit plan lives serviced.....5,913,219
Acute care inpatient admissions reviewed.....235,681

UR services since: 1984.

Parent: Metropolitan Life Insurance Co.

URAC certified.

Frequent 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, healthy pregnancy program, centers of quality transplant network.

Case management services, including discharge planning, concurrent hospital treatment review, telephone case management, free prescreening, referrals to alternative treatment, review of lab work, patient education.

Occasional services: Case management services, including onsite case management, written reports provided quarterly.

Reviews: Standard services, excluding workers comp/disability.

Branch offices: Phoenix; Long Beach and Orange, Calif.; Denver; Newark, Del.; Maitland and Miami, Fla.; Marietta, Ga.; Lisle and Schaumburg, Ill.; Chesterfield, Mo.; Hauppauge and Kingston, N.Y.; Tulsa, Okla.; Beachwood. Cincinnati and Dayton, Ohio; Pittsburgh; Houston and Irving, Texas.

Contact: Brennan McCarthy, marketing analyst, 203-454-6194.

Mountain Medical Affiliates

1385 S. Colorado Blvd., Suite 620,
Denver, Colo. 80222; 303-782-9696;
fax: 303-782-9009

Utilization Review/Case Management

Staff

Total UR employees on staff.....7
Professionals.....5
Includes: 1 physician, 3 RNs, 1 licensed practical nurse
Professionals assigned to case mgmt.....2
UR employees on retainer.....2

UR clients

Total.....100
Employer/group plans with direct service.....80

Covered lives/reviewed admissions

Employee benefit plan lives serviced.....20,000
Acute care inpatient admissions reviewed.....1,400
Diverted for outpatient treatment.....40%

UR services since: 1991.

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

Case management services, including discharge planning, concurrent hospital treatment review, telephone case management, free prescreening, referrals to alternative treatment, review of lab work, patient education, written reports provided every two weeks or monthly.

Occasional services: Retrospective review, second surgical opinion, hospital bill audits.

Case management services, including onsite case management, review of lab work, patient education.

Reviews: Standard services, including radiology, home care.

Branch offices: Salem, N.H.; New York.

Officers: Donald Rubin, president; Sidney Meyer, vp; Lorraine Woods, vp-practitioner development; Dr. Lawrence Lehmon, medical director; Richard Gerstein, CFO; Kathleen Sullivan, vp-managed care services.

Multiplan

115 Fifth Ave., New York, N.Y. 10003;
212-780-2000; fax: 212-780-0450

Utilization Review/Case Management

1994 Revenues

UR direct to employers.....2%
Other services.....98%

Staff

Total UR employees on staff.....5
Professionals.....4
Includes: 1 physician, 3 RNs
Professionals assigned to case mgmt.....1.5

UR clients

Total.....15

Covered lives/reviewed admissions

Employee benefit plan lives serviced.....30,000
Workers compensation lives serviced.....1,000
Acute care inpatient admissions reviewed.....2,550
Diverted for outpatient treatment.....6%

UR services since: 1984.

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

Case management services, including discharge planning, concurrent hospital treatment review, telephone case management, free prescreening, referrals to alternative treatment, written reports provided every two weeks or monthly.

Occasional services: Retrospective review, second surgical opinion, hospital bill audits.

Case management services, including onsite case management, review of lab work, patient education.

Reviews: Standard services, including radiology, home care.

Branch offices: Salem, N.H.; New York.

Officers: Donald Rubin, president; Sidney Meyer, vp; Lorraine Woods, vp-practitioner development; Dr. Lawrence Lehmon, medical director; Richard Gerstein, CFO; Kathleen Sullivan, vp-managed care services.

NHA Review Services Inc.

770 S. Post Oak Lane, Suite 445,
Houston, Texas 77056; 713-439-0123;
fax: 713-439-7529

Utilization Review

1994 Revenues

Total gross revenue.....$2,600,000
UR direct to employers.....1%
UR to health care/insurance providers.....17%
Other services.....82%
UR gross revenue.....$481,303

Staff

Total UR employees on staff.....5
Professionals.....5
Includes: 1 physician, 4 RNs
UR employees on retainer.....19
Includes: 14 physicians, 5 nurses

UR clients

Total.....28
Employer/group plans with direct service.....8

Covered lives/reviewed admissions

Employee benefit plan lives serviced.....27,848
Workers compensation lives serviced.....17,500
Acute care inpatient admissions reviewed.....1,537
Diverted for outpatient treatment.....15%

UR services since: 1988.

Parent: National Healthcare Alliance.

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

Occasional services: Retrospective review, hospital bill audits, outpatient psychiatric and substance abuse, case management.

Reviews: Standard services.

Officers: Robert Woolfolk, chairman; Melvin Thorne, president; Lanis McKinney, vp.

National Case Management/CIAS

300 Esplanade Drive, Suite 1240,
Oxnard, Calif. 93030; 805-983-2242;
fax: 805-485-0663

Utilization Review/Case Management

1994 Revenues

Total gross revenue.....NA
UR direct to employers.....75%
Other services.....25%
UR gross revenue.....$1,650,000

Staff

Total UR employees on staff.....20.5
Professionals.....18.5
Includes: 3 physicians, 18 RNs
Professionals assigned to case mgmt.....16
UR employees on retainer.....41
Includes: 12 physicians, 29 nurses

UR clients

Total.....98
Employer/group plans with direct service.....24

Covered lives/reviewed admissions

Employee benefit plan lives serviced.....80,000
Workers compensation lives serviced.....140,000
Acute care inpatient admissions reviewed.....NA
Diverted for outpatient treatment.....12%

UR services since: 1984.

URAC certified.

Frequent 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.

Case management services, including discharge planning, concurrent hospital treatment review, onsite and telephone case management, free prescreening, referrals to alternative treatment, review of lab work, patient education, written reports.

Occasional services: Hospital bill audits.

Reviews: Standard services.

Branch offices: Fresno, Long Beach and Salinas, Calif.; Las Vegas.

Officers: Mary M. Lacyk, president; Mary M. Abraham, CFO; Donna Lester, vp-operations; Sharon Sides, controller; Bonnie Krueger, vp-sales/marketing.

Contact: Bonnie Krueger.

National Health Services Inc.

1750 E. Golf Road, Suite 400,
Schaumburg, Ill. 60173; 708-413-7380;
fax: 708-413-7350

Utilization Review/Case Management

1994 Revenues

Total gross revenue.....$14,449,000
UR direct to employers.....43%
UR to health care/insurance providers.....50%
Other services.....7%
UR gross revenue.....$13,443,000

Staff

Total UR employees on staff.....126
Professionals.....105.5
Includes: 3.5 physicians, 93 RNs
Professionals assigned to case mgmt.....22
UR employees on retainer.....9
Includes: 9 physicians

UR clients

Total.....129
Employer/group plans with direct service.....4

Covered lives/reviewed admissions

Employee benefit plan lives serviced.....3,737,000
Workers compensation lives serviced.....32,000
Acute care inpatient admissions reviewed.....306,000
Diverted for outpatient treatment.....6.5%

UR services since: 1984.

Parent: Pioneer Financial Services Inc.

URAC certified.

Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, outpatient service predetermination, audit review, maternity review, PPOs, nursing home and extended care facility review, occupational medical management, licensing software systems, durable medical equipment precertification.

Case management services, including discharge planning, concurrent hospital treatment review, telephone case management, free prescreening, referrals to alternative treatment, patient education, written reports provided monthly or upon request.

Occasional services: Second surgical opinion, hospital bill audits, outpatient psychiatric and substance abuse.

Case management services, including review of lab work.

Reviews: Standard services excluding chiropractic. Also reviews prenatal extended care.

Branch offices: Louisville, Ky.; Dallas.

Officers: Anthony J. Pino, president/CEO; Richard M. Dankworth, Dr. Barbara Freeman, Dr. Dennis Koper, executive vps; Dr. Randall Correia, senior vp.

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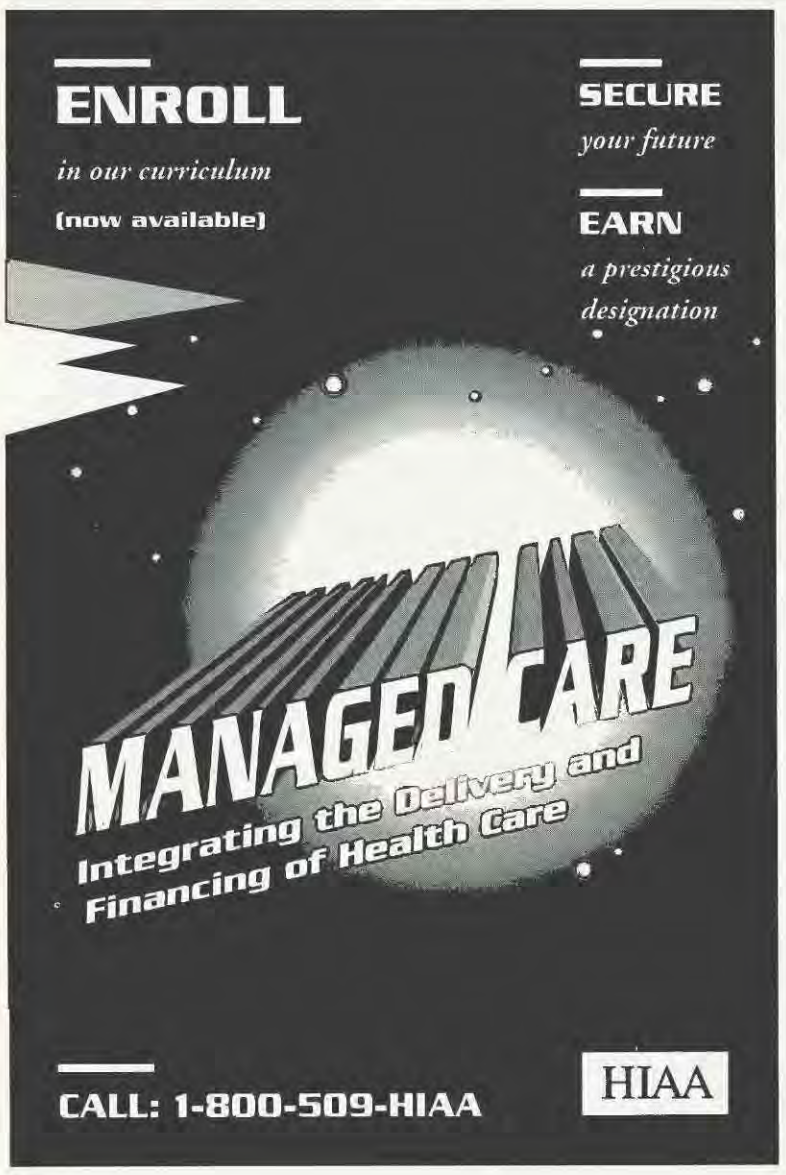

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National Medical Audit

3 Embarcadero Center, Suite 1250,
San Francisco, Calif. 94111;
415-393-5675; fax: 415-393-5553

Utilization Review

1994 Revenues

UR direct to employers 28%
UR to health care/insurance providers 26%
Other services 46%

Staff

Total UR employees on staff 35
Professionals 13
Includes: 8 physicians, 5 RNs
UR employees on retainer 8
Includes: 4 physicians, 4 nurses

UR clients

Total 52
Employer/group plans with direct service 25

Covered lives/reviewed admissions

UR services since: 1984.
Parent: William M. Mercer Inc.
Frequent services: Retrospective review, evaluating the performance of utilization review programs.
Reviews: Group health, chiropractic, psychiatric/substance abuse, workers comp/disability, dental.
Branch offices: Atlanta; Washington; Chicago; Boston; Minneapolis; New York.
Officers: Dr. Arnold Milstein, president; Dr. Michael J. Martin, director-project development.

National Rehabilitation Consultants

1700 W. Highway 36, Suite 400,
St. Paul, Minn. 55113; 612-636-9699;
fax: 612-636-9316

Case Management

1994 Revenues

Case mgmt. direct to employers 5%
Case mgmt. to health/insurance providers 80%
Other services 15%

Staff

Total case mgmt. employees on staff 26
Professionals 26
Includes: 5 RNs, 21 vocational counselors

Case management clients

Total 140
Employer/group plans with direct service 15

Covered lives/cases managed

Workers compensation lives serviced 1,200

Case management services since: 1975.
Frequent services: Case management, including onsite and telephone case management, referrals to alternative treatment, written reports provided monthly or upon request.
Medical cases managed: Chiropractic, workers comp/disability, no-fault auto medical.
Service area: Colorado, Minnesota, New Mexico.
Officers: Richard W. Nelson, president; Mark L. Anderle, vp; Harold Vermeer, director-Colorado; Kevin Vaudt, director-New Mexico; Connie John Swanson, director-Minnesota.
Contact: Mark Anderle.

National Utilization Management Corp.

7301 N. 16th St., Suite 201, Phoenix,
Ariz. 85020; 800-354-2464;
fax: 602-371-3885

Utilization Review/Case Management

1994 Revenues

Total gross revenue $1,699,500
UR direct to employers 25%
UR to health care/insurance providers 75%
UR gross revenue $1,699,500

Staff

Total UR employees on staff 30
Professionals 30
Includes: 2 physicians, 28 RNs
Professionals assigned to case mgmt. 10
UR employees on retainer 75
Includes: 75 physicians

UR clients

Total 30
Employer/group plans with direct service 15

Covered lives/reviewed admissions

Employee benefit plan lives serviced 30,000
Workers compensation lives serviced 80,000
Acute care inpatient admissions reviewed 5,000
Diverted for outpatient treatment 5%

UR services since: 1990.
Parent: USA Health Holding Inc.
URAC certified.
Frequent 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.

Case management services, including discharge planning, concurrent hospital treatment review, telephone case management, referrals to alternative treatment, written reports provided monthly or upon request.
Occasional services: Case management services, including onsite case management, review of lab work.
Reviews: Standard services.
Branch offices: San Diego.
Officers: George E. Bogle, chairman/CEO; Constance K. Collins, president; Dr. James Gerace, medical director; Darrell Barker, senior vp-finance; Wendy Sara, secretary.
Contact: Karen Blaum.

North American Administrators

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

Utilization Review/Case Management

1994 Revenues

Total gross revenue ..... NA
UR direct to employers 100%
UR gross revenue $1,950,000

Staff

Total UR employees on staff 16
Professionals 16
Includes: 1 physician, 14 RNs, 1 licensed practical nurse
Professionals assigned to case mgmt. 10

UR clients

Employer/group plans with direct service 224

Covered lives/reviewed admissions

Employee benefit plan lives serviced 100,000
Acute care inpatient admissions reviewed 16,000
Diverted for outpatient treatment 35%

UR services since: 1987.
Parent: North American Health Plans Inc.
Frequent 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, high-risk pregnancy program.

Case management services, including discharge planning, concurrent hospital treatment review, telephone case management, referrals to alternative treatment, patient education.
Occasional services: Case management services, including onsite case management, review of patient lab work, written case reports provided monthly.
Reviews: Group health, rehabilitation, psychiatric/substance abuse.
Officers: Ronald Zoeller, president; Dr. Arthur Orlick, medical director; Gina Wilkie, vp.

Ohio Health Choice

1621 Euclid Avenue, Suite 1400,
Cleveland, Ohio 44115-2107;
216-436-4000 or 800-554-0027;
fax: 216-621-3178

Utilization Review/Case Management

Staff

Total UR employees on staff 18
Professionals 18
Professionals assigned to case mgmt. 2

UR clients

Total 9,000

Covered lives/reviewed admissions

Employee benefit plan lives serviced 550,000

UR services since: 1985.
Parent: Sisters of Charity of St. Augustine.
Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, second surgical opinion.

Case management services, including discharge planning, concurrent hospital treatment review, telephone case management; free prescreening, referrals to alternative treatment, review of lab work, patient education, written reports provided.
Occasional services: Retrospective review, outpatient service predetermination, outpatient psychiatric and substance abuse.

Case management services, including onsite case management.
Reviews: Group health, rehabilitation, psychiatric/substance abuse.
Branch offices: Canton, Ohio.
Officers: Russ Eckles, executive vp; Joan Mason, director-operations; Sandra Haftl, director-marketing; Janice Pae, director-networks; Noreen Nageotte, director-quality management; Scott Vactor, corporate sales manager.

Options

700 River Ave., Suite 400, Pittsburgh,
Pa. 15212; 412-323-8500;
fax: 412-323-8502

Utilization Review

1994 Revenues

UR direct to employers 15%
UR to health care/insurance providers 15%
Other services 70%

Staff

Total UR employees on staff 20
Professionals 14
Includes: 12 RNs, 2 medical record technicians

UR clients

Total 30

Covered lives/reviewed admissions

Workers compensation lives serviced 3,500
Acute care inpatient admissions reviewed ..... NA
Diverted for outpatient treatment 25%

UR services since: 1984.
URAC certified.
Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, retrospective review, second surgical opinion, hospital bill audits, outpatient service predetermination, case management.
Occasional services: Discharge planning, outpatient psychiatric and substance abuse.
Reviews: Standard services, including dental, repricing, peer reviews.
Branch offices: Altoona, Harrisburg and Philadelphia, Pa.; Dallas.
Officers: Joseph McCabe, Antonia Scarlata, Michael Lindberg.

Options Mental Health

240 Corporate Blvd., Norfolk,
Va. 23502-4948; 804-459-5200;
fax: 804-461-4327

Utilization Review/Case Management

1994 Revenues

Total gross revenue $38,654,865
UR direct to employers 85%
UR to health care/insurance providers 10%
Other services 5%

Staff

Total UR employees on staff 85
Professionals 85
Includes: 14 physicians, 25 RNs
Professionals assigned to case mgmt. 85

UR clients

Total 16
Employer/group plans with direct service 13

Covered lives/reviewed admissions

Employee benefit plan lives serviced 2,093,171

UR services since: 1986.
Parent: First Hospital Corp.
URAC certified.
Frequent 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, provider quality profiling.

Case management services, including discharge planning, concurrent hospital treatment review, onsite and telephone case management, free prescreening, referrals to alternative treatment, review of lab work, patient education, written reports provided upon request.
Occasional services: Second surgical opinion.
Reviews: Psychiatric/substance abuse, employee assistance program.
Branch offices: Chattanooga, Tenn.; Norfolk, Va.
Officers: Dr. Ronald Dozoretz, chairman; Steve Linehan, president/CEO; Judith H. Brown, executive vp/COO; Dr. Donald J. Fowls, vp/national medical director; Timothy W. Schultz, vp-network operations.

Options Unlimited

76 E. Main St., Huntington,
N.Y. 11743; 516-673-1150;
fax: 516-673-8369

Utilization Review/Case Management

1994 Revenues

Total gross revenue $1,200,000
UR direct to employers 8%
UR to health care/insurance providers 75%
Other services 17%
UR gross revenue $1,000,000

Staff

Total UR employees on staff 20
Professionals 17
Professionals assigned to case mgmt. 17
UR employees on retainer 124
Includes: 14 physicians, 110 nurses

UR clients

Total 24
Employer/group plans with direct service 6

Covered lives/reviewed admissions

Employee benefit plan lives serviced 60,000
Workers compensation lives serviced 10,000
Acute care inpatient admissions reviewed 4,500

UR services since: 1983.
Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, outpatient service predetermination, outpatient psychiatric and substance abuse, provider claim review.

Case management services, including discharge planning, concurrent hospital treatment review, onsite and telephone case management, referrals to alternative treatment, review of lab work, patient education, written reports provided monthly.
Occasional services: Second surgical opinion, hospital bill audits.

Case management services, including free prescreening.
Reviews: Standard services.
Officers: Catherine Mullahy, president/secretary.
Contact: Helene Fugazzi, administrator.

Standard case management services include group health, chiropractic, psychiatric and substance abuse, workers compensation/disability, rehabilitation and pediatric.

PCC/Drug Data Systems Inc.

828 N. Hollywood Way, Burbank,
Calif. 91505; 818-843-8551;
fax: 818-843-1079

Utilization Review

1994 Revenues

UR direct to employers 65%
UR to health care/insurance providers 35%

Covered lives/reviewed admissions

Workers compensation lives serviced 1,000,000

UR services since: 1969.
Frequent services: Retrospective review, hospital bill audits, hospital/pharmacy charges, home health care, durable medical equipment, orthopedic equipment, orthotic supplies, hearing aids, infusion therapy.
Reviews: Group health, psychiatric/substance abuse, workers comp/disability.
Officers: Dr. Alvin Saidiner, president.
Contact: Ms. Laurie A. Johnson.

