

Business Insurance

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USAIG hikes Pan Am reserves after negligence finding upheld

LONDON—U.S. Aviation Insurance Group now expects to pay up to \$470 million to families of those killed when Pan American World Airways Inc. Flight 103 exploded over Lockerbie, Scotland, in 1988.

Aviation underwriters predict that the Pan Am loss will be the largest single liability loss in aviation insurance history.

Earlier this month, USAIG, Pan Am's leading liability insurer, increased the reserve from \$90 million after a federal appeals court ruled the airline was guilty of

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Implant makers near a deal

By JOANNE WOJCIK

BIRMINGHAM, Ala.—As the three leading makers of silicone breast implants near an agreement that could cap their liability in hundreds of thousands of product liability lawsuits, they still are wrestling with their insurers over the coverage to pay for it.

Dow Corning Corp., Bristol-Myers Squibb Co. and Baxter Healthcare Corp. announced last week that they have agreed on the amounts each will contribute to a \$4.75 billion settlement to finance five funds that would be made available over 30 years to women

\$4.75 billion settlement would fund claims

with silicone breast implants.

The funds consist of a medical monitoring fund, an implant removal fund, a rupture fund, a compensation fund for recipients that don't qualify for compensation from other funds and a reserve fund that will pay for administrative expenses. Payments from each of the funds to individual claimants would be based on the type of injuries sustained.

The settlement contributions would be based on each manufacturer's market share, litigation ex-

posure and ability to defend the claims, with Dow Corning paying \$2 billion, Bristol-Myers \$1.5 billion and Baxter \$556 million.

Formal ratification of the deal, however, depends on several conditions. One is participation by other manufacturers with smaller shares of the market. Another is the ability of manufacturers to drop out if a certain number of victims choose not to participate. Each manufacturer would be left to their own discretion to determine if the number of participants is sufficient.

And though the plaintiffs' negotiating team maintains that the agreement is not contingent on the companies securing coverage, sources close to the negotiations say a final settlement is unlikely unless insurers promise to pay.

"Every company wants and needs their carriers to support this agreement by making payments of legitimate coverage under the policies both for indemnification and defense costs," said James R. Jenkins, general counsel for Dow

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Lloyd's bracing for litigation after settlement fails

By STACY SHAPIRO

LONDON—The rejection of Lloyd's of London's 900 million pound (\$1.31 billion) offer to settle suits between members and their agents means several more years of bad publicity and aggravation for the market.

Most brokers and risk managers say they are confident that Lloyd's reputation for paying all valid claims will not suffer while the market is embroiled in litigation.

But Lloyd's security will continue to be closely watched in light of billions of dollars more in losses expected over the next two years and the growing role of limited liability corporate capital.

And Lloyd's security also is under scrutiny following suggestions by executives of NewCo, the market's proposed runoff reinsurer, that they may seek to commute some longtail liabilities with policyholders (BI, Feb. 14). Commutation often is used when policyholders are concerned about an insurer's ability to pay future claims.

"We're continuing to monitor Lloyd's and we consider it acceptable security," summed up a security analyst for a Lloyd's broker who did not wish to be named. However, "we're reviewing how we look at Lloyd's at the moment," he added.

Historically, the analyst said, brokers have approved of Lloyd's security based on its global returns and its solvency certificate from the British Department of Trade and Industry.

In the future, he said, brokers may look beyond the overall market and consider such factors as: the security of individual syndicates; the strength of the market's Central Fund; the quality of corporate capital backing syndicates; and the ability of members to pay losses.

The vote on Lloyd's 900 million pound offer fell far short of the level required for its acceptance.

Of the 23,488 members who have filed negligence claims against their agents, 12,103, or 52%, agreed to the offer. But those names represented only 38% of the settlement amount. Approval required acceptance by members representing more than 70% of the offer's value.

The result came as no surprise. The offer had been publicly rejected by all but one of the nearly 30 members action groups, including the two largest—Gooda Walker Action Group and Feltrim Names Assn.

"I regret the final result," Lloyd's Chairman David Rowland wrote to members last week. "I am particularly sorry for those many members of our society not presently litigating to whom offers were made and which now lapse. Litigation is an untidy, lengthy and expensive route. It may yield benefit to some who have chosen it, but I fear that others will be disappointed in that course."

However, Mr. Rowland vowed that the rejection of the offer will not affect the future development of Lloyd's. "This will be determined by the market."

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Not taking the bait

Employers say Clinton lost their support by ignoring their input

By CHRISTINE WOOLSEY

The Clinton administration may have hoped the business community would swallow its health care reform plan hook, line and sinker, but it looks like Corporate America will be the big fish that got away.

While its reform proposal on paper reads like an employer's dream—capping employer premiums and slashing early retiree health care liabilities—American business is spurning the president's plan.

There is a sense of frustration—and in some cases, anger—among employer groups, which say senior administration officials did not fulfill promises to address corporate concerns when the legislation was sent to Congress last year. While the administration's ears may have been open, their minds clearly were not, employer groups complain.

"Although the administration said they wanted our ideas and were willing to listen, we never saw that they heeded anything we said," explained Ken Feltman, executive director of the Employers

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Why business dislikes Clinton plan

National Retail Federation:

Clinton plan would force business to eliminate low-paying jobs, hurting the very people it is trying to help.

U.S. Chamber of Commerce:

Employer premium contributions are too high and basic benefit package too rich. Too much bureaucracy.

The Business Roundtable:

Clinton plan would give government too much control over health system. Cooper bill should be starting point.

National Assn. of Manufacturers:

Too costly to maintain company plans outside alliances. Inadequate financing and reliance on price controls.

GRAPHIC BY KIM ROME

Hillary Clinton blasts Cooper plan

By JERRY GEISEL

WASHINGTON—Looking to regain momentum for the administration's health care reform package after a series of reversals, Hillary Rodham Clinton is counterattacking a rival proposal that is gaining support from the business community.

Mrs. Clinton labeled as "dangerous and threatening" a provision in legislation proposed by Rep. Jim Cooper, D-Tenn., that would limit employer tax deductions for health care costs.

Capping the deductions would translate into loss of benefits and choices for employees and trigger endless legal wrangles in determining whether the tax cap should apply, she warned in a

speech last week to the Group Health Assn. of America.

Another key element of the Cooper bill—creating a new federal board to set the basic benefits that all health plans would have to provide—would make it impossible for actuaries to project the cost of his proposal, said Mrs. Clinton.

Rep. Cooper was not her only target. She also argued that a proposal to require all individuals to obtain health insurance, an idea backed by a number of Republicans, would be virtually impossible to enforce and would encourage employers to drop coverage for low-wage employees.

Mrs. Clinton's remarks came amid a series of

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Updates

USAIG reserves \$470 million

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willful misconduct for failing to detect a bomb on board. The Warsaw Convention liability cap—\$75,000 per person—does not apply if misconduct was willful (BI, Feb. 7).

The \$470 million includes \$66 million in paid liability claims, including settlements for the 11 people killed on the ground in Scotland and a few of the 244 passenger claims.

USAIG originally set the reserve at \$60 million, half for compensation to passengers' families. A grand jury is investigating whether Pan Am or its insurers suborned perjury to avoid paying greater damages to the families (BI, Oct. 11, 1993; Jan. 16, 1989).

USAIG has called a meeting on March 8 in London to discuss the Pan Am case. The insurer declined to comment.

Insurers fault 'arbitrary' finding

DURHAM, N.C.—Health insurers are crying foul over a Duke University study that concludes their coverage decisions for a contentious breast cancer treatment are "arbitrary and capricious."

The expensive treatment fights breast cancer with massive doses of chemotherapy, but it also destroys bone marrow. After the chemotherapy, the patient is injected with a small amount of her own previously drawn marrow to help regenerate the tissue. The treatment's effectiveness is unclear, the National Cancer Institute says. But some doctors say early results show it is promising.

The Duke study found that health insurers covered the cost of the treatment for 412, or 77%, of the 533 women with advanced or high-risk breast cancer who participated in 11 clinical studies at Duke from 1989 through 1992. But about half of those denied coverage were medically suitable for the procedure, the study found. And, doctors later denied treatment for nearly one-fourth of the women for whom insurers said they would cover the treatment's costs.

Dr. John L. Cova, the Health Insurance Assn. of America's medical technology consultant, called the study's conclusions a "cheap shot." He said many participants received care through Duke's clinical trials of the treatment. Those trials amounted to "uncontrolled research" because they were not part of the NCI's approved clinical trials. And, many policies exclude coverage for the treatment at employers' request, he said.

But the study found that insurers were as likely to cover women in the Duke clinical trials as those participating in the NCI trials. A spokeswoman said that Duke must conduct its own clinical trials to qualify for NCI funding and participation in NCI trials.

The study also says most of the insurers that denied coverage cited exclusions for experimental treatment—not for that specific care.

Bill would alter pension rules

WASHINGTON—Sen. Howard Metzenbaum, D-Ohio, is preparing legislation that would radically change pension plan law.

The legislation, to be introduced next month, is expected to propose eliminating integration of retirees' pension benefits with Social Security benefits.

In addition, the measure is expected to wipe out a non-discrimination test that now allows employers to exclude a certain percentage of lower-paid workers from their pension plans.

The measure also is expected to sharply stiffen financial penalties on employers who violate various rules.

Sen. Metzenbaum's staff isn't disclosing details of the measure other than to acknowledge that it will be comprehensive.

Separately, the Treasury Department and Sen. Bill Bradley, D-N.J., are preparing proposals that would, among other things, simplify a wide range of pension compliance rules.

Reinsurer ruling reversed

BOSTON—The Massachusetts Supreme Court has reversed a summary judgment that reinsurers do not have to pay legal expenses in coverage disputes between direct insurers and policyholders.

The Supreme Court ruled that the meaning of "expenses" in a reinsurance contract between Johnston, R.I.-based Affiliated FM Insurance Co. and New York-based Constitution Reinsurance Corp. was ambiguous. The case has been returned to the Superior Court in Norfolk, Mass.

Legal expenses in coverage disputes have greatly increased in recent years, largely due to complicated environmental liability cases, said Alan N. Miller, a partner at Robins, Kaplan, Miller & Ciresi in Boston, which represents Affiliated.

The suit is a test case that other courts will follow and will determine whether reinsurers should pay a proportion of the legal costs, he said.

The American Insurance Assn. filed an amicus brief on behalf of Affiliated, and the Reinsurance Assn. of America filed an amicus brief on behalf of Constitution Re.

Temp agency charged in fraud

TALLAHASSEE, Fla.—The owner of Allied Temporaries Inc., an employment agency, and his business partners have been arrested on felony fraud charges for allegedly cheating insurers of more than \$4 million.

Cedric Bodoh and Allied's 17 office managers in 11 Florida cities are charged with a scheme to deceive insurers about employees' job descriptions to receive lower workers compensation premiums.

The suspects allegedly falsified or altered corporate records in attempts to conceal their activity.

Arrest affidavits show that Aetna Insurance Co. discovered the al-

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Natural disasters require federal response: Mineta

By MARK A. HOFMANN

WASHINGTON—The rising cost of natural disasters demands a federal response to make insurance more available while protecting the existing insurance system from cataclysmic payouts, a congressman contends.

The Natural Disaster Protection Act would give the government just such a role, says Rep. Norman Mineta, D-Calif., the measure's sponsor in the House.

Rep. Mineta made his case for

H.R. 2873, which is the subject of hearings before a House panel this week, to a receptive audience at the Council of Insurance Agents & Brokers' legislative conference in Washington earlier this month.

After noting that he began his career working in the family insurance agency in San Jose, Calif., Rep. Mineta said the federal government can and should do more to help in times of crisis.

"The cost of natural disasters has simply surpassed what present systems can handle."

Rep. Mineta noted that the United States generally was not exposed to natural disasters that caused more than \$1 billion in insured damages until the late 1980s. But in 1992 alone, the insured losses from Hurricanes Andrew and Iniki approached \$20 billion. He added that only weeks before he addressed the producers' group, the Los Angeles earthquake and its aftershocks had caused total damages as high as \$30 billion.

"We need to recognize that

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Ice and snow add to woes

Insured losses limited after most recent winter storm

By RODD ZOLKOS

Few reports of insured damage are surfacing yet in connection with the winter storms that raged through the Midsouth and part of the Eastern Seaboard earlier this month.

Whatever claims do result from the Feb. 10 and 11 storms, which dumped heavy amounts of snow and produced ice storms in some areas that were the worst in history, will add to what's already

been a costly quarter for insurers. However, their impact on the property/casualty insurance market should be limited.

"It's an extra nail—but it's just an extra nail," in the insurance industry's coffin, said Sean F. Mooney, senior vp and economist for the Insurance Information Institute in New York. Insurers had not issued estimates of their losses from the most recent onslaught by the end of last week.

But Mr. Mooney cautioned that

even if the first quarter of 1994 is the costliest first quarter on record, the winter weather and Los Angeles earthquake damages are not likely to significantly change market conditions.

Only a major stock market turn or another catastrophe on the scale of 1992's Hurricane Andrew could cause a market turn, he said.

The combination of the quake and the January winter storms are

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Shipowners' renewals reflect lighter losses

P&I rate hikes down sharply

By ADRIAN LADBURY

LONDON—The world's shipowners are seeing sharply lower rate increases as they conclude this year's renewals with their protection and indemnity clubs.

Rates for liability coverage written by the major P&I clubs, which insure about 95% of the world's merchant fleet, were about 7% on average this year, down from average rate hikes of

about 16% reported in 1993.

Shipowners primarily are benefiting from lower-than-expected losses.

Although the number of claims was up last year, the severity of claims appears to have leveled off, underwriters say.

As one club stated in its year-end annual review, "the last 12 months have been characterized by near misses rather than disasters."

The improved claims record, plus the fact that P&I clubs have raised rates for the last four years to boost premium levels and reserves, means that most shipowners got off lightly this year.

P&I clubs are essentially shipowners' mutuals, providing liability coverage against the risk of damage to cargo, injury to passengers and crew, damage to docks and other facilities, among other

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Curbing workplace violence

By SALLY ROBERTS

\$12 million settlement stresses need to act

The owner of a frozen yogurt store and the manager of the mall in which it is located learned firsthand that they can no longer take a passive role in security.

It was an expensive lesson. The two firms' insurers recently paid \$12 million to settle lawsuits by parents of four teenage girls who were murdered during a 1991 robbery at an Austin, Texas, I Can't Believe It's Yogurt store where two of the girls worked.

Loss control and safety special-

ists say that this and similar suits alleging inadequate security show why employers can no longer hide their heads in the sand.

"The general mentality that violence is akin to lightning—that it's an act of God—serves to add to the ever-growing number of people murdered in these kinds of events," said Joseph A. Kinney, executive director of the National Safe Workplace Institute in Chicago.

"What astonishes me in the ser-

vice sector and these acts of violence is how utterly preventable many of them are and how little employers, insurers and risk managers seem to want to do about it. There were 1,004 murders in the workplace in '92. How many do you want before you deal with this as a serious issue?"

Too many businesses decide they would rather take their chances with a violent occurrence than pay for costly security mea-

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• The NAIC may strip Texas of its accreditation, as New York legislators move to protect insurers from adverse actions taken by accredited states. **PAGE 49**

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Spotlight report

Health Care Cost Control

Programs educate employees on health, cut costs

By JUDY GREENWALD

When Don Williams fell to the ground and hit his head during a rough one-on-one basketball game, he was worried.

Although he felt fine, he had suffered a serious head injury in a car accident 20 years ago and wondered whether he should see a doctor about his fall.

But a call to a nurse at an "800" number provided by Bellevue, Wash.-based Employee Managed Care Corp. reassured Mr. Williams, business manager for Portland, Ore., law firm Schwabe, Williamson & Wyatt.

After answering a number of questions, Mr. Williams was told that a visit to a doctor was not necessary.

"I've been very impressed with the response," said Mr. Williams, who has used the service on several other occasions as well.

Telephone health care advisory services are just one of numerous approaches that employers are taking to reduce their medical costs by training employees to be more knowledgeable health care consumers.

The thrust of these programs, which are generally incorporated within larger-scale corporate wellness programs, is to educate employees on health care issues, including the degree of medical care that various ailments require. Is their illness or injury something they can self-treat at home or does it require medical attention? If it does require medical attention, should the employee rush to an emergency room or can it be treated during a more leisurely—and less expensive—visit to a doctor's office?

Employees tapping these programs can receive medical information on their ailments as well as instructions on how to deal with doctors, including encouraging them to ask for less expensive treatment options. In some cases, they are also told how much treatment should cost for certain medical problems.

"One thing that concerned us a number of years ago was the fact that we asked employees to be better consumers, but we don't give them any information," said Clark Sprague, director of group benefits for AT&T Global Information Solutions, formerly NCR Corp., in Houston.