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Pacific Health Alliance

1350 Old Bayshore Highway, Burlingame, Calif. 94010; 415-375-5800; fax: 415-375-5820

Utilization Review/Case Management

1994 Revenues

Total gross revenue	NA
UR direct to employers	15%
UR to health care/insurance providers	35%
Other services	50%

Staff

Total UR employees on staff	9
Professionals	6
Includes: 1 physician, 4 RNs, 1 licensed practical nurse	
Professionals assigned to case mgmt.	7

UR clients

Total	14
Employer/group plans with direct service	9

Covered lives/reviewed admissions

Employee benefit plan lives serviced	28,000
Workers compensation lives serviced	2,800
Acute care inpatient admissions reviewed	1,848
Diverted for outpatient treatment	15%

UR services since: 1992.

Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, second surgical opinion, outpatient service predetermination, gatekeeper authorizations.

Case management services, including discharge planning, concurrent hospital treatment review, telephone case management, free prescreening, referrals to alternative treatment, review of lab work, patient education, written reports.

Occasional services: Retrospective review, hospital bill audits, outpatient psychiatric and substance abuse.

Case management services, including onsite case management.

Reviews: Standard services.

Branch offices: San Jose, Calif.

Officers: Dr. Lawrence Cappel, CEO; Robert Mackler, executive vp; Sheila Graham, director-UR.

Contact: Dr. Lawrence Cappel.

PAR 3 Utilization Review Services Inc.

10 Lakeside Lane, Denver, Colo. 80212; 303-433-6898; fax: 303-433-7696

Utilization Review/Case Management

1994 Revenues

UR direct to employers	95%
UR to health care/insurance providers	5%

Staff

Total UR employees on staff	26
Professionals	22
Includes: 6 physicians, 11 RNs, 2 licensed practical nurses, 3 medical record technicians	
Professionals assigned to case mgmt.	14
UR employees on retainer	63
Includes: 62 physicians, 1 nurse	

UR clients

Total	408
Employer/group plans with direct service	400

Covered lives/reviewed admissions

Employee benefit plan lives serviced	280,000
Workers compensation lives serviced	5,000
Acute care inpatient admissions reviewed	67,000
Diverted for outpatient treatment	12%

UR services since: 1987.

Parent: QMC 3 Inc.

URAC certified.

Frequent 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.

Case management services, including discharge planning, concurrent hospital treatment review, onsite case management, free prescreening, referrals to alternative treatment, review of lab work, patient education, written reports provided monthly.

Occasional services: Case management services, including telephone case management.

Reviews: Standard services, including dental.

Branch offices: Garden City, N.Y.

Officers: Kimberly A. Sutphin, president/CEO; Henry J. Roth, vp/chairman; Howard J. Entin, vp/secretary.

Pathway Review Systems

40600 Ann Arbor Road, Plymouth, Mich. 48170; 313-459-2997; fax: 313-454-7301

Utilization Review/Case Management

1994 Revenues

Total gross revenue	$360,000
UR direct to employers	20%
UR to health care/insurance providers	70%
Other services	10%
UR gross revenue	$340,000

Staff

Total UR employees on staff	NA
Professionals	6
Includes: 5 physicians, 1 medical record technician	
Professionals assigned to case mgmt.	1
UR employees on retainer	600
Includes: 600 physicians	

UR clients

Total	9
Employer/group plans with direct service	2

Covered lives/reviewed admissions

Employee benefit plan lives serviced	24,000
Acute care inpatient admissions reviewed	3,000
Diverted for outpatient treatment	3%

UR services since: 1990.

Parent: Michigan Peer Review Organization.

URAC certified.

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

Case management services, including discharge planning, concurrent hospital treatment review, telephone case management, free prescreening, referrals to alternative treatment, review of lab work, patient education, written reports provided monthly.

Occasional services: Case management services, including onsite case management, referrals to alternative treatment, review of lab work.

Reviews: Standard services, including dental.

Officers: Richard Buyney, chairman; Gary Horvat, president; Gary Guetschow, treasurer, Betteye Elkins, vp; Penelope Pestronk, secretary.

Contact: Mary Martus, registered nurse.

Peer Review Analysis/ CORE Management

2 Copley Place, Boston, Mass. 02116; 617-375-7700; fax: 617-375-7676

Utilization Review/Case Management

1994 Revenues

Total gross revenue	$17,000,000
UR direct to employers	51%
UR to health care/insurance providers	44%
Other services	5%
UR gross revenue	$16,150,000

Staff

Total UR employees on staff	NA
Professionals	73
Includes: 9 physicians, 64 RNs	
Professionals assigned to case mgmt.	20
UR employees on retainer	201
Includes: 200 physicians, 1 nurse	

UR clients

Total	145
Employer/group plans with direct service	39

Covered lives/reviewed admissions

Employee benefit plan lives serviced	17,360,000
Workers compensation lives serviced	240,000
Acute care inpatient admissions reviewed	278,000
Diverted for outpatient treatment	40%

UR services since: 1984.

URAC certified.

Frequent 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, appeals, forensic reviews.

Case management services, including discharge planning, concurrent hospital treatment review, telephone case management, free prescreening, referrals to alternative treatment, review of lab work, written reports provided monthly, quarterly and annually.

Occasional Services: Case management services, including onsite case management.

Reviews: Standard services, including dental.

Branch offices: Los Angeles; Boston.

Officers: George Carpenter IV, CEO; Craig Horton, president; William Nixon, CFO.

Contact: Jim Spitzer, manager-marketing/communications, 617-375-7700, ext. 426.

Plan 21 Inc.

4550 Post Oak Place Drive, Suite 341, Houston, Texas 77027; 713-621-6500; fax: 713-621-6560

Utilization Review/Case Management

1994 Revenues

Total gross revenue	NA
UR direct to employers	35%
UR to health care/insurance providers	10%
Other services	55%

Staff

Total UR employees on staff	10
Professionals	10
Includes: 1 physician, 3 RNs, 1 licensed practical nurse, 5 medical record technicians	
Professionals assigned to case mgmt.	10
UR employees on retainer	3
Includes: 2 physicians, 1 nurse	

UR clients

Total	50
Employer/group plans with direct service	47

Covered lives/reviewed admissions

Employee benefit plan lives serviced	110,000
Acute care inpatient admissions reviewed	325
Diverted for outpatient treatment	40%

UR services since: 1989.

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

Case management services, including discharge planning, concurrent hospital treatment review, telephone case management, free prescreening, referrals to alternative treatment, review of lab work, patient education, written reports provided upon request.

Occasional services: Hospital bill audits.

Case management services, including onsite case management.

Reviews: Psychiatric/substance abuse.

Officers: Joseph F. Madonia, president; Stephen N. Luppino, vp.

The Precertification Center

P.O. Box 898125, Camp Hill, Pa. 17089-8125; 800-441-2333; fax: 800-626-9090

Utilization Review/Case Management

1994 Revenues

Total gross revenue	$4,300,000
UR direct to employers	95%
UR to health care/insurance providers	3%
Other services	2%
UR gross revenue	$4,200,000

Staff

Total UR employees on staff	32
Professionals	23
Includes: 2 physicians, 21 RNs	
Professionals assigned to case mgmt.	3
UR employees on retainer	2
Includes: 2 physicians	

UR clients

Total	676
Employer/group plans with direct service	674

Covered lives/reviewed admissions

Employee benefit plan lives serviced	560,000
Workers compensation lives serviced	20,000
Acute care inpatient admissions reviewed	26,500
Diverted for outpatient treatment	5%

UR services since: 1984.

Parent: Pennsylvania Blue Shield and Capital Blue Cross.

URAC certified.

Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, second surgical opinion, outpatient service predetermination, outpatient psychiatric and substance abuse, short-term disability review, FMLA certification, workers compensation review.

Case management services, including discharge planning, concurrent hospital treatment review, telephone case management.

Occasional services: Discharge planning, retrospective review.

Case management services, including referrals to alternative treatment, review of lab work, written case reports.

Reviews: Standard services, excluding chiropractic. Also reviews short-term disability, FMLA and maternity disability.

Officers: Jerry Boyer, president; Elizabeth Galitski, vp; Susan Bianchi, director-information systems; Yvonne Fry, manager-precertification; Margaret Belfonti, manager-disability.

Contact: Jerry Boyer.

Preferred Health Plan Inc.

10180 Linn Station Road, Suite B200, Louisville, Ky. 40223; 502-339-7500; fax: 502-339-8716

Utilization Review/Case Management

1994 Revenues

Total gross revenue	$1,337,074
UR direct to employers	6.84%
UR to health care/insurance providers	8.37%
Other services	84.79%
UR gross revenue	$203,318

Staff

Total UR employees on staff	4
Professionals	4
Includes: 1 physician, 2 RNs, 1 licensed practical nurse	
Professionals assigned to case mgmt.	2
UR employees on retainer	60

UR clients

Total	10
Employer/group plans with direct service	7

Covered lives/reviewed admissions

Employee benefit plan lives serviced	27,348
Acute care inpatient admissions reviewed	1,761
Diverted for outpatient treatment	11%

UR services since: 1988.

URAC certified.

Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, hospital bill audits, outpatient service predetermination, physician claim audits.

Case management services, including discharge planning, concurrent hospital treatment review, telephone case management, free prescreening, referrals to alternative treatment, review of lab work, written reports provided quarterly.

Occasional services: Second surgical opinion, outpatient psychiatric and substance abuse.

Case management services, including patient education.

Reviews: Group health, rehabilitation, psychiatric/substance abuse.

Officers: Bernard Tamme, president; Mary Stivers, director-operations; Dennis Stovall, CFO; Paula Barr, director-marketing; Barbara Pierce, director-medical services.

PreferredOne

200 S. Sixth St., Suite 300, Minneapolis, Minn. 55402; 612-623-8282; fax: 612-623-0984

Utilization Review/Case Management

1994 Revenues

Total gross revenue	$7,650,000
UR direct to employers	21%
UR to health care/insurance providers	14%
Other services	65%
UR gross revenue	$2,609,848

Staff

Total UR employees on staff	33
Professionals	33
Includes: 3 physicians, 30 RNs	
Professionals assigned to case mgmt.	31
UR employees on retainer	36
Includes: 36 physicians	

UR clients

Total	7,275
Employer/group plans with direct service	7,200

Covered lives/reviewed admissions

Employee benefit plan lives serviced	450,000
Workers compensation lives serviced	80,000
Acute care inpatient admissions reviewed	25,000
Diverted for outpatient treatment	2%

UR services since: 1984.

Parent: PreferredOne Management Co.

URAC certified.

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

Case management services, including discharge planning; concurrent hospital treatment review; onsite and telephone case management; referrals to alternative treatment; patient education; written reports provided monthly, quarterly and annually.

Occasional services: Second surgical opinion, hospital bill audits.

Case management services, including free prescreening, review of lab work.

Reviews: Standard services, including dental and case management.

Officers: Marcus Merz, president/CEO; Tina Frontera-Adson, vp-healthcare management services; Mike Umland, vp-finance; Jim Miller, vp-marketing; Dr. Kenneth Dedeker, medical director.

Contact: Tina Frontera-Adson, 612-372-3205.

Private Healthcare Systems (PHCS)

1100 Winter St., Waltham, Mass. 02154; 617-895-7500; fax: 617-895-3458

Utilization Review/Case Management

1994 Revenues

Total gross revenue	$102,000,000
UR direct to employers	3.4%
UR to health care/insurance providers	57.4%
Other services	39.2%
UR gross revenue	$62,000,000

Staff

Total UR employees on staff	563
Professionals	306
Includes: 28.5 physicians, 277 RNs	
Professionals assigned to case mgmt.	55
UR employees on retainer	27
Includes: 27 physicians	

UR clients

Total	21
Employer/group plans with direct service	4

Covered lives/reviewed admissions

Employee benefit plan lives serviced	5,969,168
Acute care inpatient admissions reviewed	638,140
Diverted for outpatient treatment	5%

UR services since: 1985.

URAC certified.

Frequent 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, high-risk maternity screening, medical necessity review.

Case management services, including discharge planning, concurrent hospital treatment review, telephone case management, free prescreening, referrals to alternative treatment, review of lab work, patient education, written reports provided monthly.

Occasional services: Case management services, including onsite case management.

Reviews: Standard services excluding chiropractic. Also reviews integrated mental health programs, employee assistance programs.

Branch offices: Rosemont, Ill.; Irvine, Calif.

Officers: Gene P. Guselli, president/CEO;

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Donna Goldin, executive vp/COO; N. Stephen Ober, executive vp/corporate medical director; Michael A. Euele, vp-client services; J. Rick Newsome, executive vp/CFO.

Contact: Michael A. Euele.

Professional Dynamics Inc.

P.O. Box 110, Newcastle, Calif. 95658; 916-663-2001; fax: 916-663-2089

Case Management

1994 Revenues

Total gross revenue	$3,537,383
Case mgmt. direct to employers	11%
Case mgmt. to health/insurance providers	58.8%
Other services	30.2%
Case mgmt. revenue	$2,469,553

Staff

Total case mgmt. employees on staff	30
Professionals	30
Includes: 18 RNs, 1 licensed practical nurse, 11 vocational counselors	

Case management clients

Total	151
Employer/group plans with direct service	51

Covered lives/cases managed

Total lives serviced	2,279

Case management services since: 1981.

Frequent services: Case management, including onsite and telephone case management, referrals to alternative treatment, patient education, written reports provided monthly.

Occasional services: Case management, including discharge planning, concurrent hospital treatment review, free prescreening, review of lab work.

Medical cases managed: Standard services.

Service area: Pacific Northwest; California.

Officers: Betti J. Anders, president/CEO; Sandra Heathershaw, vp.

Contact: Sandra Heathershaw, Pacific Northwest, 206-632-1704; Lynn Soliday, California, 800-777-8695.

Provident Life & Accident Insurance Co.

1 Fountain Square, Chattanooga, Tenn. 37401; 615-755-6848; fax: 615-755-7160

Utilization Review

1994 Revenues

UR direct to employers	0.6%
Other services	99.4%

Staff

Total UR employees on staff	156
Professionals	110
Includes: 3 physicians, 99 RNs, 6 licensed practical nurses, 2 medical record technicians	
UR employees on retainer	228
Includes: 228 physicians	

UR clients

Total	1
Employer/group plans with direct service	1,389

Covered lives/reviewed admissions

Employee benefit plan lives serviced	1,300,000
Acute care inpatient admissions reviewed	108,486
Diverted for outpatient treatment	4.5%

UR services since: 1983.

Parent: Provident Cos.

URAC certified.

Frequent 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, case management.

Reviews: Group health, rehabilitation, psychiatric/substance abuse.

Branch offices: Atlanta; Charlotte, Greensboro and Raleigh, N.C.; Greenville, S.C.

Officers: Reba Carlee, director-medical management, S.C.; Carol Hefner, director-medical management, N.C.; Cheryl Murphy, director-medical management, Tenn.; Lisa Stuart, director-medical management, southern region; Sylvia Sherrill, corporate director-quality/medical management.

Pro-West, A Professional Review Organization

10700 Meridian Ave. N., Suite 100, Seattle, Wash. 98133-9075; 206-364-9700; fax: 206-368-2419

Utilization Review/Case Management

1994 Revenues

Total gross revenue	$7,700,000
UR direct to employers	90%
UR to health care/insurance providers	10%
UR gross revenue	$7,700,000

Staff

Total UR employees on staff	45
Professionals	43
Includes: 2 physicians, 32 RNs, 2 licensed practical nurses, 7 medical record technicians	
Professionals assigned to case mgmt.	4
UR employees on retainer	200
Includes: 200 physicians	

UR clients

Total	65
Employer/group plans with direct service	38

Covered lives/reviewed admissions

Employee benefit plan lives serviced	2,784,090
Workers compensation lives serviced	10,000
Acute care inpatient admissions reviewed	62,132
Diverted for outpatient treatment	1%

UR services since: 1975.

URAC certified.

Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, onsite and telephone case management, free prescreening, referrals to alternative treatment, review of lab work, patient education, written reports provided monthly.

Occasional services: Second surgical opinion, outpatient service predetermination.

Case management services, including concurrent hospital treatment review.

Reviews: Standard services, including dental, massage therapy, physical therapy, home health, nursing home, DRG validation, technology assessment, pattern analysis and prenatal care coordination.

Branch offices: Anchorage, Alaska; Boise, Idaho.

Officers: Dr. Herbert M. Hilgers, chairman; John W. Daise, CEO; Dr. J.C. Peterson, director-medical affairs; Michael Garrett, director-strategic planning; Deon Westmorland, acting director-utilization management.

Prudential Psychiatric Management

56 N. Livingston Ave., Roseland, N.J. 07068; 201-716-2129; fax: 201-716-8497

Utilization Review

1994 Revenues

Total gross revenue	NA
UR direct to employers	80%
UR to health care/insurance providers	20%

Covered lives/reviewed admissions

Employee benefit plan lives serviced	2,800,000

UR services since: 1991.

Parent: Prudential Insurance Co. of America.

URAC certified.

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

Occasional services: Retrospective review, second surgical opinion, hospital bill audits.

Reviews: Psychiatric/substance abuse.

Branch offices: Horsham, Pa.; Houston.

Officers: Dr. Richard Kunnes, president.

Contact: Joanne Vyskocil.

Psychology Systems Inc.

615 S. Main St., Milpitas, Calif. 95035; 408-263-8046; fax: 408-942-0264

Utilization Review/Case Management

1994 Revenues

Total gross revenue	$9,500,000
UR direct to employers	16%
Other services	84%
UR gross revenue	$1,500,000

Staff

Total UR employees on staff	13
Professionals	10
Includes: 1 physician, 2 RNs	
Professionals assigned to case mgmt.	10

UR clients

Total	27
Employer/group plans with direct service	27

Covered lives/reviewed admissions

Employee benefit plan lives serviced	81,400
Acute care inpatient admissions reviewed	480
Diverted for outpatient treatment	22%

UR services since: 1983.

Frequent 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.

Case management services, including discharge planning, concurrent hospital treatment review, telephone case management, free prescreening, referrals to alternative treatment, patient education.

Occasional services: Case management services, including onsite case management, written reports.

Reviews: Psychiatric/substance abuse.

Branch offices: Fresno and Southern Calif.; Las Vegas.

Officers: John C. Brady II, president; Dick Falls, senior vp; James B. Wallace, senior vp; Jim Weymouth, vp; Ed Garner, vp.

Contact: Jim Weymouth.

Quality of Life Services

353 S. Lewis Lane, Carbondale, Ill. 62901; 618-529-2262; fax: 618-457-8599

Case Management

1994 Revenues

Total gross revenue	$5,000,000
Other services	100%*

Staff

Total case mgmt. employees on staff	2
Professionals	2
Includes: 1 RN, 1 vocational counselor	

** Case mgmt. services introduced January 1995.*

Case management services since: 1995.

Services: Case management, including discharge planning, concurrent hospital treatment review, onsite and telephone case management, free prescreening, referrals to alternative treatment, review of lab work, patient education, written reports.

Medical cases managed: Workers comp/disability.

Service area: Illinois.

Officers: Stace England, COO.

Quality Managed Care Inc.

7245 W. 95th St., Suite 200, Overland Park, Kan. 66212; 913-642-7997; fax: 913-642-4201

Utilization Review/Case Management

1994 Revenues

Total gross revenue	NA
UR direct to employers	20%
UR to health care/insurance providers	70%
Other services	10%
UR gross revenue	$190,214

Staff

Total UR employees on staff	4
Professionals	4
Includes: 1 physician, 3 RNs	
Professionals assigned to case mgmt.	39
UR employees on retainer	2
Includes: 2 physicians	

Covered lives/reviewed admissions

Employee benefit plan lives serviced	14,000
Acute care inpatient admissions reviewed	2,800
Diverted for outpatient treatment	2%

UR services since: 1989.

Parent: The Olsten Corp.

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

Case management services, including discharge planning, concurrent hospital treatment review, onsite and telephone case management, free prescreening, referrals to alternative treatment, review of lab work, patient education, written reports provided monthly.

Occasional services: Retrospective review, second surgical opinion, hospital bill audits.

Reviews: Standard services,. excluding chiropractic.

Branch offices: Los Angeles and San Francisco; Denver; West Palm Beach, Fla.; Chicago; Des Moines, Iowa; Overland Park and Wichita, Kan.; Philadelphia.

Officers: John Nord, president/CEO; Noreen Whalen, vp/general manager; Keith Lieberman, controller.

Rehab Assist Inc.

6250 N. River Road, Suite 3000, Rosemont, Ill. 60018; 708-292-4424; fax: 708-292-4404

Utilization Review/Case Management

1994 Revenues

UR direct to employers	85%
UR to health care/insurance providers	10%
Other services	5%

Staff

Total UR employees on staff	2
Professionals	2
Includes: 1 RN	
Professionals assigned to case mgmt.	2

UR clients

Total	10
Employer/group plans with direct service	2

Covered lives/reviewed admissions

Employee benefit plan lives serviced	4
Workers compensation lives serviced	8
Acute care inpatient admissions reviewed	2
Diverted for outpatient treatment	50%

UR services since: 1994.

Frequent services: Outpatient service predetermination.

Case management services, including onsite and telephone case management, free prescreening, referrals to alternative treatment, patient education.

Occasional services: Concurrent hospital treatment review, discharge planning, retrospective review, hospital bill audits, outpatient psychiatric and substance abuse.

Case management services, including discharge planning, concurrent hospital treatment review, review of lab work, written reports provided upon request.

Reviews: Standard services, excluding chiropractic.

Officers: Thomas J. Kleinhenz, Henry P. Brennan Jr.

Rehabilitation Nursing Services Inc.

777 Campus Commons Drive, Suite 100, Sacramento, Calif. 95825; 916-929-6506; fax: 916-929-6013

Case Management

1994 Revenues

Total gross revenue	$1,055,000
Case mgmt. direct to employers	15%
Case mgmt. to health/insurance providers	80%
Other services	5%
Case mgmt. revenue	$1,018,000

Staff

Total case mgmt. employees on staff	10
Professionals	10
Includes: 9 RNs	

Case management clients

Total	33
Employer/group plans with direct service	7

Covered lives/cases managed

Employee benefit plan lives serviced	15
Workers compensation lives serviced	388
Cases diverted for outpatient treatment	90%

Case management services since: 1989.

Frequent services: Case management, including discharge planning, concurrent hospital treatment review, onsite case management, referrals to alternative treatment, review of lab work, patient education, written reports provided monthly or upon request.

Occasional services: Case management, including telephone case management, free prescreening.

Medical cases managed: Standard services, excluding pediatric. Other cases include long-term disability.

Service area: Arizona, California, Oregon, Washington.

Officers: Cynthia E. Whitaker, president

Continued on next page

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Continued from previous page

Resource Opportunities Inc.

4122 Innslake Drive, Glen Allen, Va. 23060; 804-527-1100; fax: 804-527-1509

Case Management

1994 Revenues

Case mgmt. direct to employers 25%
Case mgmt. to health care/insurance providers 70%
Other services 5%

Staff

Total case mgmt. employees on staff 162
Professionals 162
Includes: 107 RNs, 55 vocational counselors

Case management clients

Total 995
Employer/group plans with direct service 150

Covered lives/cases managed

Employee benefit plan lives serviced 500
Workers compensation lives serviced 5,800

Case management services since: 1977.

Parent: Pharmacy Management Services Inc.

Frequent services: Case management, including discharge planning, concurrent hospital treatment review, onsite and telephone case management, free prescreening, referrals to alternative treatment, patient education, written reports provided monthly or upon request.

Occasional services: Case management, including review of lab work.

Medical cases managed: Standard services. Other cases include Federal Employers Compensation Act, Federal Employers Liability Act, long-term and short-term disability, liability.

Service area: Mid-Atlantic, Midwest, Southeast, West Coast.

Officers: Alice Hall, president; Michael Leep, senior vp/COO.

Rosendall & Associates Inc.

700 Three Mile Road, Grand Rapids, Mich. 49504; 616-784-5555; fax: 616-784-7752

Case Management

1994 Revenues

Total gross revenue $1,400,000
Case mgmt. direct to employers 10%
Case mgmt. to health/insurance providers 85%
Other services 5%
Case mgmt. revenue $1,330,000

Staff

Total case mgmt. employees on staff 12
Professionals 12
Includes: 6 RNs, 6 vocational counselors

Case management clients

Total 69
Employer/group plans with direct service 9

Case management services since: 1981.

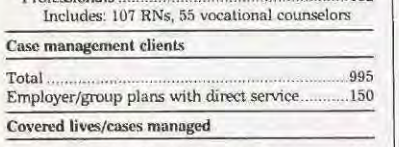
Frequent services: Case management, including discharge planning, onsite and telephone case management, referrals to alternative treatment, patient education, written reports provided weekly or monthly.

Occasional services: Case management, including free prescreening.

Medical cases managed: Standard services, including automobile insurance.

Service area: Michigan (Lower Peninsula).

Officers: Elayne Rosendall, president.



Sagamore Health Network

11555 N. Meridian, Suite 400, Carmel, Ind. 46032; 317-573-2900; fax: 317-573-2946

Utilization Review/Case Management

1994 Revenues

Total gross revenue $7,850,856
UR direct to employers 3%
UR to health care/insurance providers 14%
Other services 83%
UR gross revenue $1,127,450

Staff

Total UR employees on staff 16
Professionals 16
Includes: 1 physician, 12 RNs, 1 licensed practical nurse, 2 medical record technicians
Professionals assigned to case mgmt. 1

UR clients

Total 100
Employer/group plans with direct service 12

Covered lives/reviewed admissions

Employee benefit plan lives serviced 168,000
Acute care inpatient admissions reviewed 31,545
Diverted for outpatient treatment 10-20%

UR services since: 1985.

URAC certified.

Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, second surgical opinion, outpatient service predetermination, outpatient psychiatric and substance abuse, prenatal monitoring program.

Case management services, including discharge planning, concurrent hospital treatment review, onsite and telephone case management, referrals to alternative treatment, written reports provided upon request.

Occasional services: Retrospective review, hospital bill audits.

Case management services, including review of lab work.

Reviews: Group health, rehabilitation, psychiatric/substance abuse.

Officers: William Ealy, CEO; Keith C. Starling, COO; Malinda Hinkle, vp-marketing; Bob Finnegan, vp-managed care services; John Johnson, CFO.

Sentinel Management Services Inc.

1871 Santa Barbara Drive, Lancaster, Pa. 17601; 717-581-1245; fax: 717-581-8841

Utilization Review/Case Management

1994 Revenues

UR direct to employers 25%
UR to health care/insurance providers 75%

Staff

Total UR employees on staff 9
Professionals 8
Includes: 6 RNs, 1 licensed practical nurse, 1 medical record technician
Professionals assigned to case mgmt. 5

UR clients

Total 138
Employer/group plans with direct service 135

Covered lives/reviewed admissions

Employee benefit plan lives serviced 20,000
Acute care inpatient admissions reviewed 5,000
Diverted for outpatient treatment 20%

UR services since: 1988.

URAC certified.

Frequent 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 services, including discharge planning, concurrent hospital treatment review, onsite and telephone case management, referrals to alternative treatment, review of lab work, patient education, written reports provided monthly.

Occasional services: Outpatient psychiatric and substance abuse.

Reviews: Standard services.

Officers: Susan C. Rossi, president; Darla J. Beggs, account executive-managed care; Robert M. Hettrick, managed care coordinator; Anne Reinsmith, treasurer; Sara Amman, secretary.

Contact: 800-432-8877.

Spectrum Review Services Inc.

3845 FM 1960 W., Suite 410, Houston, Texas 77068-3519; 713-444-2194 or 800-258-5055; fax: 713-444-2482

Utilization Review/Case Management

1994 Revenues

Total gross revenue $553,000
UR direct to employers 10%
UR to health care/insurance providers 70%
Other services 20%
UR gross revenue $466,526

Staff

Total UR employees on staff 9
Professionals 5
Includes: 1 physician, 1 RN, 2 licensed practical nurses, 1 medical record technician
Professionals assigned to case mgmt. 4
UR employees on retainer 129
Includes: 75 physicians, 54 nurses

UR clients

Total 21
Employer/group plans with direct service 2

Covered lives/reviewed admissions

Employee benefit plan lives serviced 250,000
Workers compensation lives serviced 4,000
Acute care inpatient admissions reviewed 16,210
Diverted for outpatient treatment 3%

UR services since: 1991.

URAC certified.

Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, second surgical opinion, outpatient service predetermination, high-risk pregnancy screening, psychiatric/chemical dependency review, PPO steerage.

Case management services, including discharge planning; concurrent hospital treatment review; onsite and telephone case management; free prescreening; referrals to alternative treatment; review of lab work; written reports provided every two weeks.

Occasional services: Retrospective review, hospital bill audits.

Case management services, including patient education.

Reviews: Standard services.

Branch offices: Las Vegas.

Officers: Frank J. Berrier Jr., president/CEO; Ernest C. Munshower, vp-operations; Vergil C. Pebley, vp/medical director; Nancy Anecelle, vp-marketing.

Contact: Jack Ferguson, marketing representative.

Trustmark Health Resources

400 Field Drive, Lake Forest, Ill. 60045; 708-615-1500; fax: 708-615-3828

Utilization Review/Case Management

1994 Revenues

Total gross revenue $900,000
UR direct to employers 10%
UR to health care/insurance providers 75%
Other services 15%
UR gross revenue $765,000

Staff

Total UR employees on staff 17
Professionals 4
Includes: 1 physician, 3 RNs
Professionals assigned to case mgmt. 13
UR employees on retainer 10
Includes: 10 physicians

UR clients

Total 25

Covered lives/reviewed admissions

Employee benefit plan lives serviced 600,000
Acute care inpatient admissions reviewed 12,186
Diverted for outpatient treatment 17%

UR services since: 1913.

Parent: Trustmark Insurance Co.

URAC certified.

Frequent 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.

Case management services, including discharge planning; concurrent hospital treatment review; telephone case management; free prescreening; referrals to alternative treatment; review of lab work; patient education; written reports provided monthly.

Occasional services: Case management services, including onsite case management.

Reviews: Group health, rehabilitation, psychiatric/substance abuse.

Contact: Jim Lachner, director-marketing.

United HealthCare Corp., Care Management Services Division

6300 Olson Memorial Highway, Golden Valley, Minn. 55427; 612-797-4700; fax: 612-797-4850

Utilization Review/Case Management

1994 Revenues

UR direct to employers 94%
UR to health care/insurance providers 5%
Other services 1%

Staff

Total UR employees on staff 500
Professionals 315
Includes: 8 physicians, 270 RNs, 30 licensed practical nurses, 7 medical record technicians
Professionals assigned to case mgmt. 135
UR employees on retainer 2
Includes: 2 physicians

UR clients

Total 136
Employer/group plans with direct service 110

Covered lives/reviewed admissions

Employee benefit plan lives serviced 33,000,000
Acute care inpatient admissions reviewed 128,000
Diverted for outpatient treatment 3%

UR services since: 1974.

Parent: United HealthCare Corp.

URAC certified.

Frequent 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, ambulatory review, automobile disability.

Case management services, including discharge planning; concurrent hospital treatment review; onsite and telephone case management; free prescreening, referrals to alternative treatment; patient education; written reports provided.

Occasional services: Second surgical opinion.

Case management services, including review of lab work.

Reviews: Standard services, excluding workers comp/disability.

Branch offices: Sacramento, Calif.; Columbus, Ohio; Oklahoma City; Westborough, Mass.; Dunbar, W.Va.

Officers: John Davis, president; Dave McLean, CEO; Dick Justman, medical director; M.D. Bryngelson, vp-operations.

Contact: Scott R. Erhardt, director of marketing, 612-797-2565.

Utilization Management Program

100 10th St. N.W., Suite 700, Atlanta, Ga. 30309; 800-229-4867 or 404-265-4867; fax: 404-265-4860

Utilization Review/Case Management

1994 Revenues

Total gross revenue $503,692
UR direct to employers 50%
UR to health care/insurance providers 50%
UR gross revenue $503,692

Staff

Total UR employees on staff 7
Professionals assigned to case mgmt. 3

UR clients

Total 11
Employer/group plans with direct service 9

Covered lives/reviewed admissions

Employee benefit plan lives serviced 75,000
Acute care inpatient admissions reviewed 7,356
Diverted for outpatient treatment 30%

UR services since: 1985.

Parent: Georgia Baptist Physician Hospital Organization.

Frequent 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, inpatient mental health review, referral to specialist authorizations.

Case management services, including discharge planning; concurrent hospital treatment review; telephone case management; free prescreening; referrals to alternative treatment; written reports provided monthly or upon request.

Occasional services: Hospital bill audits.

Case management services, including onsite case management, review of lab work, patient education.

Reviews: Standard services, excluding chiropractic.

Officers: Wayne McElroy, CEO; Monica R. Compton, director-operations.

Value Health Inc.*

22 Waterville Road, Avon, Conn. 06001; 203-678-3400; fax: 203-678-3477

Utilization Review/Case Management

1994 Revenues

Total gross revenue $967,000,000
UR direct to employers 1%
UR to health care/insurance providers 1%
Other services 98%
UR gross revenue $20,000,000

Staff

Total UR employees on staff 706
Professionals 594
Includes: 59 physicians, 209 RNs, 2 licensed practical nurses, 3 medical record technicians
Professionals assigned to case mgmt. 347
UR employees on retainer 284
Includes: 280 physicians, 4 nurses

UR clients

Total 1,768
Employer/group plans with direct service 1,650

Covered lives/reviewed admissions

Employee benefit plan lives serviced 20,892,986
Workers compensation lives serviced 14,075,000
Acute care inpatient admissions reviewed 100,544

UR services since: 1987.

URAC certified.**

Frequent 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.

Case management services, including discharge planning, concurrent hospital treatment review, onsite and telephone case management, referrals to alternative treatment, patient education.

Case management services, including free prescreening, review of lab work.

Medical services reviewed: Standard services. Also reviews dental, physical therapy, home health, short-term and long-term disability.

Branch offices: Irvine, Marina del Rey and Santa Monica, Calif.; Wilton, Conn.; Tampa, Fla.; Chicago; Davenport, Iowa; Boston; Bloomfield Hills, Farmington Hills and Southfield, Mich.; St. Louis; New York and Troy, N.Y.; Research Triangle Park, N.C.; Dallas and Houston; Fairfax, Va.; Seattle.

Officers: Robert E. Patricelli, chairman/CEO; William McBride, president/COO; Steven J. Shulman, executive vp; David Wurzer, vp/CFO; Paul Finigan, vp/general counsel.

Contact: Susan Quish, director-corporate marketing.

* *Subsidiaries include Community Care Network, Lewin-VHI, Preferred Works, Value Behavioral Health, Value Health Mangement, Value Health Sciences and ValueRx.*

** *Varies by subsidiary.*

Worldwide Auditing & Rehabilitation Consultants Inc.

P.O. Box 149, 100 W. Main St., Suite 500, Lansdale, Pa. 19446-0149; 215-362-0206; fax: 215-362-6362

Utilization Review/Case Management

1994 Revenues

UR direct to employers 8%
UR to health care/insurance providers 90%
Other services 2%

Staff

Total UR employees on staff 32
Professionals 32
Includes: 1 physician, 31 RNs
Professionals assigned to case mgmt. 18

UR clients

Total 120
Employer/group plans with direct service 10

UR services since: 1982.

Frequent services: Retrospective review, hospital bill audits, peer review, independent medical exam, provider bill audit, line-by-line medical bill repricing (fee schedule or UCR).

Case management services, including discharge planning, onsite and telephone case management, free prescreening, referrals to alternative treatment, written reports provided monthly.

Occasional services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, second surgical opinion, outpatient service predetermination, outpatient psychiatric and substance abuse.

Case management services, including concurrent hospital treatment review, review of lab work, patient education.

Reviews: Standard services, including dental, physical therapy.

Branch offices: Linthicum, Md.

Officers: Dr. Barry P. Green, president; Allan Mohr, COO; Edward W. Baker, senior vp; Camie McGrath, director of marketing.

Contact: Camie McGrath.

Zurich-American Managed Care

1400 American Lane, Schaumburg, Ill. 60195-1056; 708-706-2403; fax: 708-706-2608

Utilization Review

Staff

Total UR employees on staff 24
Professionals 4
Includes: 4 RNs
UR employees on retainer 8
Includes: 4 physicians, 4 nurses

UR clients

Total 1,200
Employer/group plans with direct service 1,200

Covered lives/reviewed admissions

Workers compensation lives serviced 60,000
Acute care inpatient admissions reviewed 50
Diverted for outpatient treatment 15%

UR services since: 1985.

Frequent services: Preadmission certification, length of stay determination, second surgical opinion, hospital bill audits, case management.

Occasional services: Concurrent hospital treatment review, discharge planning, retrospective review, outpatient service predetermination, outpatient psychiatric and substance abuse.

Reviews: Standard services, excluding psychiatric/substance abuse. Also reviews physical therapy, drug prescription programs, durable goods programs, job modification/return to work.

Officers: T.J. Santorelli, executive vp; L. Dudash, vp; S.P. Armstrong, claim manager.

Contact: S.P. Armstrong.

BI

Burdens

Continued from page 1

measures.

The National Federation of Independent Business "strongly supports H.R. 450," said Nelson Litterst, legislative representative for the Washington-based trade association.

The moratorium is "definitely needed to stop the avalanche of regulations that's falling on the back of small businesses," he said.

Mr. Litterst noted that small businesses have a particularly difficult time keeping up with federal regulation. "Many small businesses have never seen the Federal Register," which details proposed rules, he said.

"We're not saying to do away with all regulation," said Mr. Litterst. Instead, the NFIB recommends, "let's stop the regulatory machine, take a step back and look at the process," he said.

The proposed regulatory moratorium is "appropriate" because Congress is considering so many changes in the role of the federal government, said David Haight, vp-governmental for the Risk & Insurance Management Society Inc.

Given the Republican majority's intent to scale back the federal government's role in the economy, there is concern that businesses could spend a great deal of time and money gearing up for regulations that are never implemented, said Mr. Haight, who is risk manager of CF Industries, a Long Grove, Ill.-based fertilizer manufacturer.

In addition, the moratorium gives businesses—and their customers—a breather, he said. "Let's face it, those costs get passed on to the public," said Mr. Haight.

NFIB's Mr. Litterst said that some regulations, such as guidelines from the Internal Revenue Service, will continue to be necessary. A provision that would exempt from the moratorium "any agency action that the head of the agency certifies is limited to interpreting, implementing or administering the internal revenue laws of the United States" was added to H.R. 450 last week by the House Government Reform and Oversight Committee.

"We're generally supporting the bill," said Lawrence Fineran, assistant vp-resources, environment and regulation for the National Assn. of Manufacturers in Washington.

But Mr. Fineran said that before NAM decided to support the measure, "we were assured that regulations that would make the regulatory systems more efficient would not be affected." The types of regulations NAM wanted exempt included negotiated rule makings, as well as licenses and patents.

"The reason we're supporting it as strongly as we are is that we are very hopeful that there will be some regulatory process reform this year," he said. NAM hopes that agencies don't try to rush in to effect regulations that would not pass muster under increased scrutiny, he said.

"Anything that gets people to slow down and look at the big picture and say what's important for saving lives and what's not important for preventing illness and injuries has got to be positive," said Mark Stuart, executive assistant at UBA, a Washington-based business consulting and lobbying group.

He cautioned, however, that a moratorium without regulatory reform will not accomplish much.

David Pratt, senior vp-federal affairs for the American Insurance Assn., pointed out that a moratorium would delay the Department of Housing and Urban Development's proposed rulemaking on urban insurance availability, if the rule is ever issued.

"In general, it's a positive idea to be able to take stock of where we are while being able to deal with emergencies," said Mr. Pratt.

Even if the bill does not become law, it will serve to call attention to the problem of the volume of regulations issued by the federal government, he said. He added that President Clinton runs political risks by opposing regulatory reform.

The president, who has devoted parts of many recent speeches—including his State of the Union address—to promoting smaller, more efficient government, would be open to charges that he is not really sensitive to the regulatory burden borne by business, said Mr. Pratt.

Debate on a risk assessment bill shows how much Washington has changed in only about two years.

Businesses regard the risk assessment bills with the same enthusiasm generated by the regulatory moratorium. In fact, the National Assn. of Manufacturers had no trouble getting more than 1,000 companies and trade groups to join its new Alliance for Reasonable Regulation, which wants the risk assessment bills to go even farther than they now do (*BI*, Feb. 13).