Mr. Sprague's company, which is self-insured, tells its employees

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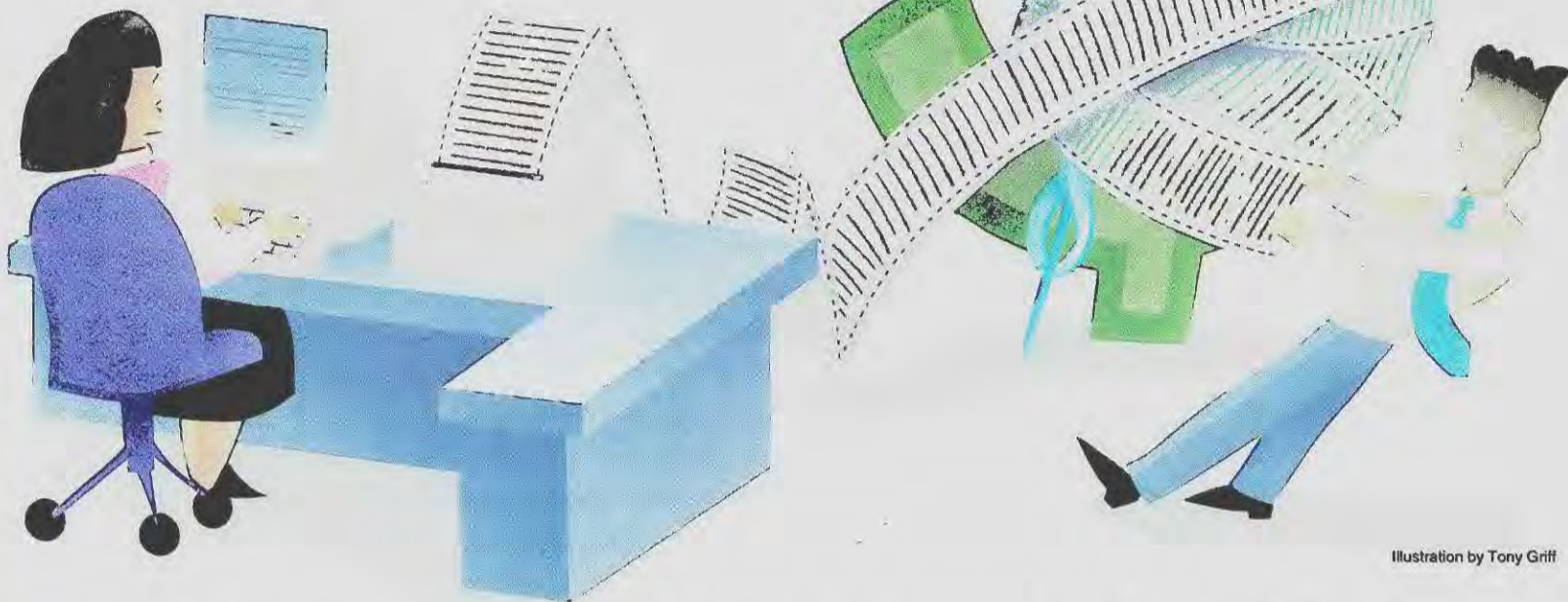


Illustration by Tony Griff

Data analysis helping contain health costs

Crunching claims data helps employers spot quality and cost problems

By CHRISTINE WOOLSEY

Employers that are not actively collecting and analyzing health care claims data to identify cost and quality problems in their health plans are flying blind.

In today's era of cost-consciousness and accountability, data analysis can help employers make more informed decisions regarding their health plans. But, like any other health care management tool, employers should not expect data analysis to cure all their health care ills.

"The 1990s has become a data-driven decade because of health care reform, the broader application of technology in general and increasing demands from senior management to quantify (health plan) performance," said Peter Small, an independent health care consultant affiliated with Corporate Health Strategies, a unit of

Metropolitan Life Insurance Co. of New York.

As more employers implement managed care programs, health care claims analysis experts are offering to identify the real drivers of cost and quality problems.

"I can't imagine trying to run a health care system in multiple states with a number of different health plans without this kind of information. There simply are too many dollars and too many people involved," said Joe Weissenborn, vp of total compensation for First Bank Systems in Minneapolis.

Self-insured FBS began using CHAMP, a health claims data analysis system marketed by William M. Mercer Inc., in 1991.

While many employers have identified high-cost claims—premature births, terminal illnesses and transplants—as the key culprits behind ever-increasing health plan costs, FBS found that sometimes it's the little things that require more attention.

"We identified 30 to 35 particular diagnoses where self-care would have been appropriate," said Bruce Kelley, a Mercer principal who works with FBS. "The largest single expense area (for the bank) was doctor visits for the common cold without bacterial infections."

The majority of the time, the visits would result in recommendations of patient self-care, like bed rest. But tacked onto those \$45 to \$50 doctor visits were a large number of dollars associated with laboratory tests or X-rays. "The ancillary services in addition to the doctor visit accounted for about one-third of the total expense" associated with that particular diagnosis, Mr. Kelley noted.

Based on that information, FBS last month distributed health education materials designed to encourage employees and dependents to help themselves in cases where medical treatment may not

be necessary. The company also began offering employees a telephone service that helps them determine whether a doctor visit is needed.

How does an employee benefits director decide if a data analysis system is worth the investment?

"Generally, your CEO decides for you," said Blaine Bos, a principal with A. Foster Higgins & Co. Inc. in New York. "If he or she gives you a cost containment objective that is difficult to obtain in a manner other than cost shifting to employees or others, you'll need this tool to enable you to cut costs."

Consultants, employers and data analysts emphasize the value that health care claims analysis brings to evaluating the necessity and effectiveness of various cost containment programs.

"This is a way to reality-test vendor claims, promises and programs once they are imple-

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Interest in employer-sponsored clinics grows

By DEBORAH SHALOWITZ COWANS

Despite the uncertainty over health care reform, more and more employers are taking the ultimate step in managed care: operating their own medical centers.

While employer-sponsored medical centers still are few and far between, companies that offer such clinics say they can generate health care cost savings, promote employee loyalty and increase

Medical centers are expensive, but offer employees value

productivity.

However, employer-sponsored medical centers are not for the financially timid; costs can be as high as several million dollars, experts say (see story, page 6).

Nonetheless, health care management companies say that inquiries about forming new employer-sponsored health centers are streaming in. And consultants agree that the topic is currently popular.

"This is an era where everything's up for grabs in health care

cost management," stated Steve Caulfield, a managing director in the Boston office of William M. Mercer Cos. Inc. "Around the country, I see a lot of large employers with workers concentrated in a couple of places looking at this."

Interest in employer-sponsored clinics slowed right after President Clinton's health care reform package was unveiled but has since picked up, said Dr. Michael Hardies, chief executive officer of Corporate Health Dimensions

Inc., a health care management firm in Troy, N.Y.

Corporate Health Dimensions manages 20 medical clinics for 16 companies nationwide.

"There was a wait-and-see attitude" about the Clinton health plan, agreed Dr. Frank Provato, corporate medical director of PHP Healthcare Corp., a health care management company in Alexandria, Va. Now, though, corporate "interest is growing," he said. PHP operates three corporate

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Education

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precisely what it considers a reasonable charge for each procedure. If a provider charges more, the employee must pay the difference in addition to the deductible he or she would normally pay.

A. Foster Higgins & Co. Inc. in Princeton, N.J., served as a consultant.

Todd Connerson, group benefits manager for employees of The St. Paul Cos. Inc. in St. Paul, Minn., agreed that providing information to employees is crucial. "The premise of our activities is employees don't have enough tools to be good health care purchasers, and employers, along with their health plan administrators, have a role in trying to get that information available," he said.

St. Paul, which has used a number of health education initiatives and is planning more, has worked with Blue Cross & Blue Shield of Minnesota and Prudential Insurance Co. of America, as well as with consultant Towers Perrin.

The approach "is an attempt to get employees' permission to get involved in their own care" as well as to "try to demystify the permission process that is historically left secret from them," said Tom Kalbrenner, benefits manager at St. Paul, Minn.-based Waldorf Corp., which makes recycled box boards and folding cartons. Waldorf provides detailed instructions in its summary plan documents on how workers can become more involved in the decision-making process, including how to talk to doctors.

Managed care is making this approach more important, said Ronald Komers, personnel director for Ven-

tura County, Calif. "We've had programs like this since 1985, but we're finding that we are shifting our focus in the light of managed care, in that doctors are under more pressure to treat some problems themselves and not refer to specialists" while insurers sometimes exert pressure in ways that may not be in the patient's best interest.

As a result, "employees need to take a more active role in that process," said Mr. Komers, whose program was a winner of the 1992 C. Everett Koop National Health award granted by The Health Project, a consortium of leading U.S. corporations, labor groups, academics, government agencies and private institutions.

In addition to toll-free numbers, scheduled payments and the use of summary plan documents, other health educational tools used by employers include:

- Health care booklets, which give consumers a wide array of medical information as well as advice on when to go to the doctor for treatment of various ailments and how they can treat them themselves, if appropriate.

- Workshops.
- Interactive videos as well as access to computer data bases.

- Access to medical libraries as well as pamphlets and other information.

However, employers must make sure that the information employees receive is correct.

"You walk a tightrope here," said Bernie Reisberg, president of Minneapolis-based Goodin Corp., a wholesale plumbing and heating equipment distributor that is one of about 100 companies that belong to the Employers Assn. Health Buyers Coalition in Minneapolis. The coalition's insurance program with the

Prudential includes a hot line and a handbook for employees.

While you do not want employees running to the hospital with a cold, "you don't want them to underutilize (health care services), either," said Mr. Reisberg, who suffered recently from what he thought was a cold but turned out to be walking pneumonia.

But, when properly used, these programs can save employers money.

Ray Willis Jr., human resources specialist at West One Bancorp in Boise, Idaho, said the firm was able to lower its 1993 health care premium increase to 10.9% from 13% the previous year thanks to the bank's distribution and active promotion of the "Healthwise Handbook" self-care manual, which is produced by the non-profit Boise-based Healthwise Inc.

Similarly, Schwabe, Williamson's Mr. Williams said, "This year was the first year we had no increase in premiums in our indemnity health plan, and in prior years, we've had just terrible experiences. We've had double-digit increases and had to raise deductibles."

While the law firm has done other things besides introducing the telephone line and an accompanying handbook, "I certainly don't think the... program hurt at all."

Other employers also can offer anecdotes about their programs' success.

Barbara Minton, personnel administrator for Western Newspapers Inc. in Yuma, Ariz., a newspaper chain, said her company provides a schedule of payments and tells employees they must pay for any amounts charged above that level by non-contracted providers, which is a similar approach to the one used by AT&T Global Solutions. The firm has worked with consulting firm Med.Ed. Inc. in Tempe, Ariz.

One Western Newspapers employee whose wife delivered a baby prematurely was able to negotiate more than \$10,000 from his original bills from nine providers, Ms. Minton said. "This guy made a game of it. He said, 'I'm going to get them all,' and he did," she said, adding that once employees understand they are being charged too much, "they have no problem just going out and nailing their doctors and hospitals."

It is sometimes difficult, however, to specifically pinpoint the savings that result from health education programs, say employers, some of which point out that health care reform will make this analysis even more complicated.

"I did have a few employees tell me through conversations that they had on the (hot line) they were alerted to see a doctor and some potentially serious illnesses were prevented by early detection," said Cheryl Buchanan, employee benefits manager at John Wiley & Sons Inc. in New York, a publishing company that works with the Center for Corporate Health in Oakton, Va., a Travelers Corp. unit.

Beyond that, it is hard to quantify any savings from the program, said Ms. Buchanan, adding that she has begun an analysis of the program.

Others are trying to assess the cost-effectiveness of these programs.

Barney Speight, executive vp-marketing and planning services for Blue Cross & Blue Shield of Portland, Ore., said the insurer, along with other Portland-area employers, has been involved in a demonstration project with Rancho Cordova, Calif.-based Access Health Marketing, which features a telephone hot line. An evaluation of the plan will take place this summer, Mr. Speight said. **BI**

If you've ever talked to an insurance company, you know why we've made some structural changes.



Figure A: a brick wall.

Monolith. Unfeeling giant.

Big bureaucratic nightmare.

Insurance companies have been called all kinds of names. With good reason. Their structures tend to have everything to do with their bureaucracies and very little to do with you.

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who are dedicated to your business.

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enables us to identify claim trends.

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waste. And streamline processes.

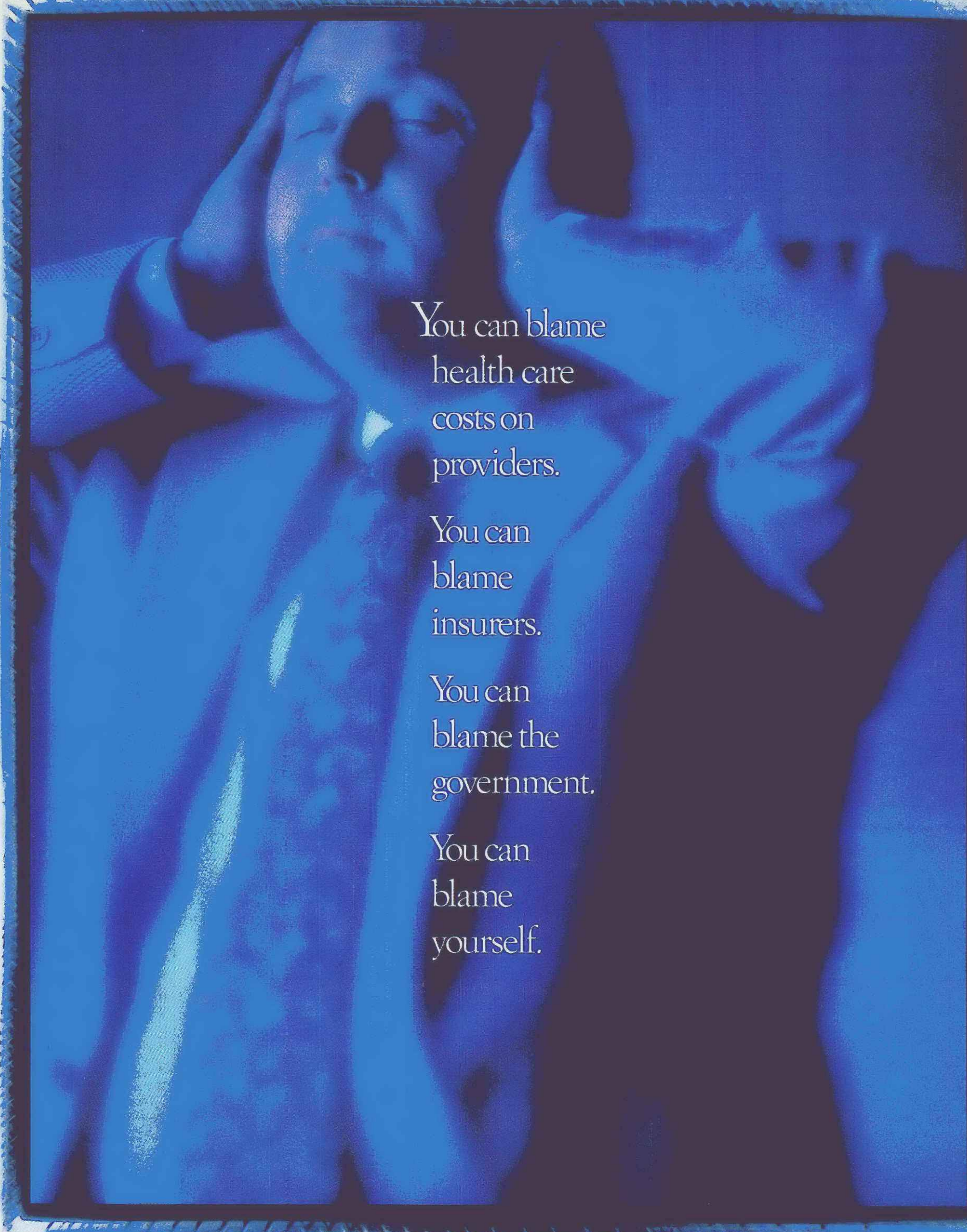
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health care
costs on
providers.

You can
blame
insurers.

You can
blame the
government.

You can
blame
yourself.

Instead of pointing fingers, Wausau is developing solutions. Like ACCURESM a database to check medical charges. CARE-LINKSM for answering health questions. PPO networks. 24-Hour Managed Care. 99% accuracy on group claims paid. You get results, not excuses.



Health clinic

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medical centers and 25 clinics for public-sector clients.

Employer-sponsored medical centers can "not only save considerable amounts of money but also are well received by employees," said Jim Norton, a consultant in the Stamford, Conn., office of A. Foster Higgins & Co. Inc.

He estimated that a typical corporate health clinic accounts for 15% to 20% of an employer's total health care expenditure. But the health care dollars spent in the clinic can represent a savings of up to 25% over the cost of treatment outside the clinic, because the corporate facility can serve as a "gatekeeper" and direct patients to network-affiliated specialists, hospitals and laboratories. Furthermore, because clinic

physicians are paid a fixed salary, they have no financial incentive to order more tests or office visits than are really needed, he added.

Many companies that offer health clinics say they did not build them specifically to save money.

Southern California Edison Co. built its first corporate health clinic in 1903 to serve a rural population that did not have access to adequate health care, said Margaret Jordan, a vp in the company's Rosemead, Calif., headquarters.

The utility built seven other clinics for the same reason, she said. Last year, though, CalEdison closed three of them because not enough employees were using the clinics.

The company is continually evaluating the cost-effectiveness of operating the remaining clinics, she said.