Requiring "cost-benefit analysis would be very favorably viewed," by risk managers and business in general, said RIMS' Mr. Haight.

"It just makes good business sense, because they're spending so much time and effort now in areas that really don't have that much impact on risk," he said.

Risk managers perform cost-benefit analysis every day for their companies, Mr. Haight said. They realize that it is impossible to eliminate all risk and equally impossible to insure against everything, he said.

That assessment is shared by the insurers whose products the risk managers buy. "We have a long record of working on things like health and safety legislation," said the AIA's Mr. Pratt. He said that the AIA's interests in promoting health and safety were addressed by provisions exempting emergencies from the requirements.

"That, plus the fact that we understand the needs of our business customers, makes this legislation a positive thing. It is progress to be able to take a rational, clear look at regulation to determine its costs and its benefits," he said.

UBA's Mr. Stuart said that debate on a risk assessment bill shows how much the Washington atmosphere has changed in only about two years. At that time, he could not get anyone on Capitol Hill or in federal agencies to even discuss risk assessment. Part of the reason for that atmosphere, he said, was that organized labor has viewed risk assessment as a roadblock to health and safety regulation.

"That's not fair, because good risk assessment would focus safety and health regulations on areas where the risk and damage to people are the greatest," said Mr. Stuart.

In fact, "it's fair to say that business may end up having to deal with some regulations based on sound science that would be very difficult to comply with," said Mr. Stuart.

Harriet James, a legislative representative for the NFIB, said that the small-business group has long supported subjecting regulations to cost-benefit analysis. NFIB members want the government to compare "real" rather than theoretical risks, she said.

"There are very few changes we'd make, if any," said Ms. James. She added that as far as NFIB is concerned, the lower the monetary threshold for requiring a proposed regulation to undergo risk assessment analysis, the better.

"We really don't want to see it go above $25 million" and would like the minimum lowered even further, perhaps to $10 million, she said. BI

Moratorium would chill new federal regulations

WASHINGTON—H.R. 450, the Regulatory Transition Act, sponsored by House Republican Whip Tom DeLay, R-Texas, would place a moratorium on proposed federal regulations until perhaps the end of the year.

Initiatives such as an indoor air quality rule and a proposed ergonomics standard, both under the purview of the Occupational Safety and Health Administration, as well as certain Environmental Protection Agency air and water rules, will be put on ice if the bill becomes law.

Under language approved last week by the House Government Reform and Oversight Committee, the ban would stay in effect until Dec. 31 or the enactment of "one or more laws" stemming from the regulatory reforms embodied in the GOP House leadership's "Contract with America." The measure is expected to go to the full House by midweek.

One of those reforms—found in a section of H.R. 9, the "Job Creation and Wage Enhancement Act of 1995"—would require regulatory agencies like the EPA and OSHA to subject proposed regulations to cost-benefit analysis if the impact to the economy is judged to be more than $25 million, and to adopt the most cost-effective method of achieving the regulation's stated goals. Federal agencies would also be required to improve their risk-assessment methods.

Nearly identical versions of H.R. 9's risk-assessment section passed the House Commerce and Science committees earlier this month (*BI*, Feb. 13). An amendment to the bill, which may be voted on by the full House this week, would also require that existing regulations be subject to the same tests.

Even if the Senate follows suit and passes its own versions of the reforms, both measures would have to win the support of the Clinton administration to become law, and there is no guarantee that the president is willing to sign either bill.

—By Mark A. Hofmann

Benefits

Continued from page 1

The moratorium also would delay the massive Family and Medical Leave Act regulations issued in January by the Labor Department. In general, those regulations were an improvement over earlier interim regulations in that they provided additional compliance guidance (*BI*, Jan. 9). Presumably, the interim regulations will remain in effect during the moratorium.

A number of other benefit regulations—generally beneficial to employers and employees—would be unscathed by the moratorium.

Those include regulations the Internal Revenue Service issued late last year that give employers covered by collective bargaining agreements a new way to run non-discrimination tests on 401(k) plans covering union workers (*BI*, Dec. 26, 1994). The regulations also clarify that employees can take hardship withdrawals from 401(k) plans to cover such educational expenses as room and board—not just tuition. Those rules would be protected, because IRS rules would be exempt from the moratorium legislation.

Beyond the immediate impact of a moratorium on employers and their benefit programs, benefit experts say the moratorium is a classic example of congressional hypocrisy.

By and large it has been Congress—not regulators—responsible for the tidal wave in recent years of bad, costly and sometimes impossible to administer benefit rules, they say.

For example, it was Congress that enacted perhaps the biggest benefit fiasco of all time: the 1986 enactment of Section 89, an immense and ultimately unworkable maze of non-discrimination tests for health care plans. Congress repealed Section 89 before it actually took effect amid a massive employer lobbying campaign.

A more recent example of congressional benefit blundering occurred in 1993 with the enactment of the so-called Medicare data bank law. That law requires employers to file health care enrollment data—some of it difficult if not impossible to obtain—with the government.

Only a fraction of the information will be useful for its intended purpose: helping the government spot claims that employer health care plans—not the federal Medicare program—are supposed to pay. Amid tardy recognition that it goofed in passing the legislation, Congress last year denied federal regulators funds needed to enforce the data bank law.

To blame regulators or regulations for bad benefit laws misses the mark, benefit consultants say.

"Many of the problems in the benefit field occur when Congress develops legislation. The congressional staffs often don't pay attention to detail and the practical implications are overlooked or not really considered," said Larry Sher, a partner with Kwasha Lipton in Fort Lee, N.J.

Indeed, both Section 89 and the Medicare data bank were part of much broader bills and never were subject to congressional hearings.

After such ill-considered measures are enacted, there isn't much regulators can do.

"The regulators are stuck. They can't rewrite the laws," Mr. Sher said.

In short, experts say, Congress should focus more on ways to improve consideration of benefits legislation rather than suggest regulators are to blame for burdensome rules.

"Benefits legislation should go through a cost-benefit analysis," Mr. Sher said.

In fact, it is regulators who at times come to the rescue of employers when Congress enacts complex laws without providing all the necessary compliance details.

Benefit experts say the regulatory moratorium is a classic example of congressional hypocrisy.

"Many employers value benefit regulations because they can provide guidance," Mercer's Mr. Conaway said, noting that the regulatory agencies take heat when they are slow in getting out benefit rules.

"The benefit area is so complicated, we generally need all the rules we can get," said Kyle Brown, an attorney with The Wyatt Co.'s Research & Information Center in Washington.

But at times regulators have blundered in drafting benefit rules, others say. For example, the IRS had to rewrite hundreds of pages of pension non-discrimination rules after being inundated with complaints that rules were too complex and harsh. The IRS erred because of its reluctance to seek advice and input from the private sector, they say.

But the IRS, some say, now is doing a better job of reaching out before drafting benefit rules.

"They are talking more to the private sector. They are now more cooperative and less adversarial," said Mr. Conaway, a former Treasury Department benefits official.

Rather than focusing on regulations, benefit groups say they may concentrate their efforts on undoing or clarifying existing benefit laws.

For example, the Employers Council on Flexible Compensation will be discussing with congressional staffers whether non-discrimination tests—set in a 1986 law—are necessary for 401(k) plans.

"How much discrimination can there be" when the maximum benefit is only $9,240? asks Kenneth Feltman, executive director of the Washington-based ECFC.

At the same time, the Profit-Sharing Council of America will be pushing Congress for legislation to amend a measure passed by Congress last year that allows veterans to make retroactive contributions to their defined contribution plans when they return to work after military service.

Without these changes, employers could be between a "rock and a hard place," said Samuel Murray, vp-government affairs in Washington for the council.

For example, while the veterans law allows retroactive contributions, there is nothing in the Internal Revenue Code that permits such contributions. BI

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INTERNATIONAL

Gooda names await interim payments

By STACY SHAPIRO

LONDON—Gooda Walker Action Group members still have to leap over several hurdles before they can receive their share of the record £210 million ($327.6 million) interim payment the British High Court awarded to them last week.

Justice Phillips ruled that the 3,096 members must wait until Feb. 28 before the money is due from the 71 managing and members agents that were found negligent last October. During that time, the agents are expected to appeal the interim payment decision, which could freeze the payout for a longer period.

Several other parties also will try to freeze the award. These include: the Council of Lloyd's, which seeks to change members' premium trust deeds by Feb. 20, a move that would effectively freeze the award (*BI*, Feb. 13); and other action groups that want all awards paid into a trust to be distributed at the end of all litigation years from now.

Errors and omissions underwriters also are refusing to pay the interim award until a separate appeal filed last week is heard on whether members who are "first past the post" in the litigation battle should recover damages before the other members action groups have their day in court (*BI*, Jan. 23).

If the E&O underwriters refuse to fund the interim payment, Gooda Walker members would be forced to recover the funds directly from the members agents. And if the agents lacked the cash, the members would have to start liquidation proceedings against them.

"We have no desire to put those agents out of business," said Philip Rocher, a partner at Wilde Sapte who represents the Gooda Walker members. But if the E&O underwriters don't pay, "we're stuck."

Lloyd's Underwriting Agents Assn. met last Thursday to discuss its constituents' position. The agents "will be extremely vexed" if E&O underwriters—which have funded the litigation so far—refuse to make the interim payment, said Nicholas Pryor, a partner with law firm Manches, which represents the LUAA.

Mr. Pryor doubts the agencies will let anyone liquidate them when they have sufficient E&O cover to fund the award.

"Those agencies which are ongoing are not going to be put into a position of financial difficulty if the E&O underwriters don't fund (the award)," he said. "We would resist attempts by (Gooda Walker members) to wind the agents up."

Last week's ruling in *Michael Deeny et al. vs. Gooda Walker Ltd. et al.* granted the Gooda Walker Action Group's application for an interim payment until the judge rules on total damages after a hearing in March. The members

Continued on next page

Inflation, taxes spur growth of product in Russia

By ELENA KUDIMOVA

MOSCOW—Life insurers are offering Russian employers a way to provide added compensation to workers while evading steep taxes on wages.

Peculiarities of the transition period Russia is working through have given birth to a new kind of life insurance product: returnable mixed life insurance.

The policies combine health, disability and life coverages in a format that pays policyholders substantial dividends—even over very short policy terms—and "returns" most or all of the premium to employees.

Employer-provided life insurance is not a completely new idea. Even under Soviet rule, some factories bought life insurance for workers in particularly dangerous industries. More typical employee benefits in that era, though, were free meals, use of the company athletic facilities and free children's camps in the summer.

Life-related policies accounted for 57% of insurers' overall 1994 premium volume of 7.6 trillion rubles ($1.8 billion), compared with 40% of volume in 1993.

According to the Russian Federal Supervisory Insurance Service, premium volume for life policies totaled 4.6 trillion rubles ($1.1 billion) in 1994, of which the majority was from returnable life insurance. Other coverages included health insurance and private pension.

Moscow-based insurer Tzentrorezerv introduced returnable mixed life insurance five years ago, when the first cooperative and private enterprises were allowed by then-General Secretary Mikhail S. Gorbachev.

Its advantages as an employee benefit are obvious. Despite low salaries in Russia, wages are heavily taxed. That makes labor costs higher than in the emerging markets of Eastern Europe, such as Poland or the Czech Republic. Apart from an income tax of 38%, every company has to pay a 38% excess wage tax on salaries that exceed six times the minimum wage.

Returnable life insurance allows employers to stay within the un-

Continued on next page

Firms offer $430 million to settle claims brought by Maxwell pensioners

By ADRIAN LADBURY

LONDON—Insurance may cover a good portion of a proposed £276 million ($430.6 million) settlement between financial advisers to, and one company owned by, late publishing mogul Robert Maxwell and the members of company pension plans from which he siphoned funds.

The settlement offer, which still has to be approved by the U.K. High Court, was made by Coopers & Lybrand, Lehman Bros., Goldman Sachs & Co. and Price Waterhouse, the firm appointed by a court to administer ailing Maxwell Communication Corp. P.L.C., one of the largest of the former Maxwell companies.

Even before the settlement, Price Waterhouse was in the process of making a "whole range of claims" on a number of fidelity policies purchased by MCC before the company was put into administration, said Jonathan Phillips, a partner working on the administration. Mr. Phillips would not say how much coverage the company had or which insurers provided it. He did say that it was "possible" claims would be made as a direct result of the settlement.

One London D&O and fidelity broker confirmed that MCC does have coverage in the Lloyd's and London company market but said that the insurers would probably dispute any D&O coverage on the basis of non-disclosure.

Coopers & Lybrand, which acted as auditor for Mr. Maxwell's companies, is expected to file a claim with its professional liability underwriters to cover its share of the settlement, which is expected to exceed its self-insured retention.

The two investment banks are expected to retain their shares of the offer.

Coopers & Lybrand would not disclose its share of the settlement, but one source close to the firm said that a figure of £50 million ($78 million) quoted in the U.K. press was "too high, but not by that much."

The accounting firm says that it has professional liability coverage to cover the settlement, but would not discuss its coverage.

Big Six accounting firms tradi-

Continued on next page

THE MAXWELL SAGA

November 1991
Robert Maxwell dies. Police investigate $771.5 million missing from his company pension funds.

May 1992
NatWest bank returns shares valued at $39 million to the Maxwell Common Investment Fund.

January 1994
Bank of America settles Maxwell pensioners' claim for $37 million. Lehman Bros. returns investments worth $42 million to the investment fund.

October 1994
Maxwell pensioners sue Credit Suisse for $123.4 million for making a loan to Maxwell which was backed by pension fund assets.

Janaury 1995
Liquidators of a Maxwell investment unit sue Banque Nationale de Paris seeking about $50 million.

February 1995
Maxwell advisers announce a $430.6 million settlement with pension plan members, subject to regulatory approval.

D&O dispute finally over

But case has prompted scrutiny of how D&O cover is written

By KATE TILLEY

SYDNEY, Australia—While a long-running legal battle involving Compass Holdings Ltd. has finally been resolved, risk management issues spurred by this directors and officers liability dispute are far from settled.

Sir Laurence Street, a former judge who mediated the dispute involving the directors of the failed Australian airline, brought the nearly 3-year-old litigation to an end earlier this month.

The 10 directors of Compass Holdings, which is now in liquidation, sought coverage under their company's D&O policy for the cost of defending themselves from charges brought by the Australian Securities Commission, which charged them with improperly trading after the company was insolvent.

The directors sued Melbourne-based C.E. Heath Casualty & General Insurance Ltd. after the insurer denied coverage because the directors had not disclosed the company's troubled financial position when the D&O policy was bought (*BI*, Feb. 1, 1993).

A New South Wales Supreme Court judge found the insurer liable, but that decision was overturned on appeal (*BI*, Oct. 25, 1993).

After the appeals court decision, the directors and the ASC turned to Sir Laurence to help mediate the commission's charges. The mediated settlement resulted in a $2 million Australian ($1.5 million) payment by the directors to the commission, though there was no admission of wrongdoing.

Nevertheless, Greg E. Brown, managing director of C.E. Heath Casualty & General (Professional Liability) Pty. Ltd., a unit of C.E. Heath International Holdings Ltd., said the settlement vindicated Heath's original denial of indemnity.

Other insurers, though, paid about $1.8 million Australian ($1.35 million) of the settlement, he added. One of the 10 directors was an attorney, and the New South Wales Law Society's compulsory liability insurance program contributed $800,000 Australian ($599,040). Another director was an accountant whose professional liability policy responded, paying $1 million Australian ($749,000).

The settlement did not include legal costs, which totaled several million dollars, Mr. Brown said.

Publicity about the Compass case and other cases, particularly actions by the Trade Practices Commission against companies, has created greater awareness of the need for D&O coverage.

Sales of D&O policies in Australia have risen 30% during the past two years, and indemnity levels have increased as well, said Mr. Brown.

At the same time, D&O policies

Continued on next page

AIG returning to South Africa

JOHANNESBURG, South Africa—American International Group Inc. is back in South Africa.

Last week, AIG repurchased AI Insurance Co. Ltd. of Johannesburg, a property/casualty company it had sold in 1987. AIG bought the company back from a consortium of owners led by the Rand Merchant Bank Ltd., which acquired the company from AIG when U.S. corporations were divesting from South Africa under pressure over apartheid.

AI Insurance, which has been renamed AIG South Africa Ltd., is a full-line property/casualty company that also writes personal accident and health coverage.

AIG South Africa has offices in Pretoria, Cape Town, Durban and Port Elizabeth.

—By Michael Schachner

Gooda

Continued from previous page
have argued that damages total £504 million ($787.2 million). But, evidence given to the judge for interim payment purposes puts the total damages at: £282.4 million ($441.1 million) for losses; £100 million ($156.2 million) for costs of running off the Gooda Walker syndicates; and an unspecified amount for interest.

The defendants, on the other hand, believe total damages for losses recoverable by plaintiffs are no more than £184.8 million pounds ($288.7 million), court documents say.

Justice Phillips calculated that members' losses on the closed underwriting years of syndicates 298, 299, 164 and 290 plus cash calls on open years in 1988 and 1989 total £215 million ($335.8 million). He awarded an interim payment of £180 million ($281.2 million) on those losses.

In addition, syndicate 290 in 1990 had total losses of more than £40 million ($62.5 million), and the judge awarded £30 million ($46.86 million) of that as an interim payment.

Justice Phillips also said agents would be liable for interest at 2% above the base rate from the time the money is owed on Feb. 28 until it is paid.

Gooda Walker members welcomed the interim payment award and the interest penalty.

"This is great news for the names," said Michael Deeny, chairman of the Gooda Walker Action Group. "Our losses at Lloyd's are inflicting terrible hardship on many of the members of Gooda Walker Action Group and this interim payment brings much closer the day they will finally obtain compensation."

"This is the largest interim payment ever made in the courts," added Tom Benyon, director of the Society of Names and vice chairman of the Gooda Walker Action Group. "Names may soon be able to pay some of their creditors."

But other action groups oppose the interim payment.

Lawyers for the Feltrim Names Assn. argued during the closed interim payment hearings that the judge should defer the order until he rules on the Feltrim trial, which ended earlier this month. Feltrim members wanted Justice Phillips to make interim payment orders for the Gooda Walker and Feltrim cases at the same time so that both cases ranked equally against E&O underwriters, court documents show.

But the justice rejected the Feltrim members' arguments, saying they were "neither proper nor practicable." He said the "correct approach" was "to disregard the impact that the order sought will have on litigants who are not party to these proceedings."

Long-tail liability action groups also are fighting the interim payment at least until their appeal in *Malcolm Cox et al. vs. Bankside Members Agency Ltd. et al.* is heard. The appeal, filed last week, claims Justice Phillips' earlier decisions on E&O coverage are wrong and members who are "first past the post" in litigation proceedings should not receive their damages before the other actions are decided.

The judge should have ruled it was practical to hold all damages in trust to let all members recover their claims under the E&O policies after their cases are heard, says the appeal filed by law firm S.J. Berwin & Co. on behalf of the long-tail action groups.

Last week, those action groups were given "leave to intervene" in the Gooda Walker interim payment appeal to argue that the Cox appeal should be heard first before any interim payments are made, confirmed Richard Slowe, a partner at S.J. Berwin.

E&O underwriters also want clarification of their position on "first past the post" before they pay out, which is why they are refusing to make any interim payment until the Cox appeal is heard. BI

Pensions

Continued from previous page
tionally buy coverage through the accountants international lineslip run by Minet Group P.L.C. of London.

Additional coverage is available from two Bermuda-based accountants liability mutuals, Padua Ltd. and Professional Asset Indemnity Ltd.

Coopers & Lybrand also has coverage through its Cayman Islands captive, Abacus Insurance Co. Ltd. An additional $5 million primary or excess coverage is available on a claims-made basis from Accountants Liability Assurance Co. Ltd. of Bermuda, which is managed by Minet Risk Services (Bermuda) Ltd.

The level of coverage available from the Minet lineslip and the mutuals varies from year to year and has rapidly fallen over the last few years, as claims against accounting firms have mushroomed.

Limits of more than $100 million are scarce this year, according to one London professional liability broker, who said Coopers & Lybrand's self-insured retention may be as high as $50 million.

The broker said, however, that the separate Coopers & Lybrand branches in individual nations can buy extra coverage to reduce the retention if needed, and he believes that the London branch's retention could be as low as $5 million.

By contrast, in the late 1980s, major accounting firms generally could find limits of up to $200 million above deductibles as low as $250,000.

Minet would not comment on Coopers & Lybrand's coverage, but other London brokers say it is likely that a claim would fall on the 1990 and 1991 years, because that is when Mr. Maxwell raided his companies' pension fund assets the most (*BI*, Dec. 16, 1991).

U.K. press reports say that Lehman has offered about £75 million ($117 million), while Goldman Sachs has offered roughly £60 million ($93.6 million). Neither of the firms, which provided investment banking services to Mr. Maxwell and his companies, would comment except to say those figures are too high.

About 32,000 pensioners stand to benefit from the settlement. According to Paul Stannard, partner with law firm Travers, Smith, Braithwaite, who is acting on behalf of Mirror Group Newspapers Trustees Ltd., this deal—along with earlier recoveries—means that no pensioner should be short of funds.

Mr. Stannard said that while pensioners could never expect to recoup all of the millions of pounds lost, the vast majority has now been recovered by court awards or settlements.

Four separate deals or court awards preceding this latest settlement gave the pensioners about £140 million ($218.4 million) out of about £440 million ($686.4 million) claimed. The latest settlement would bring the total recouped to £417 million ($650.5 million).

However, the settlement with the advisers was not a global one, and additional court battles are continuing. Two companies—Banque Nationale de Paris and Credit Suisse—opted to continue to fight the participants' claims in court. The pension plan trustees are seeking an additional £121 million ($188.9 million) from the two firms.

Liquidators Rhobson Rhodes in London on behalf of Bishopsgate Investment Management Ltd., the firm which managed funds pooled centrally by most Maxwell companies into the Common Investment Fund, and Travers, Smith Braithwaite, on behalf of the Mirror Group trustees, are suing Credit Suisse in London for £88 million ($137.3 million).

The case is already underway and the High Court is expected to rule this fall.

Rhobson Rhodes also filed suit against Banque Nationale De Paris earlier this month in Paris for £33 million ($51.5 million).

Meanwhile, the House of Lords will today and tomorrow introduce amendments to the Pensions Bill, which was introduced by the government last year largely in response to the Maxwell debacle (*BI*, Dec. 26, 1994).

The Lords and the government are expected to spar back and forth over proposed amendments. The House of Commons is expected to consider the Pensions Bill in May. BI

Russia

Continued from previous page
taxable salary limit while delivering additional tax-free cash benefits to employees. In addition to the cash dividends, the product provides term life insurance to workers.

Many Russian insurers have offered this product since the 1992 Insurance Law was passed, but it became more prevalent last year. The standard policy has one year of regular quarterly or monthly payments, but some companies also write one-, three- and six-month policies.

Moscow-based Risk Insurance Co. offers one-month and one-year coverages, said Ludmila Tarasova, president. If an employer pays the premium for a monthlong life policy, at the term's end the policyholder employee gets back 90%.

A yearlong plan is even more attractive: the policyholder receives 7% of the premium every month and, by the end of the year, will recover 100% of the premium.

It is profitable for all the parties involved, said Elena Milichikhina, president of the life insurance department of Energogarant, a captive insurer formed by energy companies in 1992 and now one of Russia's largest insurers.

According to the Russian Federal Supervisory Insurance Service, Energogarant paid back 61.85 billion rubles ($14.8 million) in returnable premiums to employees in the first nine months of 1994, with 61.01 billion rubles ($14.6 million) on mixed life insurance policy premiums. The payouts outstrip premium income because of the effect of hyperinflation in Russia.

The rate of inflation in Russia last year, for example, was more than 300%, which more than offset the dividends insurers paid out under the policies.

Preliminary statistics for 1994 show the industry collected life and non-life premiums of 7.6 trillion rubles ($1.8 billion), nearly seven times 1993 premium volume. The effects of Russia's rate of inflation is reflected in that figure.

On the whole, premium volume is rising for life insurance-related coverages, mostly attributable to the growth of returnable mixed life insurance.

Most insurers are reluctant to provide data on their investments, but the government tries to regulate their portfolios. It recently ordered insurers to invest at least 10% of their total premiums into three-month Russian Treasury bills that play a crucial role in financing almost half of the country's 1995 projected deficit of 8% of gross domestic product.

The Finance Ministry offered between 200% and 300% in annualized yields on the Russian T-bill issues. BI

ANDREW WEIR INSURANCE COMPANY LIMITED

INITIAL PAYMENT TO CREDITORS

A Scheme of Arrangement was approved by the creditors of Andrew Weir Insurance Company Limited and subsequently became effective on 13 April 1994 after receiving High Court sanction and having been granted permanent injunctive relief by an order from the US Bankruptcy Court under Section 304 of the US Bankruptcy Code.

Pursuant in the terms of the Scheme, the Scheme Administrators, Richard Boys-Stones and Colin Bird of Price Waterhouse, have set the "commencement date" on 7 February 1995 and the "Initial Payment Percentage" at 10% with the support of the Creditor's Committee. Scheme Creditors of Andrew Weir with established claims at that date will be paid the initial payment percentage on those established Scheme claims within 60 days of the commencement date. Thereafter the initial payment percentage will be paid within 60 days of each claim becoming established.

Claims should continue to be agreed with Andrew Weir and if creditors require more information, please contact:

Andrew Weir Claims Department
Ibex House
Minories
London EC3N 1JB

Tel: 071 816 4985

Fax: 071 702 4815

Full details of the Scheme are available from the above address.

Compass

Continued from previous page
in Australia are undergoing substantial changes, which some risk managers say could create gaps in coverage for directors and officers.

Australian D&O coverage historically comprises two policies: one policy reimburses the company while another covers the personal liability of directors and officers. The directors were required to pay their share of the premium, since under Australian law they could be sued by their company.

Under changes to Australia's Corporations Law last April, companies now can pay the premium on behalf of their directors. But the changes also restricted the coverage, prohibiting indemnification of directors and officers for willful breach of duty or improper use of inside information.

The legislative change is "a bit of a disaster because it hasn't worked the way it was intended," according to Kevin D. Mutch, president of the Assn. of Risk & Insurance Managers of Australasia.

Mr. Mutch, who is general manager of risk management at mining company CRA Ltd. in Melbourne, advised directors and officers to continue buying a separate policy that includes coverage for willful breach of duty to ensure they are fully covered and not to rely on their company's liability policy alone, which may not afford complete coverage.

"A willful breach of duty may not necessarily be a dishonest act. Until the practical meaning of those words are tested in court—and that could take some time—directors and officers probably need to retain their own separate cover," he said.

Mr. Brown agreed many D&O underwriters have reduced the scope of coverage by rewording policies in line with the amended law. He warned that many brokers do not fully understand the D&O product and lawsuits against brokers are likely once policyholders realize they have less coverage than in the past. But, he added, that "may take years to emerge." BI

Product

Continued from page 2

marks.

Last Monday's hearing was "the first time the House Judiciary Committee has ever held a hearing on the issue of product liability or omnibus tort reform. Prior to this year, the Judiciary Committee was a virtual Bermuda Triangle for these important issues," said Rep. Hyde.

Rep. Hyde added that the committee had agreed last year to deal with a narrow product liability measure granting some relief to the manufactures of general aviation aircraft, but only after being forced to move on the bill by members of Congress (*BI*, June 27, 1994).

"Other than that, nothing. Well, the times they are a-changing," said Rep. Hyde.

Just how much the times have changed was evident from the remarks of several witnesses who testified before the panel in favor of H.R. 10.

Among other things, the bill would limit punitive damages in product liability cases to $250,000 or three times actual damages, whichever is greater; eliminate joint liability for non-economic damages, such as pain and suffering or punitive damages in product liability cases; and limit the liability of those who sell items that are the subject of product liability suits.

The bill also calls for general tort reforms, such as requiring that expert testimony be based on "valid scientific reasoning."

Richard K. Willard, a partner in the Washington law firm Steptoe & Johnson and an assistant attorney general in the Reagan administration, praised the bill as the most comprehensive–set–of civil justice reforms since the New Deal.

While endorsing H.R. 10, he called for an extension of its punitive damage provisions to other business suits. "The rapidly growing service sector of our economy needs protection from unreasonable awards just as much as the manufacturing sector," said Mr. Willard.

That sentiment was echoed in a letter sent to Rep. Hyde by the National Assn. of Manufacturers later in the day.

"All segments of society are susceptible to the abuse and unfairness which have plagued us as manufacturers, and we do not wish to be, nor to be portrayed as, the sole beneficiaries of the 'Contract with America'," wrote Paul Huard, a senior vp at NAM.

Instead of limiting H.R. 10's punitive damages provisions to product liability, NAM wants the provisions to apply to tort litigation in general.

The lobbying group also called on Rep. Hyde to consider amending the bill to abolish joint liability for non-economic damages in all tort cases.

On Tuesday, similar proposals for an expansion of the tort reform provisions beyond product liability law were made in a letter sent by a group of House Republicans to House Majority Leader Newt Gingrich, R-Ga.

Meanwhile, before the House committee, two other witnesses called for the inclusion of a 15-year statute of repose for capital goods.

Product liability reform legislation that died in the Senate last year contained a 25-year statute of repose, but the Contract with America is silent on statutes of repose.

Both Charles E. Gilbert, president of the Cincinnati Gilbert Machine Tool Co. in Cincinnati, and Patrick J. Head, vp and general counsel of Chicago-based FMC Corp., a chemical and machinery manufacturing concern, endorsed the 15-year statute of repose.

Until 1995, the Judiciary Committee was a 'virtual Bermuda Triangle' for product liability reform and omnibus tort reform bills, says Rep. Henry Hyde.

Mr. Gilbert also called for workers compensation subrogation reform, so that when a manufacturer can prove that an accident was the fault of an employer and not of its own product, the employer would be barred from imposing a subrogation lien to recover its workers compensation costs.

In the most dramatic moment of a generally low-key hearing, Peter Chevalier, vp of Minneapolis-based Medtronic Inc., a medical device maker, brandished a heart pacemaker, saying that American product liability laws have kept more advanced models off the market in this country.

Mr. Chevalier added that his company recently moved its ventures group, which develops new technologies, to the Netherlands because of product liability concerns.

Opponents of the measure who testified before the committee were not moved by such arguments.

Larry S. Stewart, president of the Assn. of Trial Lawyers of America, said the bill amounted to nothing more than a "bailout" for corporate wrongdoers. Under the current system, product liability punitive damages are rarely imposed, he said.

The aim of the system is not to undermine business but rather to make it act responsibly, said Mr. Stewart.

Another opponent was more blunt. Robert Creamer, executive director of Illinois Public Action in Chicago, said that all H.R. 10 would do is shift the burden of product liability from the corporate wrongdoers to innocent victims and, ultimately, to the taxpayers. BI

'Loser pays' proposals make strange bedfellows

By DAVE LENCKUS

WASHINGTON—Liability insurers find themselves in the unfamiliar position of fighting shoulder to shoulder with plaintiffs attorneys against at least one provision in House Republicans' effort to reform the nation's civil justice system.

Both sides want the House to rework or scrap a provision in H.R. 10, the "Common Sense Legal Reforms Act," that would require the loser of civil diversity cases in federal court to pay the winner's legal costs (*BI*, Jan. 16). Diversity cases involve claims by litigants from different states.

Insurers and many businesses support the "loser pays" idea, an English law concept designed to curb frivolous lawsuits, but many are troubled by how a provision of H.R. 10 would work.

Insurers are more vocal than big business about their unhappiness. Big business has not launched an all-out fight against the provision, but it is not supporting the measure, either.

For example, neither the National Assn. of Manufacturers nor the American Tort Reform Assn. is taking a stance on the provision. Both Washington-based groups say they are focusing their lobbying efforts in other tort reform areas.

Under the House bill, the "loser pays" provision could be invoked only in diversity suits that are initially filed in federal court. It would not apply in state courts or in federal cases transferred from state courts.

A Senate tort reform bill, S. 300, would establish a means test for losing parties, both individuals and businesses.

Insurers and the American Bar Assn., which includes defense and plaintiffs attorneys, complain that the provision would create an incentive for forum shopping.

Plaintiffs with strong cases would file suit in federal court. Those with weaker cases would maneuver their litigation into state courts by, for example, suing a local distributor of products made by an out-of-state defendant, insurers and attorneys say.

The provision also could restrict access to federal courts. People of limited means, including those whose claims may raise important public-policy issues, could not afford to risk even a small chance of losing, critics say.

In addition, the provision does not define who a loser is. That raises questions about how the provision would be applied in the many cases in which courts rule in favor of both sides on separate issues in a case, pointed out Hugh Reynolds, chairman of the ABA's Tort and Insurance Practice Section and a partner with Locke Reynolds Boyd & Weisell in Indianapolis.

The Alliance of American Insurers and the ABA's TIPS would like to see the H.R. 10 "loser pays" provision replaced with a modified "loser pays" rule.

They favor a rule under which the side that rejects a settlement and does not fare as well or whose judgment falls within a specified range would be liable for the other party's legal costs from the date of the offer. The ABA would allow the court to decide whether to invoke the rule.

Small business, though, supports the "loser pays" provision, despite some of the same concerns insurers and attorneys have.

But, those concerns are overshadowed by small companies' belief that the provision would curtail frivolous lawsuits, said Caroline Stinebower, a legislative representative with the National Federation of Independent Business in Washington. Just one frivolous suit can wipe out a small business, she said.

Meanwhile, The Economist has called for the abolishment of the "loser pays" rule in England. The rule restricts the court system to only the wealthiest litigants and the poorest litigants, whose legal costs are government subsidized.

Payback charge fuels California dispute

By JUDY GREENWALD

SACRAMENTO, Calif.—Charges and countercharges are whizzing back and forth between newly elected California Insurance Commissioner Chuck Quackenbush and consumer advocate Harvey Rosenfield, the author of Proposition 103.

Mr. Rosenfield, director of the Los Angeles-based Proposition 103 Enforcement Project, is accusing Mr. Quackenbush of repaying the insurance industry for its financial support during his campaign. Mr. Rosenfield charges that during Mr. Quackenbush's first 30 days in office, he has taken 14 actions that will cost consumers $221,172,000 more in insurance premiums this year.

Many of the insurers that benefit from these actions contributed to the Quackenbush election campaign, contends Mr. Rosenfield, who says about 70% of Mr. Quackenbush's contributions came from insurance industry sources.

However, his charges are being vigorously denied by a spokesman for Mr. Quackenbush, who says Mr. Rosenfield's figures are inflated and inaccurate. The spokesman also defends Mr. Quackenbush's support from the industry during his campaign.

Mr. Rosenfield says insurance companies with business before the Department of Insurance have given Mr. Quackenbush $2.4 million in campaign contributions.

"I think it's to pay off the guy the insurance industry hopes will relieve them of their obligations under Proposition 103," said Mr. Rosenfield. "I was really hoping that he would recognize that with all these campaign contributions from the industry, he would have to go an extra mile or two to prove he wasn't the industry's indentured servant; (that) for no other reason than political preservation he would respect and obey the will of the people, but that's not what's happened, I'm really sorry to say.

"He is a bull in a china shop and the industry seems to be dictating his actions, and it's bad news for the consumers of California, it's bad news for him."

He also complained that Mr. Quackenbush is blocking $550,000 in legal fees owed under Proposition 103, which permits payment for legal work done on behalf of consumer groups. "This is an outrageous act of political retaliation in an effort to evade watchdog groups and silence his critics," Mr. Rosenfield said.

A spokesman for Commissioner Quackenbush responded, "Harvey has to be concerned about the progress that this commissioner has made so far in ending the interminable litigation that has followed the enactment of Proposition 103.

"I suspect that Harvey is upset because an end to Proposition 103 litigation means an end to his gravy train in intervener fees. He has been awarded over $1.3 million in fees, charging $300 an hour to help interpret a law he wrote," said the spokesman.

This includes the $550,000 in legal fees, which the spokesman said now is being reviewed by the insurance commissioner at the request of State Farm Group. The California Supreme Court ratified regulations implementing Proposition 103 in August (*BI*, Aug. 22, 1994).

The spokesman also said an examination of Mr. Rosenfield's allegations "reveals very little truth. Some of the actions that he attributes to Chuck Quackenbush are years old, and occurred under John Garamendi's administration."

For instance, the spokesman says, Mr. Rosenfield charges that Mr. Quackenbush pardoned 37 insurance companies from their rollback obligations when, in fact, his predecessor, John Garamendi, did it. "Garamendi never bothered to notify them. Commissioner Quackenbush felt that was irresponsible and simply wrote them a letter advising them of the department's decision," the spokesman said.

The spokesman also defended Mr. Quackenbush's policy of accepting campaign donations from insurers.

"It's a matter of public record that Commissioner Quackenbush received contributions from insurance companies and agents during his campaign," he said. "The commissioner ran on a platform espousing free-market principles. This is a marked contrast to the preceding administration and one that is supported by most insurance companies and agents."

Insurance industry members also defend themselves against Mr. Rosenfield's charges.

A spokesman for State Farm denied Mr. Rosenfield's contention that the insurer contributed $105,709.03 to Mr. Quackenbush's campaign.

Although State Farm agents, who are independent contractors, have contributed to the commissioner's campaign, State Farm itself "has never, did not and will probably never contribute to candidate campaigns," he said.

The State Farm spokesman also was critical of Mr. Rosenfield's tactics. Mr. Rosenfield used Proposition 103 "to enhance his own revenue stream. Harvey wants to do everything through headlines and legislation. We say let the marketplace decide."

Mr. Quackenbush is "not in the least" the industry's indentured servant, the spokesman added. "What he's trying to do is enhance the competition in the marketplace. I don't know that any of us disagree with that." BI

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LEGAL NOTICE

UNITED STATES BANKRUPTCY COURT
Central District of California

In re Petitions of Philip J. Singer and Christopher John Hughes, The Scheme Administrators of ICS Reinsurance Limited and RMCA Reinsurance Limited (the "Companies")
Case Nos. MI 93-00139 (ER) and MI 93-00140 (ER)

NOTICE IS HEREBY GIVEN that on January 19, 1995, orders were entered by the United States Bankruptcy Court for the Central District of California (the "Bankruptcy Court") in connection with the cases filed with respect to the Companies under section 304 of the Bankruptcy Code (the "Orders").

The Schemes of Arrangement between the Companies and their creditors (the "Schemes"), as approved by the required majority of the Companies creditors on December 10 and December 14, 1993, and sanctioned by orders of the High Court of the Republic of Singapore (the "Singaporean Court") on March 29, 1994, and by the High Court Of Justice, Chancery Division, Companies Court, sitting in London England on April 22, 1994, shall be given full force and effect and shall be binding on and enforceable against all Scheme Creditors (as that term is defined in the Schemes) in the United States.

All persons are hereby permanently enjoined and restrained from:

1. commencing or continuing any actions or other legal proceedings, including, without limitation, arbitrations or any judicial, quasi-judicial, administrative or regulatory actions, proceedings or process whatsoever, against the Companies or their property, except as provided in the Schemes; and

2. enforcing any judicial, quasi-judicial, administrative or regulatory assessment or order or judgment or arbitration award, or commencing or continuing any act or any action or other legal proceeding, including, without limitation, arbitration or any judicial, quasi-judicial, administrative or regulatory action or proceeding or process whatsoever to create, perfect or enforce any lien, set-off or other claim against the Companies or their property, except as provided in the Schemes; and

3. disposing of or relinquishing, to any persons other than the Scheme Administrators, any property of the Companies or proceeds of such property.

All persons are hereby permanently enjoined from commencing or continuing any action or other legal proceeding, including, without limitation, arbitration or any judicial, quasi-judicial, administrative or regulatory action, proceeding or process whatsoever, against the Scheme Administrators (in their capacities both prior to and after sanction of the Schemes), the Companies, the members of the Informal and Formal Creditors Committees or any of their respective directors, agents, employees, representatives, financial advisors, or attorneys (the "Scheme Parties"), or any of them with respect to any claim or cause of action, in law or in equity, arising out of or relating to any action taken or omitted to be taken by the Scheme Parties in connection with these ancillary cases with respect to the Companies under section 304 of the Bankruptcy Code (the "Section 304 Cases"), or in preparing, disseminating, applying for, implementing or administering the Schemes or these Orders;

The Scheme Administrators are authorized to transfer to the foreign proceeding for distribution pursuant to the Schemes any monies or assets of the Companies located in the United States that the Scheme Administrators have or may hereafter recover;

This Court shall retain jurisdiction with respect to the enforcement, amendment, or modification of these Permanent Injunctions or requests for any additional relief in the Section 304 Cases; and

No action taken by the Scheme Administrators, their successors, agents or representatives, or any of them, or their counsel, in preparing, disseminating, applying for, implementing or otherwise acting in furtherance of the Schemes, these Orders, or such further order for additional relief in the Section 304 Cases as this Court may make, shall be deemed a waiver of the immunity afforded to the Scheme Administrators, their successors, agents or representatives pursuant to 11 U.S.C. § 306.