Harden Furniture Co., a furniture manufacturer with 434 employees in rural McConnellsville, N.Y., ex-

panded its corporate medical center in 1991 from just providing occupational medicine to offering a wider range of medical services because the rural population did not have access to quality medical care, noted Nancy Taylor, director of human resources.

"We didn't get into this to save money," she said. "We got into this to provide a service to employees." However, "my gut feeling is we are" saving money on health care.

Harden's clinic offers free care to employees and their dependents. While its primary function is to provide occupational medicine, it offers a wide range of primary care services, including checking patients with colds, flu or rashes, and conducting physicals.

Employee reaction to the clinic has been extremely positive, Ms. Taylor said.

Detroit Newspapers has set up

two corporate medical centers in the past year, according to Randy Allison, benefits/risk manager. "I can't say enough good things" about them, he said.

The centers were set up so the company could have fast, quality responses to on-the-job injuries, Mr. Allison said. In addition to providing occupational medicine, though, the clinics offer primary care, wellness programs, hearing programs and CPR training. About 42% of visits to the clinic are not job-related, he said.

Detroit Newspapers employs more than 4,000 people. The two centers average a total of 700 visits per month. The centers do not serve dependents. The only problem the company has encountered has been "keeping up with employee demand" for expanded services, Mr. Allison said.

Many employers that offer medi-

cal centers use an outside firm to manage their clinics, citing increased efficiency, a perceived improvement in confidentiality and less liability.

Occupational Health Resources, of Albany, N.Y., manages Harden Furniture's clinic. Corporate Health Dimensions manages Detroit Newspapers' clinic.

CalEdison runs its own clinics. Liability "really isn't a very serious issue" because typically these clinics provide simple primary care, not care with potentially major liability problems, said Mr. Norton. ■

Employer-sponsored medical centers can be expensive

While cost estimates vary depending on the size and location of employer-sponsored medical centers, one thing is certain: They are expensive.

A company can typically start one for about 5% to 10% of a single year's health care expenditures, estimated Dr. Frank Provato, senior vp and corporate medical director of PHP Healthcare Corp., a health care management firm in Alexandria, Va.

Most employers spend \$1 million to \$2 million for a fully equipped medical center of about 8,000 square feet, he said. A center of this size typically would employ two to three full-time physicians and other support staff.

A fully equipped primary care medical facility of 8,000 to 10,000 square feet can be built for \$100 to \$110 per square foot, estimated Dr. Michael Hardies, chief executive officer of Corporate Health Dimensions Inc., a health care management firm in Troy, N.Y. Most companies invest in the buildings themselves, he said. Since many medical centers are on corporate campuses, utilities and other ongoing costs often are absorbed by plant facilities.

About 30% to 40% of companies lease the medical equipment, Dr. Hardies said.

—By Deborah Shalowitz Cowans

Hershey doesn't bite at health center idea

HERSHEY, Pa.—Employer-sponsored medical centers can offer advantages, but after considering the concept, one major employer opted not to build a health clinic for several reasons.

"With all the changes taking place in the health care area, a clinic model would potentially be very restrictive to us" in addressing changing health care needs, said Rick Dreyfuss, director of executive compensation and employee benefits for Hershey Foods Corp.

Two years ago, the company considered building a medical center. Hershey at the time already employed two physicians full-time to practice occupational medicine, provide wellness programs and coordinate employees' health care with local physicians.

Beyond that, though, "we just didn't want to get staffed up."

Furthermore, Hershey discovered through employee surveys that generally "employees are very well established in their doctor relationships," Mr. Dreyfuss said. This discovery figured into Hershey's decision not to build a corporate health center.

"It's easy to quantify what the investment would be," he concluded. "It's hard to quantify what the return would be."

—By Deborah Shalowitz Cowans

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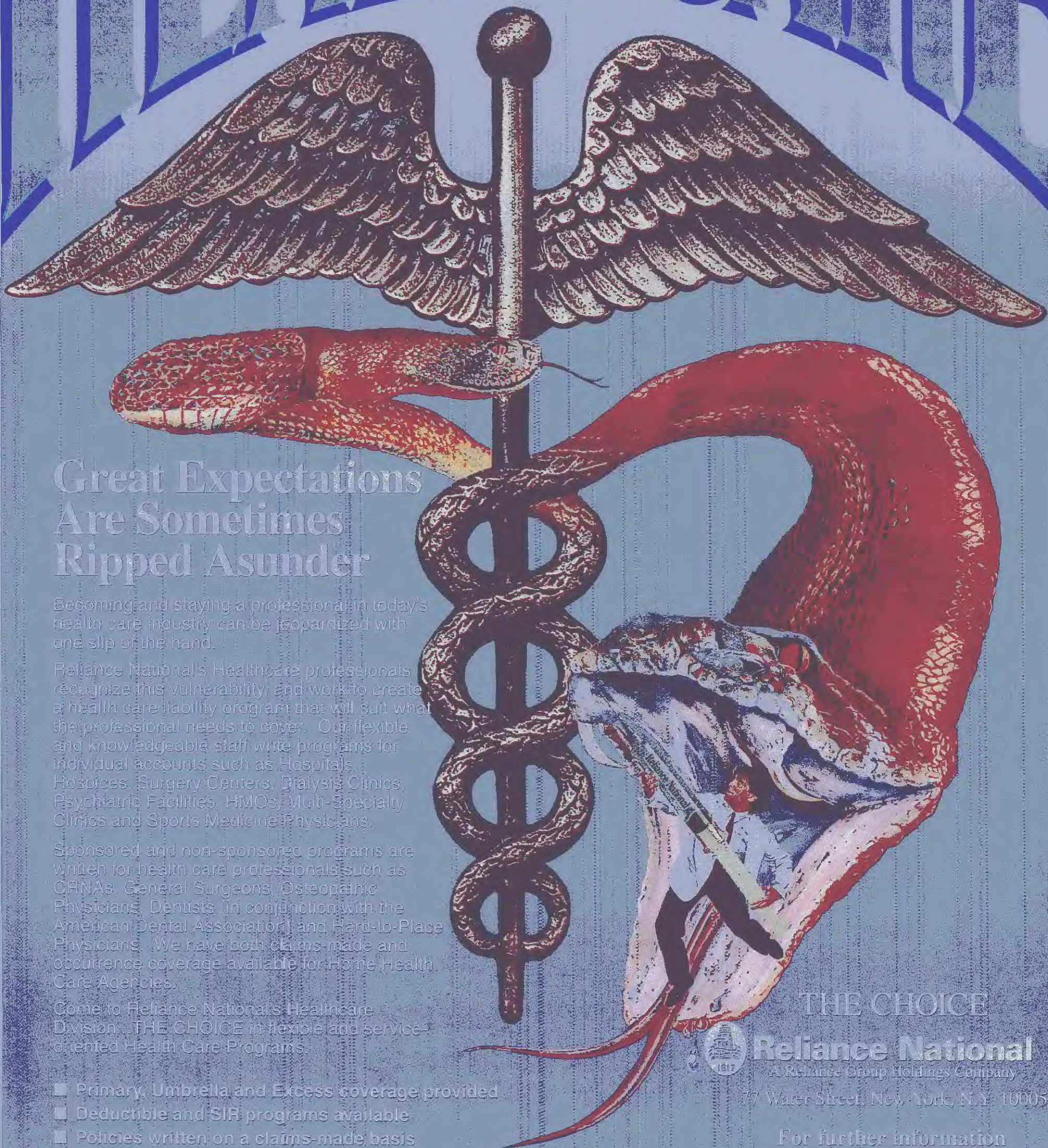
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Opinions

A good call for employers

BENEFIT MANAGERS SHOULD pay close attention to those commercials for a discount clothing chain that proclaim: "An educated consumer is our best customer."

Corporate benefit departments would be well-served to adopt a similar slogan: "An educated health care consumer is the best patient."

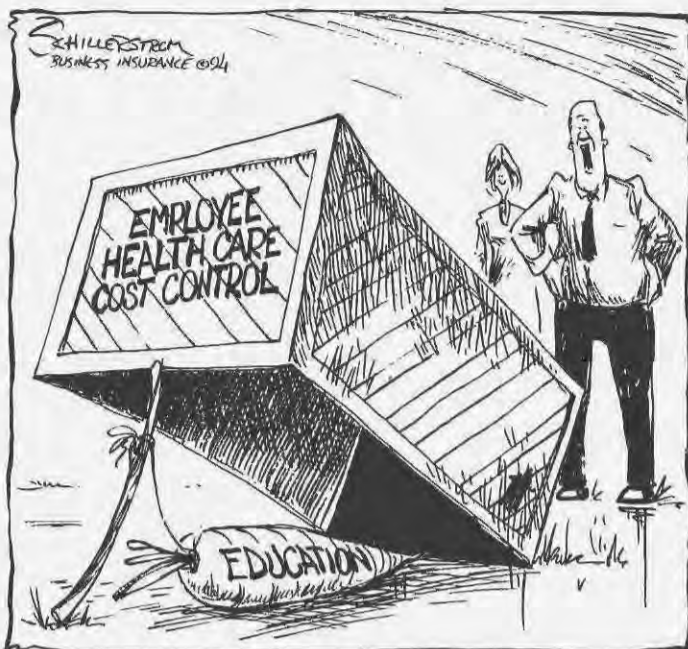
The average American's knowledge of how the health care system works is shockingly low. Can the average Joe (or Jo) really distinguish among UR, HMO, PPO and POS? Do patients really know what they are buying when they visit their physician or check into a hospital? And, perhaps most importantly, do most Americans know when it is time to see a doctor about a health problem?

That last question is intriguing because the debate over universal health care coverage is for naught if people do not receive treatment when they need it. Ignoring a problem can lead to higher health care costs as a condition that is easily treated in its early stages becomes more serious—and much more costly to treat—as care is delayed.

While utilization review has greatly reduced the amount of unnecessary care provided by hospitals and doctors, there still is much waste to be trimmed from the health care delivery system. Consider, for example, the mother who takes her child to a hospital emergency room late at night because of the child's persistent cough. The child may need to see a doctor, but not in an ultra-expensive hospital setting.

While many companies hold lectures and distribute literature about the need for employees to make wise health care choices, those messages can go unheeded. Even if a worker listens to the lecture or reads the booklet, will he or she remember the salient information when illness strikes?

We congratulate employers that have taken another



step to give health care information to employees when they need it the most. These companies contract with services that allow an employee to call a health care adviser, usually a nurse, to determine whether the employee needs to see a doctor, should go to the emergency room or should simply treat his or her ailment at home.

How many times have you wondered whether to see a doctor?

Any cost-efficient steps employers can take to help workers make correct health care choices are likely to pay off in the long run. While benefit managers must scrutinize the cost of any addition to their health care plan, they should definitely investigate the advantages of giving employees health care information when they need it most.

Letters

Why not make captive regulation certifiable?

To the editor: I have followed with interest the letter exchange relating to risk retention groups and captives between William McCartney and Donn McVeigh (*BI*, Feb. 7; Jan. 24; Jan. 3). While both make valid points concerning risk retention groups, solvency and state regulation, I believe their focus and energy are misplaced.

We would like to suggest that a more productive approach would be for the National Assn. of Insurance Commissioners to offer states that ability to obtain a "certificate of specialization" in the regulation of captive insurers and risk retention groups as part of the NAIC's accreditation process.

A strong parallel exists between a state's accreditation and a doctor who passes a medical exam. Both have become "generalists." Yet, if the doctor wants to become a specialist and practice in a unique area of medicine, he or she must undergo further training.

Currently, the NAIC, to my knowledge, offers no specialized education or training in the regulation of captives, risk retention groups or any other alternative risk financing mechanism. This seems particularly short-sighted in light of changing economic

realities that attest to the continued growth of alternative risk financing mechanisms.

As applied to risk retention groups, the certificate of specialization makes particular sense. Even though risk retention groups would not be required to be domiciled in states having an NAIC certificate of specialization, a process of natural selection would, in all likelihood, draw risk retention groups to such states. The knowledge that a state held a certificate of specialization would provide other states in which risk retention groups were operating, as well as group members and potential claimants, a degree of assurance that

the current NAIC accreditation program does not afford.

Rather than forcing alternative risk funding mechanisms into a precast mold established for traditional programs, all the while mindlessly chanting the solvency mantra, we should acknowledge the unique ability of these specialized entities to respond to our changing economic world, model regulation that follows suit and require regulators to rise to the occasion.

Karen Cutts
Managing Editor
The Risk Retention Reporter
Pasadena, Calif.

Liquidation rules warrant a hard look

To the editor: The largest unregulated segment of the insurance industry is about to revamp its own rules, and the insurance industry should beware.

I am talking, of course, about the insurance liquidation industry. Since the liquidator in most instances is a state insurance commissioner, the business of liquidating insurance companies has no regulatory oversight. Furthermore, the liquidators are the ones who formulate the model legislation governing their own activities as liquidators. No other segment of the insurance business has such sweeping control of the rules of conduct affecting its own activities.

Now, the liquidators are about to adopt a new model act that will effectively solidify the control of liquidators over their own conduct and further insulate them from regulatory oversight. What is especially striking about this prospect is the

relative lack of interest by the rest of the insurance industry in the consequences of such action. The National Assn. of Insurance Commissioners' Liquidators' Task force has received numerous comments on the minutiae of its 100-page-plus model act, but not one trade association, insurance company or guaranty fund has raised any significant objections to the proposal's deficiencies in such areas as access to information, due process for claimants, conflicts of interest or the concept of liquidators regulating themselves.

Considering that it is largely the insurance industry that will have to pay for any abuse, corruption or inefficiency in the liquidation process, this lack of interest will have a definite adverse financial effect on the industry. It is time to pay attention.

Peter H. Bickford
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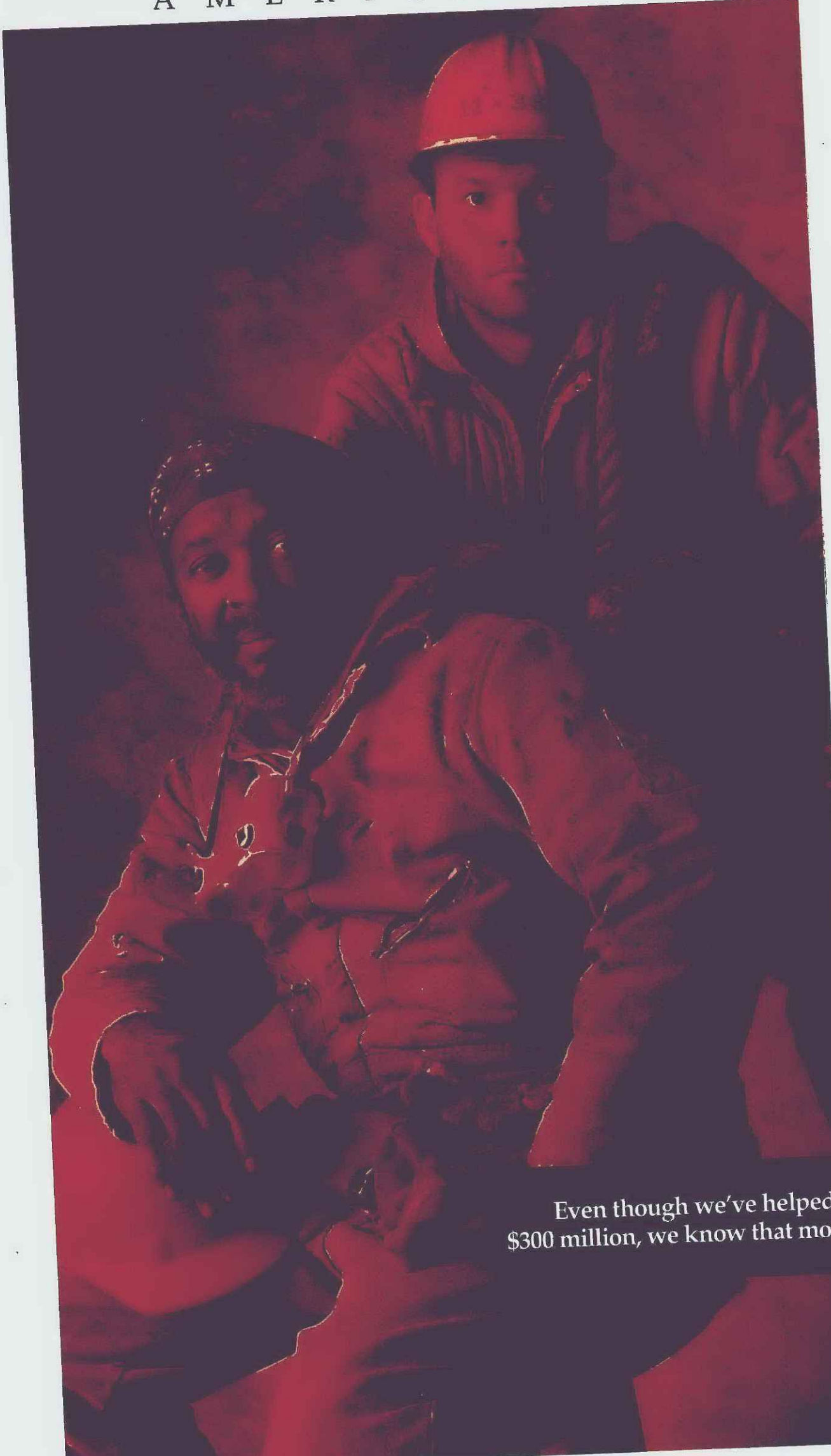


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Easing the pain of benefit cost-shifting

Pay-related plans make contributions more equitable

By SALLY ROBERTS

Setting medical deductibles, out-of-pocket limits and premiums as a percentage of employees' pay is one way that more and more employers are making the bitter pill of cost shifting a little easier for employees to swallow.