Any party in interest who has not received a copy of the Orders should contact counsel for the Scheme Administrators in writing at the address listed below.

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LEGAL NOTICE

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT

No. 6010 of 1994

IN THE MATTER OF
ENGLISH & AMERICAN INSURANCE COMPANY LIMITED
and
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that on 15 December 1994, the Scheme of Arrangement between English & American Insurance Company Limited (the "Company") and its Scheme Creditors (as defined in the Scheme of Arrangement) was approved by Scheme Creditors.

On 25 January 1995, the High Court sanctioned the Scheme of Arrangement as approved by Scheme Creditors.

On 31 January 1995, the United States Bankruptcy Court for the Southern District of New York granted a permanent injunction order under section 304 of the United States Bankruptcy Code, provicing for the enforcement of the terms of the Scheme of Arrangement in the United States.

On 8 February 1995, the High Court ordered that the winding-up petition presented against the Company be dismissed and the appointment of provisional liquidators to the Company be terminated.

On 8 February 1995, the order made in the High Court sanctioning the Scheme of Arrangement was delivered to the Registrar of Companies in England for registration. The Effective Date of the Scheme of Arrangement is therefore 8 February 1995.

Anthony James McMahon and Roger Smith, partners in the firm of chartered accountants, KPMG, and formerly the joint provisional liquidators of the Company, were appointed Scheme Administrators on 10 February 1995.

The members of the initial Creditors Committee are:

The Institute of London Underwriters
The International Policyholders Association
Lloyd's Insurance Brokers Committee
Lloyd's Underwriters' Association
Participant Run-Off Limited
Fireman's Fund Insurance Company
Dow Corning Corporation
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Dated: 10 February 1995

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Scheme Administrators of the Company

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★ *Source Business/Occupational breakdown of qualified circulation, May 30, 1994 Issue, as submitted to BPA for June 1994 BPA Publisher's Statement*

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CalPERS

Continued from page 1

he pressed CalPERS' 22 HMOs about their medical ratios, which indicate the percent of revenues spent on patient care as opposed to marketing, overhead and profit.

Recent press reports of HMO profitability and their executives' compensation packages indicated there was still some fat to trim from premium rates, he said.

"Some of our for-profit HMOs are doing very well," Mr. Elkin told The Wall Street Journal before announcing this year's cuts. "We wouldn't mind having some of that shared with the people who purchase insurance."

He was particularly critical of Foundation Health Corp. for paying its chief executive officer, Dan Crowley, $3.3 million in salary and bonus, along with a stock-option package worth $15 million.

Foundation responded that 80% of its revenues go to patient care, and that its executives, on average, are compensated less than their industry peers. Besides, it is incentives like Mr. Crowley's that enabled the HMO to earn the profits that allowed it to offer rate reductions like the 4.0% it gave CalPERS, countered Kurt Davis, Foundation's director of investor relations.

Indeed, "a lot of managed care firms have worked hard to get their costs down within the past three to four years," said Larkin Bertram-Cox, a benefits consultant with the Segal Co. in Glendale, Calif.

Having the "critical mass" of plan participants—in the range of 20,000 or more—necessary to negotiate with HMOs, coupled with the savings created by HMOs' efficiencies, can lead to "amazing" savings for individual members, he said.

Foundation was only one of 14 HMOs that cut CalPERS' premiums. Another was for-profit Health Systems International, parent of Health Net, which cut its premiums 7.2%.

"We went to them and told them we'd like to give them the same rate cut as we gave the Pacific Business Group on Health," said Roger Greaves, chairman of the Woodland Hills, Calif.-based Health Net, referring to what was formerly known as the Bay Area Business Group on Health. "We've had our most profitable year ever."

Excluding the effects of merger-related costs, Health Systems International reported a 91% increase in earnings per share to $1.78 in 1994 from 93 cents in 1993.

Health Net merged with QualMed in January 1994 to form Health Systems International. The new company is in the process of acquiring M.D. Enterprises, an HMO based in Connecticut.

Net income more than tripled to $88.1 million, or $1.77 per share, compared with $23.8 million, or 48 cents per share, in 1993. Last year's revenues climbed 17.8% to $2.31 billion from $1.96 billion in 1993.

In contrast, for-profit FHP offered CalPERS only a 1.0% decrease, while its merger partner, TakeCare, cut rates 3.4%.

While the two companies' operations are merged, they are still considered separate entities by the California Department of Corporations, which regulates HMOs, explained Robert L. Fohlman, vp of sales and marketing in Concord, Calif. They will be treated as a single organization in the next CalPERS negotiations, he said.

Explaining the smaller FHP decrease, he said that its medical expense ratio of 82.7% in the quarter ended Dec. 31, 1994, down from 83.8% a year earlier, is higher than the statewide industry average of 80%. Quarterly net income at FHP rose 43% to $14.7 million from $10.3 million a year earlier.

CalPERS plans to reward HMOs which are willing to modify their behavior to meet CalPERS' needs, says Tom Elkin.

Now that CalPERS has cut HMO rates close to the bone, it is looking for ways to cut costs further by reducing unnecessary and substandard care, according to Mr. Elkin.

CalPERS' new Health Plan Quality/Performance Report, which will be available to the organization's members in April, will contain information on how well each plan delivers services to members.

The report would be similar to the health plan "report cards" included in several national health reform proposals and to private-sector quality initiatives by companies such as BankAmerica Corp., Xerox Corp. and GTE Corp. (*BI*, Nov. 11, 1994; July 11, 1994).

The report will be used to establish a benchmark members can use to compare HMOs, explained James E. Burton, CalPERS' chief executive officer.

Data collection for the report was done by the California Collaborative HEDIS Reporting Initiative group, an organization made up of health plan, health provider and health purchasing representatives. The data was analyzed and compiled by an outside party, based on standards developed by the National Committee for Quality Assurance.

The combined rate cuts and quality reports represent a new "cooperative partnership" business plan between CalPERS and its 22 health plans, according to Mr. Elkin.

"The business plan will significantly improve our ability to manage an effective program and to influence the delivery and financing of health care in California," he said. "We plan to identify and reward the plans which demonstrate a sharing of this vision and are willing to modify their behavior to meet our needs."

For the most part, California HMOs are embracing the CalPERS quality report program.

"Because CalPERS is our largest individual employer group, we view them as our strategic partners in reshaping health care in California," a Health Net spokesman said.

Some observers predict that just as CalPERS led the way for employers to use their purchasing clout to negotiate deep discounts in health care premiums, it will be a leader in developing outcome measurements and treatment protocols.

"The report cards are the next step," said FHP's Mr. Fohlman. "But that will not be the end all and be all. The ultimate next step will be outcome measurements."

But before hard and fast measurements—which some in the industry think will be used to eventually ration health care—can be developed, "there will be incremental tweaking over the next several years," he predicted, and CalPERS may provide a perfect laboratory situation.

Meanwhile, more and more employers are discovering the adage "there's strength in numbers" when it comes to negotiating with health care providers, according to the Segal Co.'s Mr. Bertram-Cox.

Indeed, standards set by these purchasers are becoming the basis for competition in local markets.

For example, thanks to the clout exerted by groups like CalPERS and PBGH in California, "for my smaller clients—those in the 500 to 3,000 life range—I can get carriers to cut rates by 10% to 25%, and some are willing to give multiyear rate caps," Mr. Bertram-Cox said.

And one Orange County school district with a plan covering 400 people was able to negotiate a 24-month HMO rate with a 5% cap on increases in the third year, he added.

Segal, which does a lot of consulting work for Taft-Hartley plans, also has worked out a joint health care purchasing agreement with San Francisco-area construction trades, he said.

"Joint purchasing agreements are going to do nothing but grow," Mr. Bertram-Cox predicts. "It's the wave of the future." BI

Interest

Continued from previous page

impact," because the bonds must be sold at a lower price, he added.

A higher interest rate "could generate some capital losses, but on balance, on an overall return basis, it will be a very positive development for the P/C industry," said John L. Ward, chief executive officer of Cincinnati-based research firm Ward Financial Group.

The results should be evident in this year's investment income for the industry, said Jack Snyder, senior vp at A.M. Best Co. in Oldwick, N.J. Investment income for 1994 was estimated at $32.6 billion, about the same as in 1993.

However, "Given the rise in rates and most recent bump in the prime to 9%, we're now projecting 1995's investment income will increase to $34 billion, or a little over 4% increase over '94, so that's about $1.5 billion to $2 billion of top-line earnings," Mr. Snyder said. "But it comes at obviously a cost of weakening the value of current holdings, and there will probably be an increase in unrealized losses that the industry's sitting on for 1995," he added.

A major consideration in evaluating the effect of higher interest rates is the impact of Financial Accounting Standard 115, which requires publicly held insurers that report their financial results on a generally accepted accounting principal basis to report most of their bond holdings at market value.

FAS 115, which was issued in 1993, was instituted when interest rates were historically low. At that time, the standard not only gave insurers the economic flexibility to reposition their portfolios but also an initial benefit to surplus, said Don McDonald, senior vp at Conning & Co. in Hartford, Conn.

"I would 'guesstimate' that's been more than given back by the move in interest rates" with its negative impact on the value of bond holdings, said Mr. McDonald. "We're talking about tens of billions of dollars in value," he said of the industry's bond portfolio (*BI*, Oct. 17, 1994).

"Rising interest rates and FAS 115 have caught (U.S. insurers) in a difficult situation," said Alan Levin, managing director at Standard & Poor's Corp. in New York. Property/casualty generally invest rather conservatively in fixed income securities, and rising interest rates have forced the value of those securities to fall, he said. FAS 115 has forced them to report that decline in value.

"Fortunately, on a statutory basis, the decline is not recognized and, more importantly, the potential for insurance companies to have to liquidate those bonds at depressed prices is very low," said Mr. Levin. At this time, there are very few companies who have gotten into "a difficult situation because of this unrealized loss in value, and we don't anticipate major companies being forced to liquidate those bonds while they are at low values."

But, he added, it's an issue that bears watching, and it tells us insurers will have to handle interest rate risk management more carefully.

Gloria Vogel, managing director at Ladenburg, Thalmann Inc. in New York, said one concern she has is that many insurers are only selling bonds that create gains for them, while their remaining portfolio may be deteriorating in quality.

"In other words, they can't afford to sell the bad stuff, because they can't afford to take the hits to capital," Ms. Vogel said. At some point, this will catch up with them, she added.

"Property/casualty insurers don't change their investment strategy very much," observed the III's Mr. Mooney. "When they do, it's mainly for tax reasons, which is in turn impacted. . .by their overall profit and loss situation."

"Interest rates are more of a consideration for life than property/casualty insurers," Mr. Mooney said. "The property/casualty insurer needs liquid investments, and they tend to be very conservative, so they don't adjust their portfolios very much with the ups and downs of interest rates."

Louis J. Paglia, senior vp and treasurer of TIG Holdings Inc. in New York, agreed interest rate changes are more significant for life than for property/casualty insurers.

For life insurers, interest rate changes "can dramatically change the timing of your liabilities, so rates rise and you're concerned about people surrendering annuities to buy new annuities." On the other hand, people are not likely to file their workers comp claims either faster or slower if rates go up, he said. "You don't have that risk."

"I don't think that property/casualty companies by and large are doing a lot of interest rate speculation right now, if at all," said Ron Frank, an analyst with Smith Barney Inc. in New York. "I think most of them have developed a pretty clear sense of what kind of average duration, credit quality, etc., they want in their portfolios, based on their liability portfolios and other balance sheet factors."

If they have any impact on insurers at all, higher interest rates could serve to prolong the soft market, some observers say.

"I think the commercial market prices are still very much a commodity-driven product," said Frederick Kist, Atlanta-based head of Cooper & Lybrand's casualty, actuarial and risk management practice.

There is no direct relationship between investment returns and pricing, said Mr. Kist. In fact, he said, higher interest rates may further forestall the hoped-for turnaround "and continue to leave us in a soft marketplace for the near term."

Higher interest rates could make a turn less likely "because some companies are earning more investment income," said Hugh Frader, a partner at Black Rock Financial Management L.P., an investment management firm. "There's less pressure on them on the underwriting side, but I'm hopeful that the industry generally will recognize the need for more rational pricing."

Peter M. Mahon, senior insurance analyst at Piper Jaffray Inc. in Minneapolis, said, "It can mean to some people that increased investment income continues to provide some latitude for inadequate pricing on commercial lines."

"So is increased investment income good or bad?" he asked. "The answer is, for rational underwriters who are rationally pricing their product, it's good. For companies which are competing irrationally, while it will improve their stated results, it's probably not good enough to justify what they're doing."

If interest rates stay at their current levels, it will tend to prolong the cycle, "but not necessarily make it more competitive," said Paul Malvasio, senior vp and chief financial officer for NAC Reinsurance Corp. in Greenwich,. Conn. "I don't think it's been that dramatic."

The situation, he added, is unlike the scenario in 1981, when interest rates rose as high as 21% "and that sort of really drove the mentality," helped by the naive capacity that was then present. "I'd like to think there's certainly a lot more discipline in the market (today)," Mr. Malvasio said. BI

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Brokers

Continued from page 2

Hilb, Rogal & Hamilton also reported strong acquisition activity.

At the same time, other brokerages were downsizing and restructuring. A&A, for example, is in the process of laying off about 1,500 people by mid-year. Similarly, Willis Corroon Group P.L.C. plans to cut 400 positions by March 31 and to later make more cuts (*BI*, Feb. 6).

"It's a separation between the haves and the have-nots," said Salomon's Mr. Cohen. Some brokers like M&M and RHH are buying other brokers and making investments in technology. Others like A&A and Willis Corroon are "stalling a little," he said.

"It's been a tough year for both companies," he added.

Willis Corroon will release preliminary 1994 results March 9.

In addition to consolidation in their own ranks during 1994, brokerages also had to deal with a spate of insurer mergers.

Within the last year, "how many companies ended up with new ownership?" quipped Robert H. Hilb, chairman and chief executive officer of HRH, referring to Home Holdings Inc., Continental Corp. and The Travelers Inc.

"It tells you something is wrong in the industry," Mr. Hilb said. "It also keeps pricing at a level where you have to work twice as hard to keep pace with your revenue base."

Many brokers also reorganized management during 1994. Most notably, Frank G. Zarb took over as chairman and CEO of A&A last June, replacing Tinsley H. Irvin, and Patrick Gallagher succeeded Robert Gallagher as CEO of Arthur J. Gallagher. Andrew L. Rogal recently became president and chief operating officer of HRH, succeeding Mr. Hilb, who remains chairman and CEO.

The rankings of publicly traded U.S. brokers based on gross revenues have similarly been reshuffled. Ranked No. 3 in 1993, RHH has supplanted A&A at No. 2 based on 1994 revenues, a spot A&A had held since 1977. Acordia, which had been No. 6, passed Arthur J. Gallagher to become No. 5.

Individual year-end results for the publicly held brokers follow:

Marsh & McLennan

Good performances in investment management and consulting helped boost gross revenues 8.6% to $3.4 billion in 1994 from $3.2 billion in 1993.

Net income rose 11.8% in 1994 to $371.5 million from $332.4 million in 1993.

Revenues from The Putnam Cos., M&M's Boston-based investment management unit, rose nearly 19% to $615.4 million from $518.1 million in 1993.

Consulting revenues, including those from benefit consultant William M. Mercer Inc., rose 9.2% to $933.1 million in 1994 from $854.8 million in 1993. J. Michael Bischoff, vp-corporate development, said that while benefit consulting revenues bounced back in 1994, general management consulting revenues were "particularly strong."

Investment income also is rebounding as short-term interest rates rise, he said. In the fourth quarter, M&M's interest income rose 12.9% to $3.5 million. But that was not enough to offset earlier declines and interest income ended the year down 0.8% to $11.8 million.

Revenues from insurance services, including the $25 million first-quarter pretax boost from the sale of shares in ACE Ltd. and in Centre Reinsurance Holdings Ltd. of Bermuda, rose 5.4% for the year to $1.9 billion from $1.8 billion in 1993.

"We're still in a difficult operating environment in insurance services," especially in the United States, Mr. Bischoff said. But, M&M captured new business internationally. Strong business growth came in marine, energy and aviation insurance in the London market, he said.

Rollins Hudig Hall

Strong acquisition growth helped propel RHH's gross revenues 17% in 1994 to $1.4 billion from $1.2 billion in 1993.

Pretax profits were also up in 1994, rising 24% to $158.8 million from $128.1 million in 1993. As an Aon Corp. unit, Chicago-based RHH reports only pretax profits rather than net income.

About one-half of RHH's year-end gross revenues came from acquisitions, said Patrick G. Ryan, chairman and CEO of RHH Group. Much of the growth came from international expansion.

In addition to opening a new office in Istanbul, Turkey, RHH, in conjunction with C.E. Heath P.L.C. of London, became the first foreign brokerage to receive representative office licenses in Vietnam and set up new offices in Ho Chi Minh City and Hanoi.

Through exclusive broker correspondent arrangements, RHH also gained access to Lebanon, Syria, Cyprus and Israel during 1994. RHH formed a non-exclusive correspondent arrangement in Saudi Arabia.

"Business is still very competitive, but there seems to be opportunity in international business for quite significant growth," Mr. Ryan said.

Aon also acquired Lloyd's broker Jenner Fenton Slade Group Ltd., which will strengthen Aon Risk Services, RHH Group's wholesale operation in the energy and petrochemical market.

And, Aon Risk Services acquired Agricultural Risk Management Ltd., an agricultural consulting firm based in London. Godwins Booke & Dickenson, the benefit consulting arm of RHH, acquired HRStrategies Inc., a human resource consulting firm.

Retail brokerage revenues rose 12% to $829.3 million from $740.2 million in 1993; reinsurance and wholesale brokerage revenues jumped 31.9% to $370.6 million from $281.0 million; and consulting revenues increased 14.7% to $222.2 million from $193.8 million.

Alexander & Alexander

Sold business and accounting changes contributed to a 1.3% decline in gross revenues in 1994 to $1.32 billion from $1.34 billion in 1993.

Charges against earnings—including those related to a restructuring that A&A projects will ultimately cut annual expenses by $100 million—produced a $138.7 million net loss in 1994 compared to a $26.9 million profit in 1993.

"We've done what Mr. Zarb wanted to do, and now we are focused totally on growing the business in the future," said Ed Kosnik, executive vp and chief financial officer of New York-based A&A.

A $69 million fourth-quarter restructuring charge includes $25.2 million to consolidate space at 48 offices; and $43.8 million for early retirement and workforce reduction charges involving approximately 1,100 positions—650 of which were in the United States. Another 380 positions were cut in the first nine months of 1994 (*BI*, Oct. 31, 1994).

Also in the fourth quarter, A&A took a $24.9 million charge to settle litigation and to strengthen professional indemnity reserves, and took a additional $69.7 million special pretax charge to cover indemnification related to Shand/Evanston Group Inc. (*BI*, Nov. 8, 1993).

Fourth-quarter results also reflect a $20 million pretax gain resulting from the sale of its U.S. personal lines business (*BI*, Nov. 21, 1994) and a $7.2 million gain from the sale of its stake in a U.K. merchant bank. A&A expects another $30 million pretax gain in the first quarter from the sale of its Alexsis Inc. unit to CNA Financial Corp. (*BI*, Jan. 23).

The company plans to use the roughly $80 million in cash proceeds from the deals to fund current litigation costs, contingency and other settlements, Mr. Kosnik said. Another $300 million in cash is unaffected by contingencies, litigation and settlements, he said. In July, A&A received a $200 million infusion by American International Group Inc. (*BI*, June 13, 1994).

"It's the strongest position we've been in, in anyone's memory," Mr. Kosnik said.

Acordia

Acquisitions fueled much of Acordia's 59.9% jump in gross revenues last year to $412.2 million from $257.8 million in 1993.