For employers, pay-related plans—typically set at 0.5% to 4% of employees' annual salary—are a way to increase employees' medical benefit contributions more equitably by having highly compensated employees bear a relatively larger share of the costs than lower-paid workers.

An extra benefit is the automatic increases in contributions under pay-related programs, which eliminate the need to continually tell employees their contributions are going to rise.

"It's hard to go to a \$20,000-a-year salaried employee and say, 'You've got to pay a \$300 deductible' when they are used to paying \$100," said John Hickey, a partner with Kwasha Lipton in Fort Lee, N.J.

"Deductibles are one of the most emotional terms in benefits," said Raymond Macknowski, manager of benefits design at Avon Products Inc. in New York, which implemented a pay-related flexible benefits program in July 1992. Pay-related plans "move with time" so employers don't have to constantly tell employees their deductibles and out-of-pocket limits are increasing.

With a pay-related program, lower-paid employees often make about the same contribution as before, while higher-paid employees could pay substantially more.

Highly compensated employees tend to save employers money, consultants say, though the savings are nominal. One reason for this is that some companies have fewer highly compensated employees compared with the number of lower-paid employees.

Cost containment is just "an element added to the equity issue," said Bob Braddick, a principal with A. Foster Higgins & Co. Inc. in New York. A pay-related plan "reallocates the responsibility of who pays. It's not affecting the cost of services" and "it doesn't save a lot of money."

Xerox Corp., one of the pioneers of pay-related plans, didn't save lots of money when it implemented a revised indemnity plan a decade ago. However, the pay-related program "provided a comprehensive benefit design that will work for a long period of time without having to go back and tortuously tinker with cost-sharing," said Patricia Nazemetz, director of benefits for the Stamford, Conn.-based office equipment manufacturing giant.

Xerox employees' deductibles equal 1% of annual salary and the company caps out-of-pocket costs at 4% of pay.

Prior to implementing the pay-related plan, employees enjoyed first-dollar coverage and a \$100 major medical deductible. It came to a point in the early 1980s when "we just couldn't afford" to continue paying the medical claims, Ms. Nazemetz said.

While the plan did not save Xerox much money, it helped employees become "wiser consumers," she said. Before, instead of going to their physician's office for primary care, employees went to the emergency room, which costs quite a bit more.

The plan also "sets up the dynamic

for employees to consider managed care alternatives" where there are no pay-related indexes, she said. In 1983, 11% of Xerox's employees were enrolled in the company's health maintenance organization. Now, about 75% of the company's 50,000 employees are enrolled in managed care.

At first, the plan was not "happily received" by employees, Ms. Nazemetz recalled. "They liked having the first-dollar coverage in a fee-for-service plan." However, after explaining the need to introduce cost-sharing and the pay-related plan, they thought it "seemed fair."

While Xerox employees' deductibles and out-of-pocket limits have

not changed since the plan was implemented, other employers are modifying their plans because the overall cost-of-living is not rising as fast as medical costs.

One employer, which implemented its pay-related deductible program in 1983, based deductibles on 1% of employees' pay and capped it at \$500, said Domenick Ciarniello, a principal with William M. Mercer Cos. Inc. in New York. That cap was recently raised to \$750 because more and more employees were hitting the cap.

The \$500 deductible cap and \$1,000 out-of-pocket cap for Smith Barney, Shearson Inc. employees will most likely increase in the future,

predicted Lawrence Dorfman, senior vp at the New York-based investment brokerage that is owned by Travelers Corp. Raising the caps is a function of medical-cost inflation, cost-of-living increases, pay raises and claims experience, he said.

The pay-related plan, which was implemented when Smith Barney acquired the asset management and retail businesses of Shearson Lehman Bros. last July, currently places employees into five brackets, depending on their annual base salary, commissions and bonuses, Mr. Dorfman said.

At the low end, employees making \$25,000 or less pay a \$200 deductible and have a \$400 out-of-pocket limit. At the high end, employees making \$150,000 or more pay a \$500 deduct-

ible and have a \$1,000 out-of-pocket limit.

This plan was devised strictly as an issue of equity, with the understanding that lower-paid employees tend to not be able to afford large contributions, Mr. Dorfman said. Smith Barney, Shearson came up with a 75/25 medical cost split objective in which employees are responsible for the latter. The 25% is an average; higher-salaried employees pay more and lower-paid employees pay less.

"Higher-paid employees are in a better position to absorb more deductibles and out-of-pocket expenses," Avon's Mr. Macknowski said.




To promote "equity, flexibility and diversity" among its employees, Avon implemented a flexible benefits program that is tied to employee pay, he said.

Continued on next page



It's hard to find the responsiveness you need with some case management services.

How Xerox sweetened a bitter cost-shifting pill

	Salary	Major medical deductible 1983 (across the board)	Major medical deductible 1994 (1% of salary)
 Administrative Assistant	\$25,000	\$100	\$250
 Design Engineer	\$50,000	\$100	\$500
 Vice President-product development	\$100,000	\$100	\$1,000

GRAPHIC BY JERRY PARKS

Continued from previous page

About 6,500 Avon employees receive flex dollars to choose a variety of coverage options. The flexible dollar formula is based on a flat amount, plus \$20 for each year of service, plus 0.7% of salary. Employees then use the money to choose one of four flex options that have different pay-related deductibles and out-of-pocket maximums.

Employees can choose between: a 0.5% deductible and 3% out-of-pocket plan; a 1.5% deductible and 5% out-of-pocket plan; a 2.5% deductible and 7% out-of-pocket plan; and a 5% deductible and 10% out-of-pocket plan. The minimum salary is set at \$25,000 and the maximum at \$100,000, he added.

"The bottom line is, how much are you willing to self-insure?" Mr. Macknowski said. Someone who makes \$100,000 a year and doesn't use the plan frequently might opt

for the 5% plan or the least expensive plan and pay a \$5,000 deductible and \$10,000 out-of-pocket limit.

Employees' premiums range from about \$500 to \$3,000, depending on which option they choose, he said, adding that the 0.5% plan is the most expensive.

While saving money wasn't the "driving element, it certainly was one of the outcomes," Mr. Macknowski said. "Whenever you drive employees to less expensive options" there are savings.

Pay-related health care plans are not for everyone, consultants say. Typically, they are implemented in larger companies that have a variety of salary levels.

A couple of years ago, about 8% to 9% of large employers had pay-related deductibles, Foster Higgins' Mr. Braddick said. According to a recent health care benefits survey by Foster Higgins, 15% of large em-

ployers—those with at least 10,000 employees—now implement this type of plan for major medical deductibles.

Some large employers may not like this strategy because of the cultural environment. Some view medical benefits as a tax-free benefit and an act of generosity toward employees. Those that make more money generally have more value to their benefits, including more life insurance, disability insurance and bigger pensions. A pay-related plan "goes in the opposite direction."

One thing that should not inhibit an employer from basing health plans on salaries is administration, which is relatively easy due to automation, consultants say.

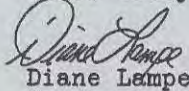
"Administration is not an issue" anymore, said Mr. Hickey, adding that confidentiality is. "Another group of people must know how much everybody makes." **BI**



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Diane Lampe
Group Department Manager, The Duncan Insurance Office, Inc.

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Data

Continued from page 3

mented," explained Howard Tarre, a consultant with Kwasha Lipton of Fort Lee, N.J.

"We continually monitor the effectiveness of our managed care networks in various states" through detailed data analysis, said Mr. Weissenborn of FBS. "The reports tell us the cost per employee in various locations and various programs. So far, it hasn't resulted in a specific, massive program change. But as a result of monitoring these costs over the last two years, we've pushed more aggressively to put in managed care. From the data, it's very clear we are getting rewarded in locations where we have a gate-keeper system."

Employers can use data analysis to determine whether the latest cost containment service in vogue is right for them.

"It's of far more value to a company to know whether a prescription drug mail-order program that sounds attractive is the thing to do based on (the company's) own data," Mr. Tarre said. "And, it's much less disruptive to examine whether you need a specific program than to put in the program and then evaluate whether it worked."

The key to data analysis is its ability to help employers truly pinpoint their cost containment efforts.

"Anything else you use is just a shotgun approach: Some bullets will stick, some won't. Data analysis allows you a rifle shot approach: You can pick out and then hit your target," summed up Foster Higgins' Mr. Bos.

In addition, the leading data consulting firms offer employers access to large comparative claims data bases so individual companies can ascertain whether their experiences or costs are out of line with those of similar health care payers.

A number of companies offer self-insured employers and other large purchasers this sort of access. Among the leading firms that provide health care data analysis systems and consulting services are: MEDSTAT Group Inc. of Ann Arbor, Mich.; Corporate Health Strategies, a unit of Metropolitan Life Insurance Co. of New York; and William M. Mercer Inc.

While other vendors and consulting firms also conduct health care claims analysis, benefits experts agree these three companies are the largest.

Another firm, National Health Management Inc., with offices in Chicago and San Diego, also collects and analyzes health care

Continued on next page

Data

Continued from previous page
claims data, but has a strong emphasis on managed care plan information.

Most of these vendors offer employers two ways to access their own health care claims data, as well as large quantities of data from other clients for comparison.

Employers can license the vendor's software so that they have access to the program on their own personal computers and can manipulate and pull data for reports

whenever they choose.

Or, for employers that may not have the time or resources to use such a system, the vendor or consultant can analyze the data. The firm will meet with the employer periodically to provide baseline assessments of their health care programs, help them target problem areas and monitor the success of any intervention.

The cost of contracting with one of these firms varies considerably based on the size of the employer and the complexity and number of health plans it offers. Most experts say employers interested in high-

level data analysis must spend \$50,000 to \$200,000 each year.

Very few large, self-insured employers want—or need—to invest big bucks in setting up their own internal health care claims analysis

system. Most data consulting firms provide various levels of service depending on how involved with the system an employer wants to be.

"We see a lot of employers rush right into a huge mainframe system.

'These systems are used to drive more intelligent health care decision-making on issues that relate to cost, access and quality,' says Peter Small. 'I can't promise benefit costs will decrease, because I don't know what your data will show.'

But really they should put the brakes on and scope things out before they jump in and spend resources they don't have to," said Dr. Jack Mahoney, a consultant with Hewitt Associates in Rowayton, Conn.

Some employers, for example, may find they don't need a lot of highly detailed claims reports and that the standard claims run reports supplied periodically by their health insurer or TPA are enough. Those reports typically provide employers with aggregate health care plan facts, like the number of births in a specific plan year.

But that data is not always sufficient to answer benefits managers' questions about their health plan performance, consultants say.

"With standard claims reports, the problem is you need lots of mechanical data manipulation and intervention to make the data meaningful," said Kwasha Lipton's Mr. Tarre.

Larger employers are better able to reap rewards from intense health claims data analysis. They should seek out a data analysis system that is sophisticated enough to handle clinical information from group health providers, as well as accept data pertaining to workers compensation or disability programs.

Data consulting firms say an employer should have at least 500 employees to undertake the simplest data analysis. Most of the leading vendors agree that more credible results are derived by larger companies—those with 5,000 or more employees—that use data analysis to generate more detailed information.

Taking data analysis to a higher level means paying more attention to the quality of the initial data collected.

As a first step, all employers have to provide data consulting firms with complete health plan enrollment and eligibility data. That may involve collecting data from multiple sources, including the claims administrator and any other health plan vendors involved, like utilization review firms or managed care networks. Employees' and dependents' age, sex and other demographic information must be included, as well as the locations and types of health care providers that treat health plan members.

Once that information is collected it has to be "scrubbed" to make sure it's complete and accurate.

"About 90% of the tapes we receive require initial or ongoing work to figure out why data is reported the way it is," said James Connor, a Mercer associate in Deerfield, Ill. The process can take anywhere from 90 to 120 days.

"We haven't found any two plans that use the same data reporting format, so when we transfer data onto our system we have to do so very carefully," said Iris Masotti, president of National Health Management Inc., a data consultant with offices in Chicago and San Diego.

Employers can help their data consulting firms by requiring their TPA, insurer or other health plan services vendor to provide timely and accurate data as part of their contract agreement.

After the data is collected and cleaned up, a baseline is established from which to compare an employer's future health plan experience and track trends over time.

Consultants stress that health care claims analysis won't result in health plan savings overnight.

"These systems are used to drive more intelligent health care decision-making on issues that relate to cost, access and quality," Mr. Small said. "I can't promise benefit costs will decrease, because I don't know what your data will show." **BI**

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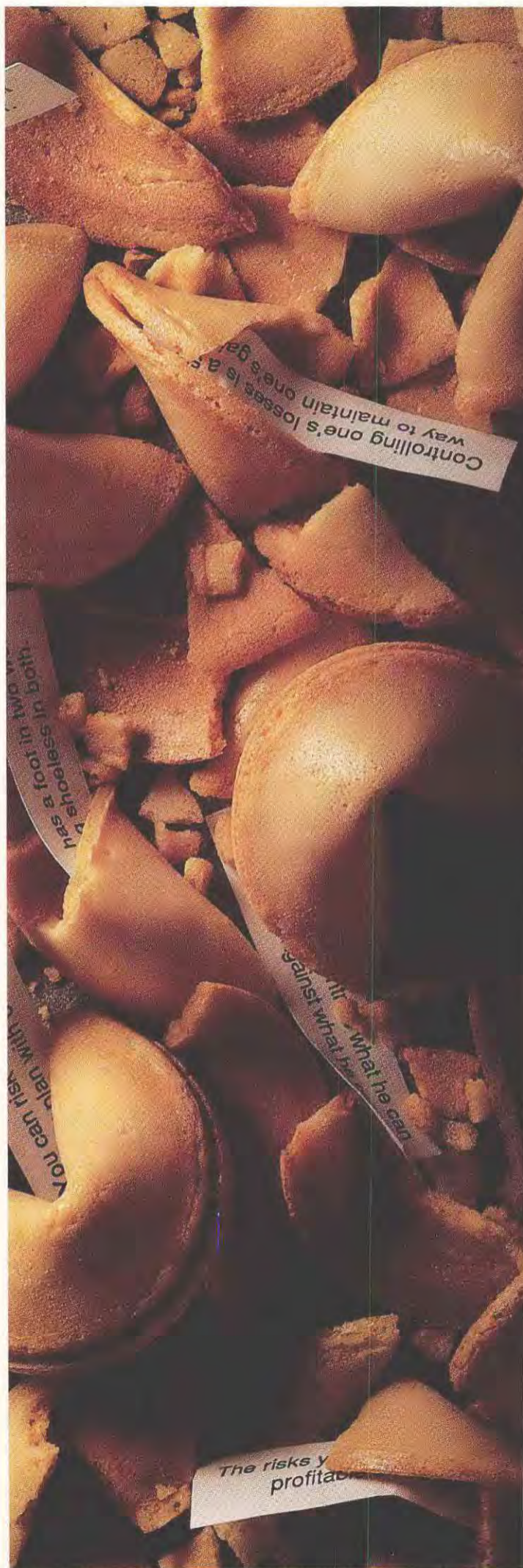


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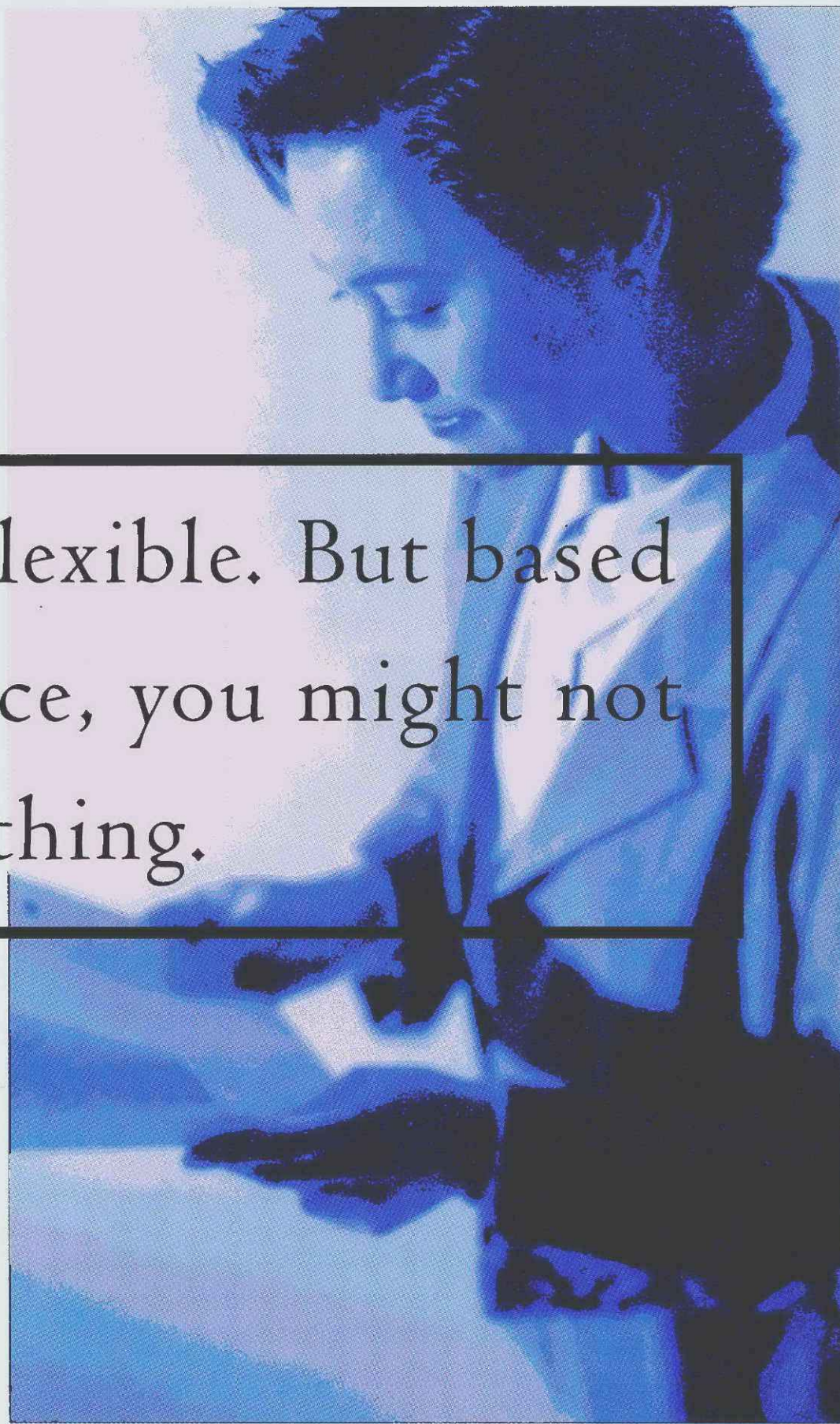
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Prescription drug costs garnering attention

By **RODD ZOLKOS**

With prescription drug costs rising far faster than other medical benefit costs, the nation's Big Three automakers are looking to managed drug plans in hopes of slowing the price-hike tide.

General Motors Corp., for example, had a total U.S. health care bill of \$3.7 billion in 1992, with prescription drugs representing 15% of that amount—or more than \$500 million.

"Prescription drugs represent the single fastest growing component of our overall health care bill," a GM spokesman said. "From 1990 to 1992, we saw annual increases of over 20%. So the new national network is an effort to help control the spiraling costs."

Under the plans implemented by GM and the other automakers since late last year, health plan participants now have their prescriptions filled at pharmacies belonging to authorized networks. Those choosing to fill prescriptions elsewhere will pay a premium.

"A critical decision's been made by the autos, and that's for a uniform acceptance of drug (preferred provider organizations) as the choice for their drug delivery program," said John Gardynik, vp of the Ford/United Auto Workers service unit of ValueRx.

ValueRx, the Bloomfield Hills, Mich.-based unit of Value Health Inc. of Avon, Conn., was selected by Ford Motor Co. to run the prescription drug plan for Ford's 275,000 union employees, retirees and dependents.

The automakers are willing to reduce their workers' access to pharmacies for cost reduction, he said.

And the autoworkers are willing to make that sacrifice to help the carmakers get a handle on drug costs.

"We understood from General Motors in particular that the prescription drug area was one of the fastest-growing areas in terms of costs," a UAW spokesman said. "The cost of medical care has a direct impact on our collective bargaining. We're certainly not unaware of the burden it places on the corporation."

GM hired PCS Health Systems Inc. of Scottsdale, Ariz., to run its prescription drug plan for the company's 400,000 hourly employees, retirees and their dependents in the state of Michigan.

Medco Containment Services Inc. in Montvale, N.J., a subsidiary of Rahway, N.J.-based Merck & Co. Inc., got GM's nod to manage the drug program for salaried employees in Michigan and the remainder of its employees nationwide, bringing the total number of GM health plan participants under managed drug plans to about 1.3 million, the automaker reported.

PCS also won sizable shares of the prescription drug programs of the other two major U.S. automakers. It was selected to manage prescription drug plans for 120,000 Ford salaried employees, retirees and dependents, and 300,000 Chrysler Corp. UAW employees, retirees and dependents.

"We think that it gives us an opportunity to utilize our relationships with our network to achieve some real cost savings for the automakers," said Robert C. Johnson, PCS chairman and chief executive officer.

Big Three automakers focus cost control on drug plans

The Health Care Services Inc. division of Diagnostek Inc. in Albuquerque, N.M., will provide mail pharmacy services for Chrysler workers and is expected to provide similar services under the Ford-ValueRx agreement.

Clearly, the contracts are motivated by a desire to realize health plan savings.

"Certainly, in our instance, Ford is anticipating a cost reduction to their current program," ValueRx's Mr. Gardynik said.

The GM spokesman said the automaker expects significant savings but wouldn't say how much.

The prescription drug plan vendors have indicated they expect to

bring savings to the automakers through clinical pharmacy services, disease management and improved drug use.

The services they'll provide to the automakers' health plans include formularies, rebates and claims processing, and drug utilization review.

Mr. Gardynik stressed the importance of the drug utilization review process in producing savings for Ford. There are three stages of UR, he said: prospective, concurrent and retrospective.

The prospective drug UR revolves around developing profiles of physicians' drug-prescribing habits and educating the physicians where necessary. ValueRx maintains a staff of

clinically trained pharmacists who visit physicians' offices when they recognize situations such as routine prescribing of cholesterol-lowering agents when diet therapy might be a preferred first option.

Concurrent drug UR involves screening patients for possible drug interactions and the like, "so we avoid problems before they ever happen," Mr. Gardynik said.

Retrospective drug UR analyzes patients' drug use to identify problems that might result. For example, a patient who is receiving ulcer medication might also be taking arthritis medication that may cause ulcers, Mr. Gardynik said.

Drug utilization review provides

"an opportunity to influence prescribing patterns and make sure the most appropriate therapy and the most cost-effective therapy is really what's being dispensed," PCS' Mr. Johnson said.

With the number of plan participants included under the managed drug programs, the plans' formularies—lists of drugs that weigh quality, efficacy and price—represent another potential area for savings.

The formulary considers patented drugs, those available under several brand names, generics and former prescription medications that are now available over the counter. It organizes drugs according to the conditions they address, notes drugs of choice and ranks the range of drugs by cost.

In bargaining with drug manufacturers, prescription drug plan vendors seek discounts in ex-

Continued on next page

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Continued from previous page
change for making the drug the
formulary's drug of choice.

While physicians are free to pre-
scribe any drug, the pharmacist
may suggest drugs with the same
chemical makeup but lower cost.

Although the plans are predi-
cated on reduced access to phar-
macies, lack of access doesn't ap-
pear to be a problem, the UAW
spokesman said.

The drug plan agreements re-
quire the vendors to list partici-
pating pharmacies within a
three-mile radius of a partici-
pant's home, he explained.

The most obvious problem re-
sulting from the managed drug
plans at this point is that local
druggists who don't belong to the
prescription networks may expe-
rience a significant loss of busi-
ness in areas with high concentra-
tions of autoworkers. **BI**

UR firms target appropriateness of care

Software programs change role of utilization review

By LOUISE KERTESZ

Sophisticated software is
allowing utilization re-
view firms to grow be-
yond offering traditional
services like hospital
preadmission certifica-
tion and length-of-stay
review.

Using online protocols developed
by panels of experts, UR firms are
evaluating physicians' proposed
treatments to determine whether
they are appropriate.

The panels of physician experts
who establish the guidelines are
convened either by software vendors
or UR firms.

Some guidelines that will be
available to UR firms are also being
developed by the U.S. Department
of Health's Agency for Healthcare
Policy Research.

Monitoring the appropriateness of
care is "the right next step," as-
serted Vicki Fortman, benefits man-
ager at Borden Inc. in Columbus,
Ohio. "I think that just to review a
hospitalization for length of stay
and not for medical necessity
doesn't really get to the true mean-
ing of what you're attempting to
do" in UR, she said.

Borden's UR firm, CIGNA Corp.
unit Intracorp, and other UR firms
are starting to perform some of
these services, according to Ms.

Fortman. "It's a phase-in process."

For example, a couple of years
ago Borden worked very closely
with Intracorp to develop a process
to review hospitalizations to deter-
mine whether alternative treatment
settings may be more cost-effective
and appropriate, Ms. Fortman said.

"They weren't doing that auto-
matically," she said. "When we first
went shopping for that (review ser-
vice), it didn't exist."

Members of 13 unions in Pennsylv-
ania since 1992 have been covered
under an Aetna Life Insurance Co.
managed care program that employs
software review for appropriateness
of care.

In shopping for health services for

the union's 8,000 members—or
about 20,000 covered lives—"we
physically went out to (Aetna's)
managed care facility and walked
through several types of procedures
and looked at the software pack-
ages" that would be used to evalu-
ate care, said Dennis Sarnowski, ad-
ministrator of combined funds for
the Laborers District Council of
Western Pennsylvania.

Under UR procedures that utilize
the programs, a patient or a physi-
cian calls the UR firm before a
treatment is begun. A registered
nurse at the UR firm, sitting at a
computer, asks about the proposed
treatment, based on guidelines in
the software. Successive questions
are based on the patient's or the
physician's answers, all leading to
the suggested appropriate treatment
for a particular condition—including
where the care should be given
and for how long.

"It's an online decision-tree," said
Carolyn Bronson, a registered nurse
and associate at A. Foster Higgins &
Co. Inc. in Princeton, N.J.

For example, if approval is being
sought for a dilation and curettage,
one of the questions is "Have you
ever had hormonal treatment?" she
explained. Succeeding questions
evaluate the appropriateness of hor-
monal therapy vs. the proposed
D&C. "It's not cookbook medicine,"
because in the case of conflicts be-
tween the proposed treatment and
the guidelines, the treating physi-
cian will discuss the case with a
physician at the UR firm and come
to a resolution, Ms. Bronson said.

"Most of our reviews end up being
consultations and collegial discus-
sions" among physicians, noted Dr.
Dorothy Dugger, Intracorp's chief
medical officer.

Conservco, Travelers Insurance
Co.'s UR unit, has switched in the
last year or two from focusing on
length of stay "to looking at it more
globally—at the medical necessity of
the care," said Jean Tyrrell, national
product specialist at the Tampa,
Fla.-based firm.

Conservco's evolution was similar
to that of other UR firms. It licensed
protocols software from a ven-
dor—in this case from Value Health
Sciences Inc. in Santa Monica, Cal-
if, a unit of UR provider Value
Health Inc. VHS' protocols generally
cover treatments that are most
costly or most overutilized rather
than covering all medical condi-
tions. So Conservco, like other large
UR firms, developed its software for
those other conditions, using its own
panels of providers to develop
guidelines.

"Patterns of Treatment," a set of
protocols developed by Dr. Donald
Harrington, is widely believed to be
the basis of the original software de-
signed to evaluate appropriateness
of care. The criteria were developed
"in the 1960s and 1970s—many
years ago in health care terms," said
David Rinaldo, a consultant at Tow-
ers Perrin in Valhalla, N.Y.

These and other criteria used in
software packages are updated an-
nually at a minimum. Predomi-
nantly designed for outpatient pro-
cedures, the Harrington protocols
were acquired by Health Payment
Review Inc. of Boston and have
helped deliver quality, cost-effective
care (BI, Jan. 6, 1992).

VHS and HPR are "going after
the same market" with their soft-
ware. "Both have a lot of propo-
nents. Each has some clear advan-
tages over the other. Their origins
rely on different ways of looking at
information. Essentially, the differ-
ence is that VHS criteria come from
Continued on next page

Benefit Cost Down To Size



Reviewers

Continued from previous page

a more clinical and scientific background, whereas HPR's come from a more pragmatic background, and that has remained their focus," Mr. Rinaldo explained.

The Harrington protocols focus on treatment norms, said Dr. Allan Korn, a principal in the provider consulting group at William M. Mercer Inc. in Chicago. The Harrington patterns "have been surpassed by more precise tools" that incorporate benchmarks or best treatments rather than norms.

Besides VHS, Brookline, Mass.-based Medical Intelligence Inc., a software developer and specialized UR firm, has also developed best-treatment guidelines, Dr. Korn said.

Medical Intelligence is owned by GMIS of Malvern, Pa., a medical code review firm. Medical Intelligence "develops computerized protocols on artificial intelligence software. It thinks like collections of expert physicians," said chief executive officer Marlene Beggleman. Like VHS, Medical Intelligence has developed guidelines for selected cases "that seem to have a high degree of inappropriateness" and that are very costly or have high morbidity rates, such as cardiac catheterization, hysterectomy and carpal tunnel syndrome, she explained. Originally funded by Aetna Insurance Co., Medical Intelligence licenses its software to insurance companies and UR firms and trains their staffs. Its own physicians also perform review of complex cases.

Other UR firms such as Intracorp use software based on criteria developed by Milliman & Robertson Inc. "We use a combination of software, and there's one thing you can't seem to program in, which is clinical judgment and expertise," stressed Intracorp's Dr. Dugger. M&R guidelines apply to uncomplicated cases, that is, those without "co-morbidity" or additional medical conditions, she explained. But, for an asthmatic patient with pneumonia, for example, additional guidelines are needed. Intracorp is developing its own criteria for such conditions and incorporating them into the software, she said.

Private Healthcare Systems Inc. started with an initial licensing agreement with a vendor of software evaluating appropriateness of care. "We do it all ourselves now. We make all of our own enhancements from a functional and clinical point of view," said Gene Guselli, president and CEO of PHCS in Waltham, Mass.

But a UR firm that is just starting out now with a software licensing agreement has to decide whether to invest the programming and clinical resources needed to develop the software in-house, or whether to rely on the software vendor, he said.

Virtually everyone agrees that the next step is moving the software into physicians' offices. The software now being used by the UR firm "is increasingly being pushed by folks who own networks further down into the network...down to the first decision-maker," the physician, said Mercer's Dr. Korn.

Ultimately this "should get to the point where most providers should have optimal recovery guidelines online in their offices...It's really something that is most likely to come in probably in the next few years in small net-

work environments," said Intracorp's Dr. Dugger.

"Absolutely, that's where we're headed," said Mr. Guselli. PHCS is placing computer terminals in physicians' offices. The terminals, which are now being used to process claims electronically, will ultimately offer on-line protocols to physicians.

Meanwhile, large employers that want to keep track of how well their UR vendors are delivering appropriate care can use a software package developed by Corporate Health Strategies Inc. of New Haven, Conn. CHS customers "can access normative information—both nationwide and industry data—and we also give them access to best demonstrated practice information," which they can relate to their medical claims on a data base, said Daniel Hoemke, senior vp.

BI

10 largest general service utilization review firms*

Based on total acute care inpatient admissions reviewed in 1993

Company	Total acute care inpatient admissions reviewed	Full-time staff			Physicians on retainer
		Total	Physicians	RNs	
Intracorp	618,103	3,986	30	1,300	300
Private Healthcare Systems Inc.	544,484	1,122	12	493	64
Healthcare COMPARE Corp.	436,000	1,417	25	166	NA
AXIOM Review	354,000	68	1	55	123
Health Value Management Inc.	275,000	192	7	52	108
MetLife	272,173	794	24	494	6
Peer Review Analysis Inc./ CORE Management Inc. ¹	268,000	200	11	55	120
Cost Care Inc.	255,000	740	30	226	9,600
CONSERVCO	176,000	452	9	437	275
Healthcare Review Corp.	125,000	123	7	76	28

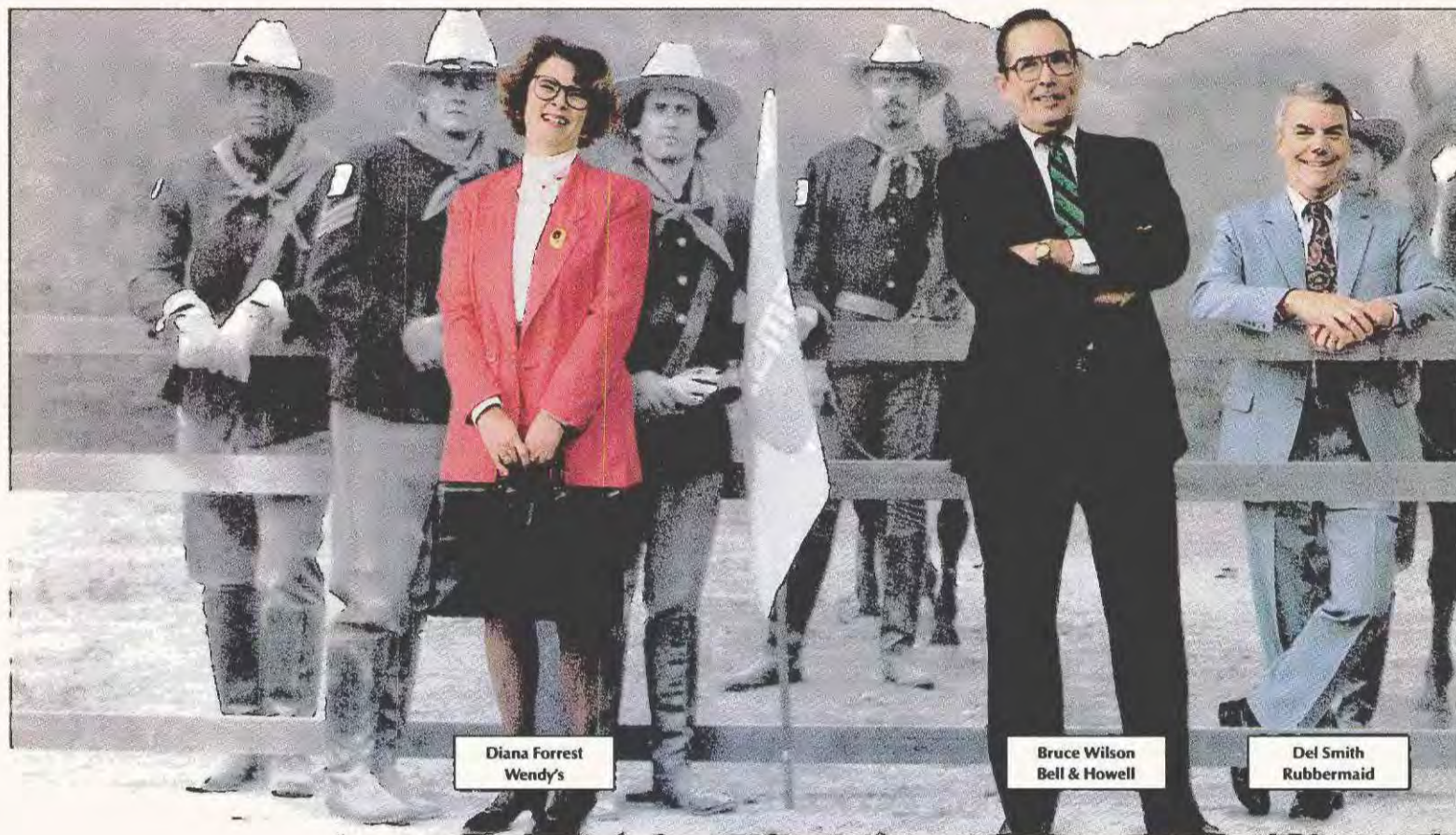
*Rankings are given to independently owned and operated organizations only. Independent plans licensed through the Blue Cross & Blue Shield Assn. reviewed 3 million acute care patient admissions in 1993.