Net income was up 12.6% to $28.8 million from $25.6 million, even though expenses grew 69.4% in 1994 to $361 million from $213.1 million.

Based on restated 1993 figures, internal growth was about 5%, said Robert S. Schneider, senior vp and controller.

The October 1993 acquisition of American Business Insurance Inc. was reflected only in that year's fourth quarter (*BI*, Aug. 30, 1993).

Acordia continued on the acquisition path in 1994, buying five brokers: Bain Hogg Robinson; Association Administrators & Consultants Inc. of Irvine, Calif.; Pettit-Morry Co. of Seattle; and Fort Wayne, Ind.-based O'Rourke, Andrews & Maroney Inc. Acordia recently acquired Criterion International Managers Inc., an excess/surplus lines broker in Dallas and Houston that will become part of American E&S Insurance Brokers Inc.

Acordia will strengthen its international capabilities through a strategic alliance with Bain Hogg Group under which the firms will provide business to each other. Acordia also currently is developing a business plan with executives from Bain Hogg exploring joint venture opportunities.

"There will be no material revenue or profits from the joint venture in '95," Mr. Schneider.

1994 broker results

In thousands of dollars

Broker	Gross revenues	% change	Net income	% change
Marsh & McLennan	$3,446.8	8.6%	$371.5	11.8%
Rollins Hudig Hall	1,422.1	17.0	158.8[1]	24.0
Alexander & Alexander	1,323.9	(1.3)	(138.7)	(615.6)
Acordia	412.2	59.9	28.8	12.6
Arthur J. Gallagher[2]	356.4	8.2	34.5	28.6
Hilb, Rogal & Hamilton[2]	140.8	(0.6)	11.4	37.4
Poe & Brown	99.5	4.1	13.3	66.0

1 Pretax 2 Restated 1993 figures
Source: Company reports

GRAPHIC BY JERRY PARKS

Arthur J. Gallagher

Strong new business and account retention pushed 1994 gross revenues up 8.2% to $356.4 million from $329.3 million.

Net income rose even more, jumping 28.6% to $34.5 million in 1994 from $26.9 million the previous year. In the fourth quarter alone, profits for the Itasca, Ill.-based company soared 111.5% to $12 million from $5.7 million during the same period in 1993.

Michael J. Cloherty, vp-finance, said Gallagher's four acquisitions in 1994 added $20 million to the top line. They include: Youngstown, Ohio-based Donald P. Pipino & Associates Inc.; Wayne, N.J.-based Steel Agency; Boston-based Kaler Carney Liffler & Co. Inc.; and Greenville, S.C.-based Sullivan Co. Inc.

The acquisitions "positioned us in a few cities we haven't been in before," he said, adding that Gallagher's acquisition mode will continue in 1995.

While total expenses were kept in line—increasing 6.4%—investment income fell 42.2% to $9.5 million from $16.4 million in 1993. Part of the decline can be attributed to a $44 million repurchase of common stock, Mr. Cloherty said.

Hilb, Rogal & Hamilton

Restating 1993 figures to include a pooling of last year's fourth-quarter acquisitions contributed to the 0.6% decrease in HRH's gross revenues for the year to $140.8 million from $141.7 million in 1993.

"The one-time glitch makes us look like we didn't do well," Mr. Hilb said. On the contrary, "we had a very positive year." Profits jumped 37.4% to $11.4 million from $8.3 million in 1993.

Total expenses were cut 5.1% to $122 million from $128.6 million in 1993.

Glen Allen, Va.-based HRH continued its growth-by-acquisition philosophy by acquiring eight new brokers in 1994.

"We expect to do more than eight in 1995," Mr. Hilb said.

Strong new business growth helped offset the sale of HRH's TPA operation and offices in San Diego, Hartford, Conn., and Memphis, Tenn., Mr. Hilb said.

Poe & Brown

New business sales and higher coastal property rates contributed to Poe & Brown's 4.1% increase in gross revenues to $99.5 million from $95.6 million in 1993.

Net income soared 66% to $13.3 million from $8 million in 1993, as expenses fell 4.2% to $79.2 million.

Profits in 1994 got a boost from a first-quarter $1.3 million aftertax gain from the sale of a 23% stake in paper manufacturer Rock Tenn Co. of Norcross, Ga.

Also, third-quarter profits were enhanced in part due to a $700,000 reduction in general tax reserves following a favorable settlement with the Internal Revenue Service related to the amortization of customer lists from the former Poe & Associates.

Taking out non-recurring profits, net income was up about 50%, said J. Hyatt Brown, chairman and CEO of Poe & Brown Inc.

Poe & Brown is now "in a position to aggressively seek more new business in '95 than in '94," he said.

Some new business came in the form of two acquisitions that became final Feb. 1: Russell Lee Jacobe Insurance Agency, a Houston commercial lines agency that merged with Poe & Brown of Texas' existing office; and King Insurance Agency of Naples, Fla. BI

NAIC drafts data collection proposal

By MEG FLETCHER

State insurance regulators are scrutinizing for the first time sweeping recommendations to improve the reporting of insurance company information.

The proposal, by a working group of the National Assn. of Insurance Commissioners, aims to make the data regulators receive from organizations like the Insurance Services Office Inc. more uniform and more useful.

Among the 14 recommendations in a draft released last week for regulator comments are: making rules for compiling and reporting data uniform among the states; requiring insurers to report information about individual transactions rather than simply giving summaries; having regulators get data from a single source rather than combine data from several sources; and increasing audits of statistical agencies.

The proposals "would constitute the most sweeping set of changes to statistical reporting since the widespread utilization of electronic data processing," said Alan E. Wickman, a casualty actuary in the Nebraska Insurance Department and chairman of the NAIC working group.

"The system in place today is not structured optimally for what regulators or the marketplace need it to do," he wrote in the six-page discussion draft.

Having exercised only nominal oversight of reporting, he said, regulators have grown concerned that data arrives too late, is of poor quality or does not include important details; that the regulated companies own the means of compiling the data; that the collection agents are not responsive to regulators; and that costs to insurers are too high.

For similar reasons, Texas in 1993 hired Acxiom Corp. of Conway, Ark., a company unaffiliated with insurers, to compile industry data (*BI*, Dec. 13, 1993; Sept. 6, 1993).

The working group was nearly unanimous in its data collection recommendations.

There is no consensus, however, among regulators or the insurance industry about the larger question of how the NAIC should implement the recommendations. For discussion purposes, the draft outlines three possible roles for the NAIC:

- Compilation agent for existing statistical agents.
- Technical adviser for independent statistical agents that are individually designated by line of insurance.
- "Compilation and/or statistical agent" for states that seek an alternative to the existing system.

Most regulators in the working group currently favor the first option, which would require the NAIC hiring only one to three new staff members, Mr. Wickman said.

Even under the second alternative, the proposal said, "it is not anticipated that each state would have a statistical agent for a special line of insurance, but that a relatively small number of statistical agents would each collect data for a specific line for several states."

The working group released its proposed changes last month and is asking state insurance regulators to comment on them by Feb. 24. Members will discuss reactions at the NAIC's upcoming spring meeting in Miami, Mr. Wickman said. BI

Lloyd's

Continued from page 2

lion ($1.25 billion), DTI officials said. Last year, Lloyd's not only had to tap the fund to meet the shortfall, but also had to secure additional funds by mortgaging some of its assets (*BI*, Sept. 26, 1994).

Lloyd's current debt collection from members could narrow the shortfall in the next few months, according to Mr. Spencer. Another way Lloyd's could improve its chances of meeting the solvency standards, he added, would be to change its premium trust deed to require members to pay their Lloyd's debts before paying other creditors, particularly if they win damages in court. Lloyd's is planning to change the deed by Feb. 20 despite members' protests (*BI*, Feb. 16).

But, "in the aggregate, it seems most unlikely that (Lloyd's) will be insolvent" this year, he added.

Lloyd's solvency ratios could fall slightly, though, once its proposed runoff reinsurer Equitas Ltd. completes its historic review of proper reserve levels for asbestos and pollution losses, Mr. Spencer admitted. Many syndicates probably are underreserved and will need more money before their pre-1986 liabilities can be transferred to Equitas, he agreed.

But the syndicates still are better reserved than most of their overseas counterparts, he said.

Mr. Spencer praised Lloyd's work on Equitas, adding that the new runoff reinsurer would provide "strong security to policyholders on old years."

In a letter submitted to the Treasury Committee, the DTI said it favors self-regulation for Lloyd's and would like to see its current system continue.

Lloyd's executives need to spend less time on the regulatory framework of the market and more time completing the work on Equitas and strengthening underwriting procedures, Mr. Spencer told the committee.

He acknowledged that the DTI has only limited authority over Lloyd's. It has authority only to protect policyholders. Providers of capital to the market are protected by the Council of Lloyd's under the Lloyd's Act 1982. And the agency has no authority to investigate allegations of impropriety; that is done by the Lloyd's Regulatory Board and, if a crime is alleged, by the Serious Fraud Office.

Yet Mr. Spencer argued against changing Lloyd's regulation right now.

In three or four years, Lloyd's may have a new capital structure based on corporate investors and/or "naive" members with smaller investments, so changing the regulation now would mean the legislation would be out of date, he said.

Lloyd's Chairman David Rowland and Chief Executive Peter Middleton earlier had asked the committee for a chance to complete their reforms before any new regulations are considered (*BI*, Feb. 16).

But some members of the Treasury Committee clearly are not impressed by Lloyd's current regulators, particularly Sir Alan Hardcastle, who heads the Regulatory Board.

Labour MP Diane Abbott told Sir Alan last week, "as external regulators go, you're a pretty sad case." She also said he was an "unimpressive" witness.

Sir Alan was asked repeatedly by the committee members why he did not further investigate allegations that Council members knew in 1982 that asbestos claims were going to hit the market badly and didn't tell anyone.

He insisted that no new evidence had been brought to him to support the allegations.

Sir Alan also told the committee that regulatory powers had improved enormously since the 1980s. Regulators now inspect agencies' books regularly and vet agency executives to make sure they are fit and proper.

Also, the Regulatory Board instructed the Council last November to establish a compensation fund for members to replace the agents' errors and omissions coverage, which is now non-existent, Sir Alan said.

Earlier in the week, Mr. Rowland was grilled by the committee for a second time on the market's solvency. In particular, Nicholas Budgen, a Conservative MP, asked him whether Lloyd's would seek a bailout from British taxpayers if the market went bust.

Without answering directly, Mr. Rowland said Lloyd's doesn't want to depend on the government for a handout and instead wants to use commercial solutions to get out of its mess. He said the questions of insolvency were hypothetical and "every time we talk about this another client goes to our competitors."

If Lloyd's should fail, however, there would be "very serious consequences" for the ceding companies that the market reinsures, particularly in North America, Mr. Rowland warned, and "the ripple would be very, very substantial." BI

The Home

Continued from page 2

duced investment and interest payment guarantees.

In addition to the financial provisions, Zurich also agreed to write renewal business directly on Zurich paper instead of its earlier offer to provide "cut through endorsements" on selected accounts. Under a cut through, Zurich would guarantee payment on The Home claims even though not contractually bound to do so.

Also, Zurich has offered to cancel and rewrite existing policies before their renewal dates for some policyholders.

"Through a fronting arrangement with Zurich, Home underwriters, using Home underwriting guidelines, may now issue policies on Zurich's A+ paper. Coverage will be fully reinsured by Home," Lars-Goran Nilsson, president and CEO of Home Insurance Co. wrote in the letter sent to brokers last week.

"Before they were reinsuring behind The Home policy but we could not care less about that, it's what the clients have in their hands that matters," said Charles Ruoff, senior vp at Sedgwick James Inc. in New York.

The offer of Zurich paper will reassure clients, he said.

And, the additional $410 million in reinsurance being provided should comfort clients who are holding policies written by The Home until they renew, he said.

"It's not the same as a total assumption of liabilities, but with the extra $400 million I don't think that clients will be worried about waiting for renewal," Mr. Ruoff said.

The ability to renew The Home policies directly with Zurich will make existing policyholders of The Home much more comfortable, said Peter Pruitt, executive vp at Willis Corroon Corp. in New York.

"There was no simple cut-through agreement. It was much more complex and now the client does not have to worry about that," he said.

The offer to cancel and renew The Home's policies prior to renewal will likely be taken up by some clients, Mr. Pruitt said.

If a large number of policyholders take advantage of that offer, Zurich could have a problem handling the extra administrative work that conversion would entail, he noted.

One client that has already requested a rewrite is The Portman Cos. of Atlanta, a real estate development and management firm.

Portman is a 15-year client of The Home and has a variety of coverages, including a three-year general liability and property policy which it renewed last August, said Risk Manager David Adler.

Portman pays nearly $1 million in premiums annually to The Home, he said.

Mr. Adler has requested a cancellation and rewrite of Portman's coverage through the two brokers it uses.

One of the brokers has already obtained a rewrite on Zurich paper of one of the smaller coverages, Mr. Adler said. However, on the main liability and property insurance policy, Zurich has tried to placate the broker with the offer of a cut-through endorsement, he said.

"We're having a meeting next week to try and sort that out," Mr. Adler said.

The enhanced offer by Zurich still does not do enough for The Home's existing policyholders, Mr. Adler contends.

"They still have limits on the past claims that they are willing to reinsure...I would like to see some more security. They need to buy a full run-off reinsurance program," Mr. Adler said.

Zurich needs to act quickly to secure its offer, otherwise more clients will seek alternative coverage, he said.

Already the claims service provided by The Home has deteriorated, according to Mr. Adler.

Portman's claims are now being handled by independent adjusters rather than the Home adjusters that handled the business only three months ago, he said.

"The Home adjusters were much more professional and able to deal with clients," he said.

However, a Home spokesman responded, "We are striving to maintain the same high quality of service that we've always offered, and it's not fair to draw a conclusion that this is a trend from one isolated incident."

The enhanced deal, though, does little to allay the concerns of Home bondholders, said Max Holmes, director of bankruptcy research at Salomon Bros. in New York, a Home bondholder.

"I'm underwhelmed," he said.

The new offer simply guarantees interest payments on Home's debt for two years, Mr. Holmes said. "We're not that worried about the next two years. It's the years after that and the return of the principal that we are concerned about," he said.

If the deal goes through unchanged, the bondholders will only have bonds from a company that owns an insurance company in runoff instead of an insurer that is still writing business, Mr. Holmes said.

Unless Zurich sweetens its offer further, it will face protracted litigation with bondholders, he said.

State regulators have 60 days from Feb. 10, when they received details of the new offer, to act on the deal. BI

Updates

Dow Chemical implant liability

HOUSTON—Dow Chemical Co. is facing liability for the first time in a silicone gel breast implant suit.

A Houston jury last week awarded $5.2 million to Gladys Laas, a retired Texas nurse, finding Dow Chemical 20% liable and implant manufacturer Dow Corning Corp. 80% liable. Dow Corning is a joint venture of Dow Chemical and Corning Inc.

While Dow Chemical had earlier denied making or distributing implants, plaintiffs lawyers argued that the company assisted with research and that Gruppo Lepetit, an Italian Dow Chemical affiliate, distributed implants overseas. Dow Chemical's former general counsel disclosed Gruppo Lepetit's involvement last year (*BI*, Nov. 21, 1994).

Plaintiffs lawyers say the verdict could force Dow Chemical to contribute to the $4.75 billion global settlement of implant cases. It could also persuade an Alabama judge overseeing the global fund and all federal implant litigation to allow claims against Dow Chemical in future cases, lawyers say.

Dow Chemical says it will not join the global settlement. The company has asked the Houston judge to throw out the Laas award and will appeal if it is not overturned, a spokesman said.

Jury sets asbestos punitives

BALTIMORE—Three former asbestos makers that knowingly exposed shipyard workers to asbestos products must pay punitive damages tied to the amount of compensatory damages awarded in the case, a Maryland state court jury found.

In one of the final phases of the nation's largest consolidated asbestos litigation, the jury found 27 former asbestos makers liable for wrongful exposure but required only Westinghouse Electric Corp., Dresser Industries Inc. unit Harbison-Walker, and Rapid-American Corp. to pay punitive damages.

In any case in which the three have to pay compensatory damages, Westinghouse and Harbison-Walker must pay punitive damages equal to two times compensatory damages. Rapid-American must pay punitive damages equal to compensatory damages, the jury said.

The scale immediately applies to five plaintiffs whose cases were used as examples. Their compensatory awards ranged from $500,000 to $9 million and were divided into shares based on the number of companies' products to which each was exposed. Westinghouse has no shares in these cases, but it faces 50 to 60 cases in which damages have not been decided.

Plaintiffs attorneys say jury-determined punitive damages formulas are becoming more common in mass tort cases.

GOP health reform bills

WASHINGTON—Congress can expect to receive at least one more bill calling for incremental health care reform this week.

Rep. Harris Fawell, R-Ill., chairman of the Economic and Educational Opportunities Employer-Employee Relations Subcommittee, plans to introduce the "ERISA Targeted Health Insurance Reform Act of 1995" early this week. It would restrict insurers' use of pre-existing condition clauses and would require insurers and multiemployer health plans to renew worker health coverage.

Employers would be permitted to form voluntary insured or self-insured multiemployer health plans. Also, the bill promotes employer health coalitions that would allow single- and multiemployer plans to negotiate prices with providers. The bill would also limit state benefit mandates and "restructure" state laws limiting the use of managed care. And, the bill promotes medical savings accounts.

Medical savings accounts would also be encouraged under the "Basic Health Care Reform Act of 1995," H.R. 1234, introduced last week by Rep. Bill Thomas, R-Calif., chairman of the House Ways and Means Health Subcommittee. Like the pending Fawell bill, H.R. 1234 would place limits on the use of pre-existing conditions to limit coverage. It would permit businesses with 50 or more employees to self-insure and encourages the creation of "voluntary health plan choice organizations" to negotiate with insurers.

Briefly noted

Massachusetts employers are expected to save $200 million from a 16.5% reduction in workers comp rates, retroactive to Jan. 1, which was approved last week....U.K. risk managers are being offered **new commercial property terrorism insurance** as an alternative to the government-backed program run by Pool Reinsurance Ltd. A package providing up to $25 million per location and led by Lloyd's of London underwriters is being offered by Willis Corroon Group P.L.C., C.T. Bowring & Co (Insurance) Ltd., Sedgwick Group P.L.C., Alexander & Alexander (U.K.) Ltd. and Bain Hogg P.L.C....**Superfund '95,** a new broad-based business/insurer coalition, expects to issue its policies and goals within a few weeks. George Baker, a partner in the Washington law firm Williams & Jensen, will be executive director of the group....Edgerton, Wis., has asked the U.S. Supreme Court to review a Wisconsin high court ruling that comprehensive general liability insurance policies do not cover the cost to fight or comply with a **state pollution cleanup order** (*BI*, June 27, 1994)....Officials at **WellPoint Health Networks Inc.** of Woodland Hills, Calif., refused to comment on rumors that WellPoint is for sale and would not confirm that discussions are taking place with any of the potential suitors named in recent news accounts...The House Commerce Committee voted 33-to-10 to approve the section of H.R. 10 that would make it harder for investors to show that their losses stem from fraud. The bill also would limit **accountants' liability for corporate fraud** and institute a modified "loser pays" rule in certain securities suits....**Piper Jaffray Cos.** agreed to pay about $70 million to mutual fund investors who sued after their fund sustained derivatives losses. Investors and a federal judge must still approve the offer.

For the Record

Kentucky comp rates up for coal mining firms

FRANKFORT, Ky.—Workers compensation rates are up an average of 89.7% for operators of surface and underground coal mines in Kentucky.

The Kentucky Workers Compensation Insurance Plan, which provides assigned risk plan coverage to the mine operators, had sought a 211.1% increase to cover the costs of traumatic and occupational disease claims since the last rate increase in the late 1980s.

Insurance Commissioner Don W. Stephens ordered the 89.7% increase effective Feb. 1.

A spokesman for the mining companies testified that the proposed increase would have caused many coal companies to cease operations and others to discontinue offering health insurance coverage for their workers.

Those actions, the spokesman said, would hurt the plan by increasing the number of workers compensation claims that would be filed against it and chargeable to the period for which the rate increase would be in effect.

States moving on tort reform efforts

AUSTIN, Texas—Tort reform efforts are advancing in three states.

Bills in Texas, Illinois and Wisconsin would cap awards for non-economic damages such as pain and suffering. In two of the states, broader reform would also eliminate joint and several liability, limit attorneys fees and impose tougher rules on filing lawsuits.