¹Merger pending shareholder and regulatory approval.

Source: BI survey

BI GRAPHIC BY MIKE GARVEY

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1993 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, 5 medical record technicians

UR employees on retainer.....1
Includes: 1 physician

UR services since: 1986.

Frequent UR services: Concurrent hospital treatment review, retrospective

review, case management, independent medical reviews.

Reviews: Chiropractic.

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

AccessCare Inc.

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

1993 Revenues

UR direct to employers.....5%
UR to health care/insurance providers.....85%
Other services.....10%

Staff

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

UR clients

Total.....30
Employer and group plans w/direct service.....10

Covered lives/reviewed admissions

Employee benefit plan lives serviced.....3,000,000
Acute care inpatient admissions reviewed.....600
Diverted for outpatient treatment.....50%

UR services since: 1986.

Parent: Comprehensive Care Corp.

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

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

Reviews: Psychiatric/substance abuse.
Officers: Richard Peters, president/CEO; David Sherwin, COO; Gary Palenick, senior vp-sales/marketing; Sam Toney, vp-clinical services.
Contact: Sam Toney.

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

1993 Revenues

Total gross revenue.....\$5,500,000
UR direct to employers.....40%
Other services.....60%
UR gross revenue.....\$2,200,000

Staff

Total UR employees on staff.....42
Professionals.....5
Includes: physicians, RNs

UR clients

Employer and group plans w/direct service.....230

Covered lives/reviewed admissions

Employee benefit plan lives serviced.....750,000
Acute care inpatient admissions reviewed.....354
Diverted for outpatient treatment.....10%
UR services since: 1975.

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

Occasional UR services: Retrospective review.

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

Officers: Mel S. Goldsmith, president/CEO; Mel Wondolowski, senior vp-corporate relations; Dorothy T. Harrison, senior vp-clinical services; Arlette McGlade, vp-administrative services-MIS.

Contact: Mel Wondolowski.

Action Healthcare Management Services

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

1993 Revenues

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

Staff

Total UR employees on staff.....25
Professionals.....18
Includes: 7 RNs, 8 licensed practical nurses, 3 medical record technicians

UR employees on retainer.....1
Includes: 1 physician

UR clients

Total.....115
Employer and group plans w/direct service.....120

Covered lives/reviewed admissions

Employee benefit plan lives serviced.....135,000
Workers compensation lives serviced.....900
Diverted for outpatient treatment.....2.5%

UR services since: 1987.

Parent: Cavco Industries.

URAC certified.

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

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

Reviews: Standard services, excluding chiropractic. Also reviews high risk pregnancy.

Branch offices: Thousand Oaks, Calif.; Norristown, Pa.

Officers: Elizabeth Rainwater, president; Kate Mills, director-California operations; Pat Reynolds, director-Pennsylvania operations.

Contact: Kathryn Estabrook, 805-379-2282.

ADMAR Corp.

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

1993 Revenues

Total gross revenue.....\$13,875,343
UR gross revenue.....\$2,252,077

Staff

Total UR employees on staff.....40
Professionals.....40
Includes: 1 physician, 17 RNs, 22 medical record technicians

UR clients

Total.....50
Employer and group plans w/direct service.....13

Covered lives/reviewed admissions

Employee benefit plan lives serviced.....522,090
Acute care inpatient admissions reviewed.....34,705
Diverted for outpatient treatment.....8.49%

UR services since: 1973.

Parent: ADMAR Group Inc.

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

Occasional UR services: Retrospective review, hospital bill audits.

Reviews: Standard services.

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

Continued on next page



Chris De Palma
British Airways

Ken Albrecht
Frito-Lay

Bob Manning
Pepsi-Cola

JoLynn Holzart
Sears

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Many Fortune 500 risk managers are saving their companies millions of dollars in medical benefits this year because they have Kemper workers' compensation insurance.

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Continued from previous page

Alternative Care Management Systems Inc.

3530 Snouffer Road, Suite 100,
Columbus, Ohio 43235; 614-761-0035

1993 Revenues	
UR direct to employers	100%
Staff	
Total UR employees on staff	35
Professionals	14
Includes: 12 RNs, 2 medical record technicians	
UR employees on retainer	20
Includes: 20 physicians	
UR clients	
Employer and group plans w/direct service	110
Covered lives/reviewed admissions	
Employee benefit plan lives serviced	50,000
Acute care inpatient admissions reviewed	15,445
UR services since: 1985.	
Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, second surgical opinion, outpatient service predetermination, inpatient/outpatient psychiatric and substance abuse services, case management.	
Occasional UR services: Retrospective review.	
Reviews: Standard services, excluding workers comp/disability. Also reviews prescriptions drugs.	
Officers: John Micha, president; Suzanne Pierce, director-marketing; Penny Baker, director-operations.	
American Claims Evaluation Inc.	
1 Jericho Plaza, 3rd Floor, Jericho, N.Y. 11753; 516-938-8000; fax: 516-938-0405	
1993 Revenues	

Total gross revenue	\$7,500,000
UR direct to employers	30%
UR to health care/insurance providers	70%
UR gross revenue	\$7,500,000
Staff	
Total UR employees on staff	70
UR clients	
Total	500
Employer and group plans w/direct service	180
UR services since: 1982.	
Frequent UR services: Hospital bill audits, DRG validation.	
Reviews: Group health, rehabilitation (including vocational), workers comp/disability.	
Branch offices: Santa Rosa, Calif.; Dallas; Spokane, Wash.	
Officers: Gary Gelman, president/CEO; Robert G. Dubester, vp-operations; Gary J. Knauer, CFO/treasurer; Lawrence A. Curcio, national sales manager; Neila Potesman, president-RPM Rehabilitation & Associates.	
American International Health & Rehabilitation Services Inc.	
400 Interpace Parkway, Building A, Parsippany, N.J. 07054; 201-402-2800; fax: 201-402-3105	
1993 Revenues	
Total gross revenue	\$38,000,000
UR direct to employers	15%
UR to health care/insurance providers	61%
Other services	24%
UR gross revenue	\$29,000,000
Staff	
Total UR employees on staff	372
Professionals	188
Includes: 1 physician, 187 RNs	
UR employees on retainer	181
Includes: 120 physicians, 61 nurses	
UR clients	
Total	12

Employer and group plans w/direct service	8
Covered lives/reviewed admissions	
Workers compensation lives serviced	100,000
Acute care inpatient admissions reviewed	1,504
Diverted for outpatient treatment	2%
UR services since: 1986.	
Parent: American International Group.	
Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management.	
Reviews: Chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability, dental, physical therapy.	
Branch offices: 92 locations nationwide.	
Officers: Ralph Rousseau, president; Elaine Halberstadt, vp; Mary Pick, assistant vp.	
Contact: Elaine Halberstadt.	
Anthem Health Systems	
5451 W. Lakeview Parkway S. Drive, Indianapolis, Ind. 46268; 317-290-5600; fax: 317-290-5690	
1993 Revenues	
Total gross revenue	\$24,139,696
UR direct to employers	55%
UR gross revenue	\$13,264,528
Staff	
Total UR employees on staff	145
Professionals	114
Includes: 4 physicians	
UR employees on retainer	7
Includes: 7 physicians	
Covered lives/reviewed admissions	
Employee benefit plan lives serviced	1,709,844
Workers compensation lives serviced*	1,000
* Workers comp UR program began in the Fall of	

1993.	
UR services since: 1983.	
Parent: Associated Insurance Cos. Inc.	
UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management.	
Reviews: Standard services, including dental and organ transplants.	
Branch offices: Sacramento, Calif.; Jacksonville, Fla.; Dallas.	
Officers: Michael O. Bell, president; Robert Toller, CFO; Dr. Joseph Huguenard, medical director.	
Contact: Bill Paradise, 317-290-5614.	
Associates for Health Care Inc.	
125 N. Executive Drive, Suite 201, Brookfield, Wis. 53005; 414-784-9007	
Staff	
Total UR employees on staff	32
Includes: 2 physicians, 9 RNs, 3 licensed practical nurses, 4 medical record technicians	
UR employees on retainer	8
Includes: 8 physicians	
Covered lives/reviewed admissions	
Employee benefit plan lives serviced	307,750
Workers compensation lives serviced	1,100
Acute care inpatient admissions reviewed	20,388
UR services since: 1984.	
UR services: Preadmission certification, discharge planning, retrospective review, second surgical opinion, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management, fee negotiations.	
Reviews: Standard services, including dental.	
Officers: Richard L. Blomquist, president; Judith A. Blomquist, vp; Peter J. Grimes, vp-new product development; Dave Dobias, senior vp-administration.	
AXIOM Review	
33 Bleeker St., Millburn, N.J. 07041; 201-379-6739; fax: 201-379-0490	
1993 Revenues	
Total gross revenue	\$8,600,000
UR direct to employers	20%
UR to health care/insurance providers	70%
Other services	10%
UR gross revenue	\$7,800,000
Staff	
Total UR employees on staff	68
Professionals	68
Includes: 1 physician, 55 RNs, 3 licensed practical nurses, 9 medical record technicians	

UR employees on retainer	144
Includes: 123 physicians, 21 nurses	
UR clients	
Total	53
Employer and group plans w/direct service	17
Covered lives/reviewed admissions	
Employee benefit plan lives serviced	410,000
Workers compensation lives serviced	160,000
Acute care inpatient admissions reviewed	354,000
Diverted for outpatient treatment	16%
UR services since: 1975.	
Parent: The Axiom Group.	
URAC certified.	
Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, retrospective review, hospital bill audits, case management (including auto insurance liability cases).	
Occasional UR services: Discharge planning, second surgical opinion, outpatient service predetermination.	
Reviews: Standard services, excluding psychiatric/substance abuse. Also reviews HMOs, MRI services.	
Branch offices: Claims Data Review, Avon, Conn.	
Officers: Dennis J. Duffy, president/CEO; Robert J. Jones, senior vp/COO; Charles E. Dooley, medical director; Michael Beams, chairman; Gilbert Melnick, vice chairman; Thomas Connolly, secretary/treasurer.	
Contact: Dennis J. Duffy.	
B	
Beech Street	
See addendum section at end of directory.	
Behavioral Health Group Inc.	
2693 Union Ave. Extended, Suite 101, Memphis, Tenn. 38112; 901-327-4664; fax: 901-327-4789	
1993 Revenues	
Total gross revenue	\$1,068,243
UR to health care/insurance providers	73%
Other services	27%
UR gross revenue	\$783,767
Staff	
Total UR employees on staff	12
Professionals	8
Includes: 1 physician, 5 RNs, 1 clinical psychologist	
UR employees on retainer	4
Includes: 2 physicians, 2 nurses	
<i>Continued on next page</i>	

“Suddenly, I was getting calls about pensions, health insurance and 401(k) plans ...

Maureen Ruelas
Human Resources Representative
Talley Defense Systems



“Last year, when our benefits administrator retired, I was given responsibility for Talley’s benefits programs. From day one, I began to receive calls from employees asking for information and advice about their insurance and retirement plans. I knew parts of the answers, but I realized I needed additional training in benefits management and I needed it fast!

My supervisor suggested that I look into the CBP (Certified Benefits Professional) seminars that are available from the American Compensation Association (ACA).

My immediate challenge was calculating pensions and dealing with 401(k) plans. What I needed was an overview of the entire process, from beginning to end. I needed to know how to talk about pensions and 401(k) plans with our employees and managers.

I signed up for my first ACA seminar and knew I was on the right track. I’ve now taken four ACA benefits seminars. All were practical, well taught and provided a “today’s view” of what it means to be a benefits professional. I like the two-and-a-half-day format. I get what I need without too much time away from the office.

Would I recommend ACA certification seminars to my peers? Without hesitation – absolutely!”

No surprise to us – ACA meets Maureen Ruelas’ benefits training needs. ACA has been serving the profession since 1955. For a copy of the latest seminar catalog, which includes schedules of ACA seminars in your area, please call us at 602/951-9191.



14040 N. Northsight Blvd., Scottsdale, AZ 85260
602/951-9191 • Fax 602/483-8352

How to use directory of UR firms

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

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

Listings begin with the company name and address. Financial/statistical information follows, including: total 1993 gross revenues along with the percents attributable to utilization review services provided directly to employers/associations; utilization review services to insurance companies, HMOs, PPOs and TPAs; and revenues derived from other services. When given, the actual dollar amount of revenues generated by utilization review services is listed.

Staff information in this section lists a breakout of total staff assigned to utilization review, including total professional staff members and staff members on retainer. Staff numbers are provided in full-time equivalents, except for those on retainer.

Business volume is represented by the number of **utilization review clients**; **covered lives**, including employee benefit plan and workers compensation lives serviced; total **acute care hospital admissions reviewed** and the percent of proposed admissions diverted for outpatient care. All figures provided are for 1993.

The text section of each listing includes the **year the company began offering utilization review services** and the parent company, if applicable. Utilization Review Accreditation Commission certification is noted as **URAC certified**.

Specific utilization review programs the company provides are described under frequent and occasional UR services. Next, the **types of services reviewed** are provided. Unless otherwise noted, standard services include group health, chiropractic, rehabilitation, psychiatric and substance abuse and workers compensation/disability.

Branch offices are locations performing utilization review. Names and titles of **principal officers** and a **contact** complete the listings.

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

Continued from previous page

UR clients	
Total	8
Employer and group plans w/direct service	1
Covered lives/reviewed admissions	
Employee benefit plan lives serviced	930,000
Acute care inpatient admissions reviewed	6,532
UR services since: 1988.	
Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, hospital bill audits, case management, physician fee review/verification.	
Occasional UR services: Outpatient service predetermination, outpatient psychiatric and substance abuse services.	
Reviews: Group health, psychiatric/substance abuse, nursing home care.	
Officers: Jim Rout, president/CEO; Donald E. Schaffer, corporate medical director; Sylvia Houston, secretary.	

Behavioral Healthcare Options Inc.

2801 S. Valley View, Suite 10, Las Vegas, Nev. 89102; 702-364-1484; fax: 702-364-0843

1993 Revenues	
Total gross revenue	\$4,228,364
UR direct to employers	2%
UR to health care/insurance providers	15%
Other services	83%
UR gross revenue	\$724,831

Staff	
Total UR employees on staff	6
Professionals	4
Includes: 2 physicians, 2 RNs	
UR employees on retainer	2
Includes: 1.5 physicians, 0.5 nurses	

UR clients	
Total	4
Employer and group plans w/direct service	1
Covered lives/reviewed admissions	
Employee benefit plan lives serviced	250,000
Acute care inpatient admissions reviewed	NA
Diverted for outpatient treatment	36%
UR services since: 1991.	
Parent: Sierra Health Services Inc.	
URAC certified.	

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

Occasional UR services: Hospital bill audits.

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

Officers: Michael R. Adams, president/CEO.

Contact: Lynn M. Rosenbach.

UR clients	
Total	4
Employer and group plans w/direct service	1
Covered lives/reviewed admissions	
Employee benefit plan lives serviced	250,000
Acute care inpatient admissions reviewed	NA
Diverted for outpatient treatment	36%
UR services since: 1991.	
Parent: Sierra Health Services Inc.	
URAC certified.	

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management, at-risk contracting for mental health/substance abuse.

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

Reviews: Chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability, prenatal.

Branch offices: Houston, Irving and Lake Jackson, Texas.

Officers: Ralph Cavaiani, president; Dianne Kiehl, vp; Larre Haack, COO; Elizabeth Ferris, director-marketing/sales; Jerry Theis, director-Behavioral Health Strategies.

Contact: Elizabeth Ferris.

1993 Revenues	
Total gross revenue	\$16,285,537
UR direct to employers	20%
UR to health care/insurance providers	8%
Other services	72%
UR gross revenue	\$4,495,023

Staff	
Total UR employees on staff	NA
Professionals	31
Includes: 3 physicians, 28 RNs	
UR employees on retainer	7
Includes: 7 physicians	

UR clients	
Total	37
Employer and group plans w/direct service	26
Covered lives/reviewed admissions	
Employee benefit plan lives serviced	3,000,000
Acute care inpatient admissions reviewed	80,262
Diverted for outpatient treatment	19%
UR services since: 1982.	
URAC certified.	

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

Reviews: Standard services, including dental.

Officers: Services provided nationwide and Puerto Rico through independent Blue Cross & Blue Shield plans.

Contact: Mary Ellen O'Donnell, practice director-strategic consulting services.

* Blue Cross & Blue Shield is an association of independently owned and operated plans. Each is licensed by the Blue Cross & Blue Shield Ass.

** There are 29 URAC accredited Blue Cross & Blue Shield entities.

1993 Revenues	
Total gross revenue	\$2,300,000
UR direct to employers	10%
UR to health care/insurance providers	57%
Other services	33%
UR gross revenue	\$1,600,000

Staff	
Total UR employees on staff	25

1993 Revenues	
Total gross revenue	\$2,300,000
UR direct to employers	10%
UR to health care/insurance providers	57%
Other services	33%
UR gross revenue	\$1,600,000

Staff	
Total UR employees on staff	25

UR clients	
Total	21
Employer and group plans w/direct service	6
Covered lives/reviewed admissions	
Employee benefit plan lives serviced	75,000
Workers compensation lives serviced	30,000
Acute care inpatient admissions reviewed	4,400
Diverted for outpatient treatment	6%
UR services since: 1987.	
URAC certified.	

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management, physician profiling, outcomes evaluation, physician peer reviews.

Reviews: Standard services, including MRI/CT scans and physical therapy.

Officers: E. Scott Rosenbloom, president; Joan H. Baetz, COO; Gregory Ruecker, CFO; James Switzgale, chief investment officer; Rigby Leighon, vp-research/development.

1993 Revenues	
Total gross revenue	\$5,285,000
UR direct to employers	45%
UR to health care/insurance providers	50%
Other services	5%
UR gross revenue	\$5,012,000

Staff	
Total UR employees on staff	38
Professionals	11
Includes: 10 RNs, 1 licensed practical nurse	
UR employees on retainer	5
Includes: 5 physicians	

UR clients	
Total	44
Employer and group plans w/direct service	38
Covered lives/reviewed admissions	
Employee benefit plan lives serviced	460,409
Acute care inpatient admissions reviewed	46,000
Diverted for outpatient treatment	6%
UR services since: 1975.	
URAC certified.	

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management, at-risk contracting for mental health/substance abuse.

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

Reviews: Chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability, prenatal.

Branch offices: Houston, Irving and Lake Jackson, Texas.

Officers: Ralph Cavaiani, president; Dianne Kiehl, vp; Larre Haack, COO; Elizabeth Ferris, director-marketing/sales; Jerry Theis, director-Behavioral Health Strategies.

Contact: Elizabeth Ferris.

1993 Revenues	
Total gross revenue	\$100,600,000
UR direct to employers	2.5%
UR to health care/insurance providers	17.5%
Other services	80%
UR gross revenue	\$20,000,000

Staff	
Total UR employees on staff	135

UR clients	
Total	1,100
Employer and group plans w/direct service	125
UR services since: 1985.	
Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management, appropriateness review.	

Reviews: Standard services, including maternity, ambulatory care and physical medicine.

Branch offices: San Diego.

Officers: Jim Buncher, chairman/president/CEO; Patrick Sullivan, senior vp-marketing; Sandra Foote, senior vp-Pacific division; Shannon Johnston, vp-utilization management; Eugene V. Helsel, corporate medical director.

Contact: Joanne Batad, marketing services, 800-247-2898.

1993 Revenues	
Total gross revenue	\$100,600,000
UR direct to employers	2.5%
UR to health care/insurance providers	17.5%
Other services	80%
UR gross revenue	\$20,000,000

Staff	
Total UR employees on staff	135

UR clients	
Total	1,100
Employer and group plans w/direct service	125
UR services since: 1985.	
Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management, appropriateness review.	

Reviews: Standard services, including maternity, ambulatory care and physical medicine.

Branch offices: San Diego.

Officers: Jim Buncher, chairman/president/CEO; Patrick Sullivan, senior vp-marketing; Sandra Foote, senior vp-Pacific division; Shannon Johnston, vp-utilization management; Eugene V. Helsel, corporate medical director.

Contact: Joanne Batad, marketing services, 800-247-2898.

1993 Revenues	
Total gross revenue	\$100,600,000
UR direct to employers	2.5%
UR to health care/insurance providers	17.5%
Other services	80%
UR gross revenue	\$20,000,000

Staff	
Total UR employees on staff	135

UR clients	
Total	1,100
Employer and group plans w/direct service	125
UR services since: 1985.	
Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management, appropriateness review.	

Reviews: Standard services, including maternity, ambulatory care and physical medicine.

Branch offices: San Diego.

Officers: Jim Buncher, chairman/president/CEO; Patrick Sullivan, senior vp-marketing; Sandra Foote, senior vp-Pacific division; Shannon Johnston, vp-utilization management; Eugene V. Helsel, corporate medical director.

Contact: Joanne Batad, marketing services, 800-247-2898.

1993 Revenues	
Total gross revenue	\$100,600,000
UR direct to employers	2.5%
UR to health care/insurance providers	17.5%
Other services	80%
UR gross revenue	\$20,000,000

Staff	
Total UR employees on staff	135

review, second surgical opinion, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management.

Reviews: Group health, rehabilitation, psychiatric/substance abuse.

Officers: Michael Henry, president/COO; Edward Zalta, CEO; John Unipan, executive vp; Mike Schotz, vp-sales; Frank Stevens, vp-PPO/provider affairs.

Contact: Kari Jo Bloomer, ext. 7481.

1993 Revenues	
Total gross revenue	\$70,000
UR direct to employers	75%
UR to health care/insurance providers	25%
UR gross revenue	\$70,000

Staff	
Total UR employees on staff	2
Professionals	2
Includes: 1 RN, 1 medical record technician	
UR employees on retainer	1
Includes: 1 physician	

UR clients	
Total	39
Employer and group plans w/direct service	38
Covered lives/reviewed admissions	
Employee benefit plan lives serviced	10,000
Acute care inpatient admissions reviewed	500
UR services since: 1992.	
Parent: Sponsored Marketing Insurance Administrators Inc.	

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

Reviews: Standard services, including durable medical equipment.

Officers: Don Beall, president; Thomas Cahill, vp; Debbie Mariah, secretary/treasurer.

1993 Revenues	
Total gross revenue	\$115,874,499
UR direct to employers	30%
UR to health care/insurance providers	5%
Other services	65%
UR gross revenue	\$40,867,571

Staff	
Total UR employees on staff	452
Professionals	452
Includes: 9 physicians, 437 RNs, 6 licensed practical nurses	
UR employees on retainer	275
Includes: 275 physicians	

UR clients	
Total	735
Employer and group plans w/direct service	38
Covered lives/reviewed admissions	
Employee benefit plan lives serviced	650,000
Workers compensation lives serviced	14,000,000
Acute care inpatient admissions reviewed	46,000
Diverted for outpatient treatment	6%
UR services since: 1975.	
URAC certified.	

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

Reviews: Standard services, including maternity, ambulatory care and physical medicine.

Branch offices: San Diego.

Officers: Jim Buncher, chairman/president/CEO; Patrick Sullivan, senior vp-marketing; Sandra Foote, senior vp-Pacific division; Shannon Johnston, vp-utilization management; Eugene V. Helsel, corporate medical director.

Contact: Joanne Batad, marketing services, 800-247-2898.

1993 Revenues	
Total gross revenue	\$100,600,000
UR direct to employers	2.5%
UR to health care/insurance providers	17.5%
Other services	80%
UR gross revenue	\$20,000,000

Staff	
Total UR employees on staff	135

UR clients	
Total	1,100
Employer and group plans w/direct service	125
UR services since: 1985.	
Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management, appropriateness review.	

Reviews: Standard services, including maternity, ambulatory care and physical medicine.

Branch offices: San Diego.

Officers: Jim Buncher, chairman/president/CEO; Patrick Sullivan, senior vp-marketing; Sandra Foote, senior vp-Pacific division; Shannon Johnston, vp-utilization management; Eugene V. Helsel, corporate medical director.

Contact: Joanne Batad, marketing services, 800-247-2898.

1993 Revenues	
Total gross revenue	\$100,600,000
UR direct to employers	2.5%
UR to health care/insurance providers	17.5%
Other services	80%
UR gross revenue	\$20,000,000

Staff	
Total UR employees on staff	135

UR clients	
Total	1,100
Employer and group plans w/direct service	125
UR services since: 1985.	
Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management, appropriateness review.	

Reviews: Standard services, including maternity, ambulatory care and physical medicine.

Branch offices: San Diego.

Officers: Jim Buncher, chairman/president/CEO; Patrick Sullivan, senior vp-marketing; Sandra Foote, senior vp-Pacific division; Shannon Johnston, vp-utilization management; Eugene V. Helsel, corporate medical director.

Contact: Joanne Batad, marketing services, 800-247-2898.

1993 Revenues	
Total gross revenue	\$100,600,000
UR direct to employers	2.5%
UR to health care/insurance providers	17.5%
Other services	80%
UR gross revenue	\$20,000,000

Staff	
Total UR employees on staff	135

UR clients	
Total	1,100
Employer and group plans w/direct service	125
UR services since: 1985.	
Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management, appropriateness review.	

review, hospital bill audits, outpatient service predetermination, case management.

Occasional UR services: Outpatient psychiatric and substance abuse services.

Reviews: Group health, dental, chiropractic, workers comp/disability.

Branch offices: Newton, Mass.; Freehold, N.J.; Nashville, Tenn.; Irving, Texas.

Officers: Lois E. Silverman, CEO; Donald F. Larson, president; Anne Kirby, vp-marketing.

Contact: Anne Kirby.

1993 Revenues	
Total gross revenue	\$70,000
UR direct to employers	75%
UR to health care/insurance providers	25%
UR gross revenue	\$70,000

Staff	
Total UR employees on staff	2
Professionals	2
Includes: 1 RN, 1 medical record technician	
UR employees on retainer	1
Includes: 1 physician	

UR clients	
Total	39
Employer and group plans w/direct service	38
Covered lives/reviewed admissions	
Employee benefit plan lives serviced	10,000
Acute care inpatient admissions reviewed	500
UR services since: 1992.	
Parent: Sponsored Marketing Insurance Administrators Inc.	

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

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

Officers: Richard A. Chaifetz, president/CEO; Michael B. Garfield, vp; Jill Chaifetz, vp-finance; Anita Madison, director-operations; David Campbell, manager-provider relations.

Contact: Michael B. Garfield.

1993 Revenues	
Total gross revenue	\$115,874,499
UR direct to employers	30

Continued from previous page
 lif.; Atlanta; Hoffman Estates, Ill.; Lynnfield, Mass.; Jackson, Miss.
Officers: Lawrence Goelman, president/CEO; Virginia Cirica, senior vp/COO; Dave Ackley, vp/CFO; Ray Foose, vp-marketing; Alan Greenfield, vp/chief medical officer.
Contact: Ray Foose.

D

DataMed Inc.
 650 W. Dundee Road, Suite 490,
 Northbrook, Ill. 60062; 708-291-0742;
 fax: 708-291-9415

1993 Revenues	
Total gross revenue	\$310,000
UR direct to employers	100%
UR gross revenue	\$310,000
Staff	
Total UR employees on staff	43
Professionals	43
Includes: 40 physicians, 2 RNs, 1 medical record technician	
UR clients	
Employer and group plans w/direct service	87
Covered lives/reviewed admissions	
Employee benefit plan lives serviced	19,900
Workers compensation lives serviced	4,000
Acute care inpatient admissions reviewed	3,900
Diverted for outpatient treatment	15%
UR services since: 1986.	
Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, outpatient service predetermination, case management.	
Occasional UR services: Outpatient psychiatric and substance abuse services.	
Reviews: Standard services, excluding chiropractic.	
Branch offices: Brookfield, Wis.	
Officers: Louis R. Morgan, president.	

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

Occasional UR services: Outpatient psychiatric and substance abuse services.

Reviews: Standard services, excluding chiropractic.

Branch offices: Brookfield, Wis.

Officers: Louis R. Morgan, president.

For a description of standard services and methodology see page 20.

Disability Management Associates

100 Diplomat Drive, Ambassador I Building, Lester, Pa. 19113;
 215-521-6880; fax: 215-521-6893

1993 Revenues	
Total gross revenue	\$2,000,000
UR direct to employers	20%
UR to health care/insurance providers	30%
Other services	50%
UR gross revenue	\$600,000
Staff	
Total UR employees on staff	6
Professionals	6
Includes: 3 RNs	
UR employees on retainer	250
Includes: 180 physicians, 2 nurses	
UR clients	
Total	60
Employer and group plans w/direct service	10
UR services since: 1986.	
UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management.	
Reviews: Standard services, including dental and physical therapy.	
Officers: David W. Clifton Jr., president/CEO.	
Contact: Jayne McLaughlin, executive director.	

UR services since: 1986.

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

Reviews: Standard services, including dental and physical therapy.

Officers: David W. Clifton Jr., president/CEO.

Contact: Jayne McLaughlin, executive director.

E

EBC Review

5235 N. Ironwood, Glendale, Wis. 53024; 414-962-7771;
 fax: 414-962-2975

1993 Revenues	
UR direct to employers	100%
Staff	
Total UR employees on staff	5

Total UR employees on staff.....5

Professionals	4
Includes: 2 RNs, 2 medical record technicians	
UR employees on retainer	1
Includes: 1 nurse	
UR clients	
Total	300
Employer and group plans w/direct service	300
Covered lives/reviewed admissions	
Employee benefit plan lives serviced	35,000
Acute care inpatient admissions reviewed	NA
Diverted for outpatient treatment	15%
UR services since: 1987.	
Parent: Safeco Life Insurance Co.	
Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review.	
Occasional UR services: Second surgical opinion, hospital bill audits, outpatient psychiatric and substance abuse services, case management.	
Reviews: Standard services, excluding workers comp/disability.	
Officers: Larry Pych, president; John A. Feith, vp.	

UR services since: 1987.

Parent: Safeco Life Insurance Co.

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

Occasional UR services: Second surgical opinion, hospital bill audits, outpatient psychiatric and substance abuse services, case management.

Reviews: Standard services, excluding workers comp/disability.

Officers: Larry Pych, president; John A. Feith, vp.

E.M. Associates

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

1993 Revenues	
UR direct to employers	25%
UR to health care/insurance providers	75%
Staff	
Total UR employees on staff	15
Professionals	12
Includes: 1 physician, 9 RNs, 1 licensed practical nurse, 1 medical record technician	
UR employees on retainer	12
Includes: 10 physicians, 2 nurses	
UR clients	
Total	30
Employer and group plans w/direct service	3
UR services since: 1987.	
UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management, DRG validation, facility fee negoti-	

UR services since: 1987.

UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management, DRG validation, facility fee negoti-

Reviews: Standard services, including auto no-fault.

Branch offices: Rochester and Syracuse, N.Y.

Officers: Kathleen Ernst, president; Joanne Howland, director-case management; Sharon Miller, director-utilization management; Sherry Kestenis, director-medical audits.

Contact: Kathleen Ernst.

E-V Benefits Management Inc.

475 Metro Place N., Suite 201, Dublin, Ohio 43017; 614-764-7587;
 fax: 614-766-7699

1993 Revenues	
Total gross revenue	\$877,457
UR direct to employers	8%
Other services	92%
UR gross revenue	\$67,433
Staff	
Total UR employees on staff	2
Professionals	2
Includes: 2 RNs	
UR clients	
Total	8
Covered lives/reviewed admissions	
Employee benefit plan lives serviced	19,554
Acute care inpatient admissions reviewed	960
Diverted for outpatient treatment	3%
UR services since: 1991.	
Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, outpatient service predetermination, case management.	
Occasional UR services: Second surgical opinion, hospital bill audits, outpatient psychiatric and substance abuse services.	
Reviews: Standard services, excluding workers comp/disability. Also reviews dental.	
Officers: Jim Eggert, CEO; Gary Van Arsdale, president; Gregg Nickell, vp.	

UR services since: 1991.