In Texas, the state Senate has approved the first of what is a series of 12 tort reform bills.

The bill would require the filers of frivolous suits to pay their opponents' legal fees. Other bills aim to eliminate venue shopping and limit punitive damages to two times actual economic damages.

A bill introduced in Illinois would place a $500,000 cap on non-economic damages such as pain and suffering and punitive damages.

There would be no cap for damage inflicted through criminal acts.

The bill would also reduce the fees lawyers can charge and tighten standards on expert witnesses in medical malpractice lawsuits.

And in Wisconsin, the state Assembly has approved a $350,000 cap on damages for pain and suffering in medical malpractice suits.

The state Senate will hold a joint hearing on the bill with the judiciary and insurance committees on Feb. 22.

Labor groups win safety program grants

SACRAMENTO, Calif.—State grants totaling more than $500,000 have been awarded to nine California organizations to help establish occupational injury and illness prevention programs.

Once the programs are completed, prototypes will be made available to other employers by the state Commission on Health and Safety and Workers Compensation, which awarded the funding.

The commission was created under California's 1993 workers compensation reform law.

The organizations receiving the grants are as follows:

- Oil, Chemical & Atomic Workers International Union, Western Region, $75,418.
- South Bay AFL-CIO Labor Council, in conjunction with seven local unions, $72,151.02.
- Davis Wire Co. and Teamsters Local 986, $75,000.
- California Labor Federation in cooperation with 30 other labor organizations, $75,000.
- San Mateo County Risk Management Division, American Federation of State, County & Municipal Employees District Council 57, Organization of Deputy Sheriffs/Service Employees International Union, Local 715, Probation & Detention Assn. and the California Nurses Assn., $75,000.
- Hope Rehabilitation Services and Service Employees International Union Local 535, $64,944.
- Bay Counties District Council of Carpenters and the 46 Northern California Counties Carpenters Joint Apprenticeship Program, $37,809.
- Los Angeles Unified School District, $15,788.85.
- Cambria Community Health Care District, $12,545.

24-hour pilot projects launched in California

SAN FRANCISCO—Three new 24-hour coverage pilot projects are being launched in California after they received the green light from the state Division of Workers Compensation in January.

The 24 Hour Care Alliance formed by Sharp HealthCare and TIG Insurance Co. is being marketed to small employers in San Diego.

Kaiser Permanente's Northern California region is inaugurating a program covering both public-and private-sector employees in Sacramento and Santa Clara counties.

So far, a fruit-packing company in Santa Clara County and an auto dealership in Sacramento County have signed up with the Kaiser plan, according to the division, which declined to identify the employers.

Meanwhile, Maxicare Life & Health Insurance Co., which has established a network of providers trained in both occupational and non-occupational medicine, will begin offering 24-hour coverage in Los Angeles County this month.

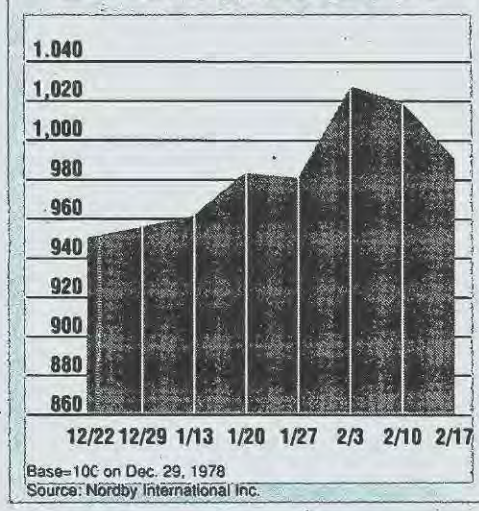
Maxicare's approach differs from the other pilot programs in that employees initially see their health plan primary care physician for work-related injuries.

In the other programs, injured employees are first sent to physicians who specialize in occupational medicine.

The three-year pilot programs are among the first in the nation to test the 24-hour care approach. Under this approach, employers are allowed to offer employees an integrated health care plan covering both general health care needs and medical treatment for work-related injuries and illnesses.

In addition to the three programs launched this year, a fourth program conducted by Kaiser Permanente and the State Compensation Insurance Fund has been operating in San Diego County since May 1994. BI

BI Insurance Index



Base=10C on Dec. 29, 1978
Source: Nordby International Inc.

Catastrophe insurance option call spreads

As of Feb. 17

Call spread	Price bid/ask	Rate on line %	Call spread	Price bid/ask	Rate on line %
Eastern September 1995			Western Annual 1995		
45/65	5.8/6.1	29/30.5	20/30	0.5/3	5/30
50/70	5.3/5.5	26.5/27.5	30/40	0.3/1.8	3/18
60/80	4/5.5	20/27.5	30/50	0.5/2.5	2.5/12.5
100c	8.5/12	8.5/12	50/70	0.6/1.8	3/9
150c	4/5.5	8/11	60/80	0.3/3.5	1.5/17.5

Total volume: 24 Total open interest: 4,335

For quotes, call the CBOT trading floor at 312-341-3342. For general information, call 312-435-3674.

Source: Chicago Board of Trade

British Issues

Feb. 16 Companies	Price pence	P/E*	Div.* pence	Yield %	1 week high—low
Commi Union	526	16.7	31.0	5.9	531—526
Genl Accident	541	10.8	34.4	6.4	548—541
Gdn Royal Exch	181	11.6	9.5	5.2	182—181
Independent	278	9.1	10.4	3.7	278—270
Royal	286	12.4	9.4	3.3	289—286
Sun Alliance	313	14.1	18.4	5.9	315—313
Brokers					
Bradstock	97	10.9	7.1	7.3	97—97
Fenchurch	154	10.7	10.0	6.5	155—154
CE Heath	237	8.4	20.0	8.4	237—235
JIB Group	122	10.7	9.4	7.7	122—122
Lloyd Thmpson	152	10.6	9.8	6.4	152—150
Lowndes Lmbrt	167	10.5	9.4	5.6	168—167
Nelson Hurst	174	17.1	7.0	4.0	175—174
PWS Holdings	18	N/M	0.8	4.4	18—17
Sedgwick Grp	157	17.4	7.5	4.8	158—156
Steel Brl Jones	118	N/M	11.3	9.6	118—118
Willis Corroon	144	13.3	8.3	5.8	144—140

Source: Philip Olsen, London *Latest actual year

BI Industry Stock Report FEB. 13, 1995, THROUGH FEB. 17, 1995

BROKERS		Price	Weekly % change	Year to date % change	Annual High	Annual Low	Vol.(000)	$ Div.	% Yield	P/E	Book value	Mkt./Bk. value
Acordia Inc.	NYS	33.13	-1.12	-1.12	34.50	24.63	37	0.72	2.17	16	13.24	2.50
Alexander & Alexander	NYS	21.63	-0.57	16.89	22.50	14.00	129	0.10	0.46	-8	6.08	3.56
E.W. Blanch Holdings Inc.	NYS	21.00	2.44	1.82	23.00	15.75	34	0.40	1.90	17	4.55	4.62
Gallagher Arthur J. & Co.	NYS	35.38	2.17	10.55	36.00	28.13	68	1.00	2.83	16	6.48	5.46
Hilb, Rogal & Hamilton	NYS	11.00	-2.22	-9.28	13.38	10.88	117	0.56	5.09	14	4.72	2.33
Marsh & McLennan	NYS	82.00	0.31	3.47	88.75	71.25	361	2.90	3.54	16	19.40	4.23
Poe & Brown	NDQ	22.50	3.45	3.45	22.75	17.00	12	0.48	2.13	14	4.49	5.01
BROKERS	AVERAGE		0.6	3.7					2.6	12		
INSURERS/REINSURERS												
ACE Ltd.	NYS	25.00	-2.44	6.95	28.88	20.75	188	0.44	1.76	-8	22.45	1.11
Acceptance Insurance Cos.	NYS	16.38	2.34	9.17	18.00	11.13	84	0.00	0.00	12	9.83	1.67
AEGON N.V.	NYS	67.13	2.48	5.71	67.13	49.38	16	2.92	4.35	11	43.84	1.53
Aetna Life & Casualty	NYS	51.88	-2.35	10.08	63.88	42.25	1510	2.76	5.32	13	57.21	0.91
Allied Group Inc.	NDQ	26.75	-4.46	8.08	31.00	22.00	126	0.60	2.24	6	23.43	1.14
Allmerica Prop. & Casualty	NYS	19.25	-0.65	14.07	20.13	14.25	338	0.16	0.83	12	19.45	0.99
Allstate Corp.	NYS	25.88	-1.90	6.95	26.88	22.63	1984	0.78	3.01	24	19.60	1.32
American General	NYS	31.00	3.33	9.73	31.38	24.88	1885	1.24	4.00	13	20.39	1.52
American Heritage Life Ins.	NYS	19.00	0.66	0.00	19.50	16.50	18	0.64	3.37	11	12.42	1.53
American Indemnity/Fin'l	NDQ	11.88	1.06	17.28	14.25	10.00	12	0.24	2.02	3	15.92	0.75
American International	NYS	103.13	-0.84	5.23	106.88	81.75	2086	0.46	0.45	16	49.75	2.07
American Re Corp.	NYS	33.75	0.75	4.65	35.75	23.50	152	0.32	0.95	17	16.85	2.00
Aon Corp.	NYS	34.25	0.37	7.03	35.75	29.25	382	1.28	3.74	11	21.96	1.56
Argonaut Group	NDQ	30.38	-0.41	7.52	31.50	26.25	60	1.16	3.82	10	29.80	1.02
AVEMCO Corp.	NYS	15.63	3.31	1.63	17.38	13.38	36	0.44	2.82	13	6.30	2.48
Baldwin & Lyons Inc.	NDQ	16.63	0.00	12.71	17.63	13.75	42	0.24	1.44	12	13.56	1.23
Berkley W.R. Corp.	NDQ	36.25	-3.01	-3.33	42.00	32.50	106	0.44	1.21	22	36.47	0.99
Berkshire Hathaway Inc.	NYS	23450.00	-1.47	14.95	25200.00	15150.00	3	0.00	0.00	30	9157.79	2.56
Capital RE Corporation	NYS	24.00	1.05	-12.33	27.38	18.63	43	0.20	0.83	9	21.48	1.12
Capsure Holdings Corp.	NYS	12.63	-2.88	-13.68	16.13	12.13	41	0.00	0.00	13	13.72	0.92
Chubb Corp.	NYS	78.88	-0.47	1.94	82.63	68.63	1005	1.84	2.33	13	48.40	1.63
CIGNA Corp.	NYS	75.13	6.18	18.07	75.13	57.00	2360	3.04	4.05	10	80.98	0.93
CNA Financial Corp.	NYS	71.13	1.61	9.63	79.88	60.00	81	0.00	0.00	139	73.83	0.96
Continental Corp.	NYS	19.38	0.65	1.97	26.75	12.00	807	0.00	0.00	-2	29.69	0.65
EMC Insurance Group Inc.	NDQ	9.56	-1.92	0.66	10.75	8.50	209	0.52	5.44	8	10.77	N.A.
Emphesys Financial Gr. Inc.	NYS	37.38	-1.32	17.72	38.88	21.25	224	0.60	1.61	10	N.A.	N.A.
EXEL Ltd.	NYS	42.50	2.10	7.59	45.13	36.00	479	1.32	3.11	16	31.62	1.34
Fremont General Corp.	NYS	20.00	-5.88	-14.44	26.00	20.00	362	0.76	3.80	6	22.90	0.87
Frontier Insurance Group	NYS	22.00	-5.38	0.57	37.50	16.75	184	0.48	2.18	17	14.94	1.47
Gainsco Inc.	ASE	8.75	1.45	6.06	9.41	7.63	149	0.04	0.46	12	3.79	2.31
General RE Corp.	NYS	128.50	-0.58	4.05	133.00	101.75	808	1.96	1.53	16	57.17	2.25
Guaranty National Corp.	NYS	16.75	-2.90	-8.84	18.50	14.25	13	0.48	2.87	11	11.84	1.41
Harleysville Group	NDQ	24.63	1.55	1.55	27.00	19.75	31	0.68	2.76	18	20.18	1.22
Hartford Steam Boiler	NYS	42.25	-1.46	5.96	52.88	35.88	103	2.20	5.21	17	14.62	2.89
HCC Insurance Holdings	NDQ	25.50	3.03	21.43	25.50	15.00	157	0.00	0.00	16	10.75	2.37
Home Holdings Inc.	NYS	8.88	-4.05	-5.33	17.50	3.00	90	0.00	0.00	-3	22.36	0.40
ITT (Hartford Group)	NYS	97.63	3.31	10.16	98.25	77.00	1567	1.98	2.03	12	49.95	1.95
Kemper Corp.	NYS	40.88	-7.10	7.92	65.00	35.75	3664	0.92	2.25	22	28.68	1.43
Lincoln National	NYS	39.50	0.64	12.86	43.88	34.63	779	1.72	4.35	12	31.99	1.23
Markel Corp.	NDQ	45.75	5.17	10.24	46.00	37.50	135	0.00	0.00	14	25.15	1.82
Mid Ocean Ltd.	NDQ	26.38	-7.25	-3.21	30.50	22.25	232	0.00	0.00	11	20.24	1.30
Mutual Risk Mgmt. Ltd.	NYS	28.25	8.65	7.62	29.00	21.13	147	0.32	1.13	16	9.11	3.10
NAC Re Corp.	NDQ	31.50	0.80	-5.97	34.00	24.00	306	0.16	0.51	16	19.75	1.59
National Re Corp.	NYS	28.88	5.96	10.00	31.75	22.25	128	0.16	0.55	18	17.31	1.67
Navigators Group	NDQ	18.25	-3.95	25.86	22.00	13.75	8	0.00	0.00	-5	10.21	1.79
Nobel Insurance Ltd.	NDQ	8.56	5.38	3.79	8.75	7.63	79	0.20	2.34	4	6.84	1.25
Ohio Casualty Corp.	NDQ	32.75	2.34	15.93	33.00	26.50	412	1.52	4.64	13	24.68	1.33
Old Republic Int'l	NYS	24.75	0.51	16.47	25.50	18.88	445	0.48	1.94	10	24.60	1.01
Orion Capital Corp.	NYS	36.25	-2.68	2.84	37.88	28.13	139	0.80	2.21	9	25.86	1.40
Partner Re Holdings Ltd.	NDQ	22.00	2.33	6.02	22.25	18.50	366	0.40	1.82	8	N.A.	N.A.
Penn-America Group Inc.	NDQ	7.00	-3.45	-5.08	8.00	6.50	26	0.00	0.00	9	6.21	1.13
Phoenix RE Corp.	NDQ	24.75	-6.16	-12.39	29.25	18.50	252	0.60	2.42	5	22.86	1.08
Provident Life	NYS	24.38	-2.01	12.07	30.63	21.50	160	0.72	2.95	9	27.09	0.90
Re Capital Corp.	NDQ	17.88	0.53	45.92	18.00	12.00	125	0.32	1.79	16	17.63	1.01
Reliance Group Holdings	NYS	5.00	-6.98	-3.61	6.75	4.88	894	0.32	6.40	12	3.48	1.44
Reliastar Financial Corp.	NYS	33.88	-0.73	16.81	34.50	33.75	699	0.90	2.66	10	24.81	1.37
RLI Corp.	NYS	22.63	1.69	10.37	25.50	19.88	7	0.60	2.65	27	20.51	1.10
St. Paul Companies	NYS	47.88	0.26	6.98	48.88	37.69	889	1.60	3.34	9	31.88	1.50
SAFECO Corp.	NDQ	54.00	0.12	3.85	59.75	46.75	555	1.96	3.63	12	46.94	1.15
SCOR U.S. Corp.	NYS	8.13	-1.52	-2.99	12.25	7.50	16	0.36	4.43	-18	13.60	0.60
Seibels Bruce Group	NDQ	2.13	-17.07	-15.00	3.50	1.38	139	0.00	0.00	9	1.05	2.02
Selective Ins. Group	NDQ	27.50	1.85	8.91	29.50	23.00	48	1.12	4.07	10	23.36	1.18
Sphere Drake Holdings	NYS	14.00	1.82	0.90	17.88	10.75	113	0.16	1.14	6	13.15	1.06
TIG Holdings	NYS	21.38	2.40	14.00	21.75	17.00	720	0.20	0.94	27	17.25	1.24
Titan Holdings, Inc.	NYS	9.88	-4.82	1.28	11.38	7.75	69	0.28	2.84	8	9.31	1.06
Tokio Marine & Fire	NDQ	52.88	-1.63	-12.96	66.00	51.75	60	0.40	0.76	46	57.72	0.92
Torchmark Corp.	NYS	41.88	2.45	21.38	45.00	32.38	424	1.12	2.67	11	17.49	2.39
Transatlantic Holdings	NYS	58.00	-2.52	3.80	59.63	45.38	39	0.40	0.69	14	32.43	1.79
Transnational Re Corp.	NDQ	19.75	-4.82	-15.96	25.50	17.25	827	0.00	0.00	7	N.A.	N.A.
Travelers Corp.	NYS	38.63	-0.64	19.31	39.88	30.38	2732	0.80	2.07	10	24.26	1.59
Trenwick Group Inc.	NDQ	43.88	1.45	3.54	44.25	33.25	72	1.00	2.28	14	29.20	1.50
United Fire & Casualty	NDQ	28.50	1.79	3.01	29.81	24.00	2	0.80	2.81	10	28.96	0.98
Unitrin	NDQ	47.25	0.53	9.88	51.50	38.50	1157	2.00	4.23	16	38.64	1.22
UNUM Corp.	NYS	43.25	2.98	14.57	58.00	35.13	1433	0.96	2.22	21	27.78	1.56
US Facilities Corp.	NDQ	12.88	-2.83	28.75	14.63	8.25	457	0.00	0.00	12	11.07	1.16
USF&G Corp.	NYS	14.75	0.85	9.26	15.63	11.69	1347	0.20	1.36	7	10.04	1.47
USLIFE Corp.	NYS	37.50	-0.66	7.53	41.38	30.38	133	1.32	3.52	9	40.82	0.92
Washington National	NYS	18.75	-1.32	-1.32	25.13	18.38	63	1.08	5.76	6	23.61	0.79
Zenith National Ins.	NYS	21.88	1.74	-3.85	27.38	20.63	47	1.00	4.57	11	17.54	1.25
Zurich Reinsurance Centr.	NYS	30.00	3.45	3.90	30.00	24.25	52	0.00	0.00	-25	22.26	1.35
INSURERS/REINSURERS	AVERAGE		-0.4	5.8					2.3	13.2		
HEALTH MAINTENANCE ORGANIZATIONS												
FHP International	NDQ	27.13	0.00	5.34	31.00	20.25	1251	0.00	0.00	15	12.22	2.22
Humana Inc.	NYS	23.63	-3.57	4.42	25.75	15.38	3811	0.00	0.00	21	6.04	3.91
Pacificare Health Sys.	NDQ	68.75	-2.83	5.57	79.50	44.25	111	0.00	0.00	23	14.21	4.84
Safeguard Health Enter.	NDQ	8.63	0.00	-6.76	15.50	8.25	96	0.00	0.00	20	6.16	1.40
Sierra Health Services	NYS	30.50	1.24	-3.56	33.50	21.25	144	0.00	0.00	18	6.04	5.05
United Healthcare Corp.	NYS	43.00	-11.11	-4.71	55.38	37.25	10846	0.03	0.07	26	6.57	6.54
U.S. Healthcare	NDQ	42.50	-5.56	3.03	49.00	33.75	9767	1.00	2.35	17	5.04	8.43
Wellpoint Health Networks	NYS	33.25	13.19	14.16	37.00	24.25	1412	0.00	0.00	16	12.73	2.61
HMOs	AVERAGE		-1.1	2.2					0.3	17		
ALL COMPANIES	AVERAGE		-0.3	3.9					2.5	16		

Top advancing issues: Wellpoint Health Networks; Mutual Risk Mgmt. Ltd.; CIGNA Corp. Leading decliners: Seibels Bruce Group; United Healthcare Corp.; Mid Ocean Ltd. Most active issue: United Healthcare Corp. The BI Index fell 2.9%; the Dow Jones 30 Industrials rose 0.7%; the S&P 500 increased 0.1% and the NYSE Composite gained 0.2%.

System design: Nordby International Inc.

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