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

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

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

Officers: Jim Eggert, CEO; Gary Van Arsdale, president; Gregg Nickell, vp.

Employee Benefit Management Services

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

1993 Revenues	
Total gross revenue	\$2,685,000
UR direct to employers	5%
Other services	95%
UR gross revenue	\$127,890
Staff	
Total UR employees on staff	3
Professionals	3
Includes: 2 RNs	
UR clients	
Total	59
Covered lives/reviewed admissions	
Employee benefit plan lives serviced	18,870
UR services since: 1989.	
Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, outpatient psychiatric and substance abuse services, case management.	
Occasional UR services: Second surgical opinion, hospital bill audits, outpatient service predetermination.	
Reviews: Group health, rehabilitation, psychiatric/substance abuse.	
Officers: Frederick H. Larson, president; Nicki L. Larson, vp.	

UR services since: 1989.

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

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

Reviews: Group health, rehabilitation, psychiatric/substance abuse.

Officers: Frederick H. Larson, president; Nicki L. Larson, vp.

1993 Revenues	
Total gross revenue	\$42,996,000
UR gross revenue	\$16,293,000
Staff	
Total UR employees on staff	63
Professionals	63
Includes: 5 physicians, 58 RNs	
UR employees on retainer	NA
Includes: 108 physicians	
UR clients	
Total	8,007
Employer and group plans w/direct service	1,972
Covered lives/reviewed admissions	
Employee benefit plan lives serviced	776,900
Acute care inpatient admissions reviewed	43,700
Diverted for outpatient treatment	3%
UR services since: 1986.	
URAC certified.	

UR services since: 1986.

URAC certified.

The ETHIX Corp.
 888 S.W. Fifth Ave, Suite 600,
 Portland, Ore. 97201; 503-228-8888;
 fax: 503-225-9555

1993 Revenues	
Total gross revenue	\$42,996,000
UR gross revenue	\$16,293,000
Staff	
Total UR employees on staff	63
Professionals	63
Includes: 5 physicians, 58 RNs	
UR employees on retainer	NA
Includes: 108 physicians	
UR clients	
Total	8,007
Employer and group plans w/direct service	1,972
Covered lives/reviewed admissions	
Employee benefit plan lives serviced	776,900
Acute care inpatient admissions reviewed	43,700
Diverted for outpatient treatment	3%
UR services since: 1986.	
URAC certified.	

UR services since: 1986.

URAC certified.

Continued on next page



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etary medical bill review system, utilization management services and our professional medical staff. In fact, our total managed care commitment has developed solutions for over 8,000 customers.

Today, more than ever, we offer you greater cost savings

Continued from previous page

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

Occasional UR services: Hospital bill audits.

Reviews: Standard services, including high-risk maternity.

Branch offices: Denver, Clearwater, Fla.; Lombard, Ill.; Indianapolis, Covington, La.; Dublin, Ohio; Bloomfield Hills, Mich.; Bloomington, Minn.; St. Louis; Charlotte, N.C.; Wayne, Pa.; Memphis, Tenn.; San Antonio; Midvale and Salt Lake City, Utah; Seattle.

Officers: Stephen A. Gregg, chairman; Peter S. Linder, president; Dale White, senior vp; Fredrick J. Davidson, vp-finance.

Contact: Mike Ulwelling.

F

FARA Healthcare Management

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

1993 Revenues

Total gross revenue	\$13,000,000
UR direct to employers	5%
UR to health care/insurance providers	3.5%
Other services	91.5%
UR gross revenue	\$250,000

Staff

Total UR employees on staff	5
Professionals	5
Includes: 5 RNs	

UR clients

Total	150
Employer and group plans w/direct service	53

Covered lives/reviewed admissions

Workers compensation lives serviced	2,258
Acute care inpatient admissions reviewed	NA
Diverted for outpatient treatment	1%

UR services since: 1992.

Parent: F.A. Richard & Associates Inc.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, second surgical opinion, outpatient service predetermination, case management, frequency and appropriateness of medical services.

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

Reviews: Chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability, dental.

Branch offices: Beaumont, Dallas and Houston, Texas.

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

Contact: Kay Martin.

The J.P. Farley Corp.

24600 Center Ridge Road, Suite 425, Westlake, Ohio, 44145; 216-871-6800; fax: 216-871-1159

1993 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	3
Professionals	3
Includes: 3 RNs	
UR employees on retainer	NA
Includes: 1 physician	

UR clients

Employer and group plans w/direct service	30
---	----

Covered lives/reviewed admissions

Employee benefit plan lives serviced	10,000
Acute care inpatient admissions reviewed	452
Diverted for outpatient treatment	2%

UR services since: 1989.

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

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

home health care.

Officers: James P. Farley, president; Tricia Hannigan-Farley, vp; Dave Wolfe, controller; Robert Tupka, marketing director; Scott Mancini, sales representative.

FIRST HEALTH Strategies Inc.

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

1993 Revenues

Total gross revenue	\$166,000,000
UR direct to employers	12%
Other services	88%
UR gross revenue	\$20,000,000

Staff

Total UR employees on staff	254
Professionals	254
Includes: 1 physician, 165 RNs, 10 licensed practical nurses	
UR employees on retainer	112
Includes: 112 physicians	

UR clients

Employer and group plans w/direct service	712
---	-----

Covered lives/reviewed admissions

Employee benefit plan lives serviced	1,501,997
Workers compensation lives serviced	600,000
Acute care inpatient admissions reviewed	74,905
Diverted for outpatient treatment	1%

UR services since: 1987.

Parent: First Financial Management Corp.

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

Occasional UR services: Second surgical opinion.

Reviews: Standard services, including dental, home health, skilled nursing, podiatric, hospice and high-risk pregnancy.

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

Officers: Terry Nofsinger, president; Ted White, COO; Dennis Bayes, CFO; George Dreisbach, executive vp.

Contact: Robert Stevens, manager-marketing support services.

Florida Psychiatric Management Inc.

1276 Minnesota Ave., Winter Park, Fla. 32789; 407-647-1781 or 800-782-2052; fax: 407-647-0668

1993 Revenues

UR direct to employers	67%
UR to health care/insurance providers	22%
Other services	11%

Staff

Total UR employees on staff	46
Professionals	19
Includes: 3 physicians, 7 RNs	
UR employees on retainer	1
Includes: 1 physician	

UR clients

Total	20
Employer and group plans w/direct service	17

Covered lives/reviewed admissions

Employee benefit plan lives serviced	425,000
--------------------------------------	---------

UR services since: 1987.

Parent: Ramsay Health Care Inc.
Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management.

Occasional UR services: Retrospective review, hospital bill audits.

Reviews: Psychiatric/substance abuse.

Branch offices: Miami.

Officers: Martin Lazowitz, president/CEO; I. Paul Mandelkern, senior vp; Robert W. Pollack, medical director; David Cunningham, Christina R. Magaz, vps-operations.

Contact: I. Paul Mandelkern.

Focus Healthcare Management Inc.

7101 Executive Center Drive, Suite 375, Brentwood, Tenn. 37027; 615-377-9936

1993 Revenues

UR direct to employers	2%
UR to health care/insurance providers	30%
Other services	68%

Staff

Total UR employees on staff	135
-----------------------------	-----

Professionals.....57

Includes: 4 physicians, 45 RNs, 5 licensed practical nurses

UR employees on retainer.....50

Includes: 50 physicians

UR clients

Total.....300

Employer and group plans w/direct service.....10

Covered lives/reviewed admissions

Workers compensation lives serviced.....17,000,000

Acute care inpatient admissions reviewed.....15,000

UR services since: 1986.

Parent: United HealthCare Corp.

URAC certified.

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

Reviews: Chiropractic, rehabilitation, workers comp/disability, dental, physical therapy, first-party automobile casualty medical review, general liability.

Branch offices: Arlington, Texas.

Officers: Stryker Warren Jr., chairman; David S. Iskove, president/CEO/CFO; James V. Lackey, Lisa Getzfrid, executive vps; Edward J. Bernacki, medical advisory board.

Contact: Kim Riley, executive assistant.

Frontline Health Management Services

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

1993 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, 1 medical record technician	

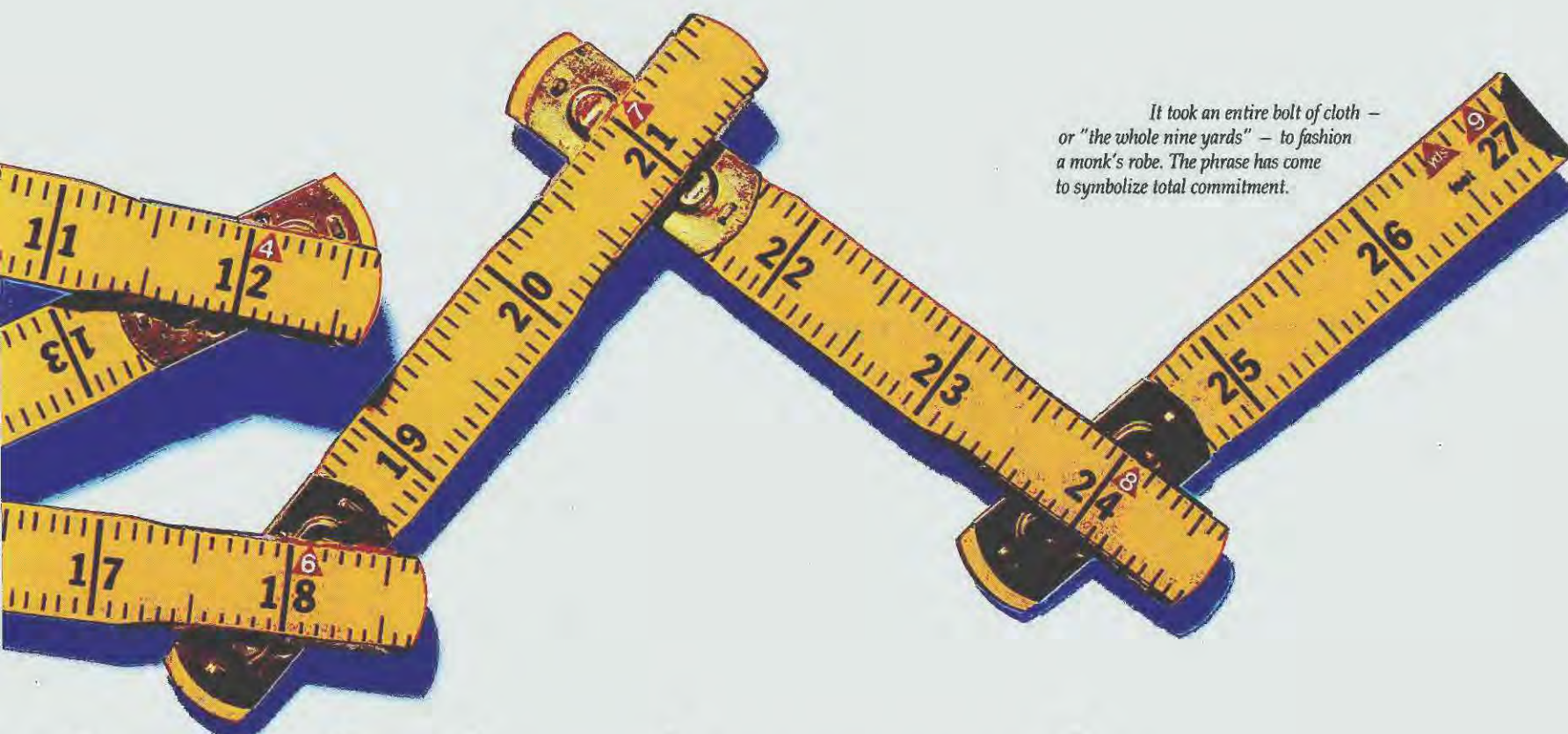
UR clients

Total.....21

Covered lives/reviewed admissions

Employee benefit plan lives serviced.....7,016

Continued on next page



It took an entire bolt of cloth — or "the whole nine yards" — to fashion a monk's robe. The phrase has come to symbolize total commitment.

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Wayne, Pennsylvania 19087
610-993-2800 Fax: 610-993-2819



Continued from previous page

Acute care inpatient admissions reviewed300
 Diverted for outpatient treatment.....40%
 * UR services direct to employers are available.
UR services since: 1993.
Parent: The Mutual Group (U.S.) Employee Benefits.
URAC certified.
Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management, procedure code unbundling.
Reviews: Standard services, excluding chiropractic.
Contact: James B. Meyers, executive director-managed care development.

Future Diagnostics Inc.

6380 Wilshire Blvd., Suite 900, Los Angeles, Calif. 90048; 800-659-0200; fax: 800-653-2147

1993 Revenues	
Total gross revenue	\$6,000,000
UR direct to employers	10%

UR to health care/insurance providers	10%
Other services	80%
UR gross revenue	\$1,200,000

Staff	
Total UR employees on staff	5
Professionals	5
Includes: 2 RNs, 1 licensed practical nurse, 1 medical record technician	

UR clients
 Total20
UR services since: 1993.
Parent: Future Diagnostics Inc.
Frequent UR services: Retrospective review, medical necessity/appropriateness of diagnostic tests.
Reviews: Workers comp/disability, health benefit plans, radiology groups.
Officers: Jaana Cohan, president; Gerald Graber, director-operations; Bill Wood, vp; Joan Lang, vp-contract relations; Helen White, director-UR.

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

G

Gateway Health Management Services

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

1993 Revenues	
UR direct to employers	96%
UR to health care/insurance providers	4%

Staff	
UR Professionals	5
Includes: 4 RNs, 1 licensed practical nurse	
UR employees on retainer	50
Includes: 48 physicians, 2 nurses	

Clients	
Total	187
Employer and group plans w/direct service	183

Covered lives/reviewed admissions	
Employee benefit plan lives serviced	30,000
Acute care inpatient admissions reviewed	2,000
Diverted for outpatient treatment	40%

UR services since: 1990.

Parent: NA Management Corp.
Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, hospital bill audits, outpatient service predetermination, case management.
Occasional UR services: Outpatient psychiatric and substance abuse services.
Reviews: Standard services.
Officers: Donald T. Baker, president/CEO; Alex Hahn, chairman; Mitchell Wasserman, vp; Mary Margan, vp-finance; Martha Was, vp.
Contact: Mitchell Wasserman.

GENEX Services Inc.

735 Chesterbrook Blvd., Suite 200, Wayne, Pa. 19087; 610-993-2800; fax: 610-993-2819

1993 Revenues	
UR direct to employers	30%
UR to health care/insurance providers	30%
Other services	40%

Staff	
Total UR employees on staff	20
Professionals	18
Includes: 3 physicians, 15 RNs	

UR employees on retainer	NA
Includes: 35 physicians	

UR clients	
Total	360
Employer and group plans w/direct service	65

Covered lives/reviewed admissions	
Employee benefit plan lives serviced	30,000
Workers compensation lives serviced	200,000
Acute care inpatient admissions reviewed	7,000
Diverted for outpatient treatment	5%

UR services since: 1992.
Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, outpatient service predetermination, case management.
Occasional UR services: Hospital bill audits, outpatient psychiatric and substance abuse services.
Reviews: Standard services.

Global Medical Review Inc.

964 Third Ave., 27th Floor, New York, N.Y. 10155; 800-708-2525 or 212-593-0960; fax: 212-593-7247

1993 Revenues	
UR direct to employers	30%
UR to health care/insurance providers	20%
Other services	50%

Staff	
Total UR employees on staff	22
Professionals	10
Includes: 3 physicians, 4 RNs, 2 licensed practical nurses, 1 medical record technician	
UR employees on retainer	47
Includes: 32 physicians, 15 nurses	

UR clients	
Total	27
Employer and group plans w/direct service	17

Covered lives/reviewed admissions	
Acute care inpatient admissions reviewed	NA
Diverted for outpatient treatment	17%

UR services since: 1988.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, discharge planning, retrospective review, hospital bill audits, outpatient psychiatric and substance abuse services, case management.
Occasional UR services: Length of stay determination, second surgical opinion.
Reviews: Standard services, including dental, death benefits, medical-legal, product liability injuries, U.S. and foreign travel/accident.
Branch offices: Beverly Hills, Calif.
Officers: Judith Marshall, president; Jerry Silva, CEO; Hamilton Leach, vp-marketing; R. Chira, vp-business affairs.
Contact: Judith Marshall or Hamilton Leach.

Green Spring Health Services Inc.

5565 Sterrett Place, Columbia, Md. 21044-2644; 410-740-9501; fax: 410-740-8573

1993 Revenues	
Total gross revenue	\$55,000,000
UR direct to employers	80%
UR to health care/insurance providers	20%
UR gross revenue	\$43,900,000

Staff	
Total UR employees on staff	136
Professionals	136
Includes: 6 physicians, 28 RNs, 21 medical record technicians	
UR employees on retainer	81

UR clients	
Total	16
Employer and group plans w/direct service	30,000

Covered lives/reviewed admissions	
Employee benefit plan lives serviced	7,000,000
Acute care inpatient admissions reviewed	15,608

UR services since: 1989.
Parent: Blue Cross of Western Pennsylvania, Blue Cross & Blue Shield of Illinois, Pierce County Medical Bureau, Blue Cross & Blue Shield of New Jersey.
URAC certified.
Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management.
Reviews: Psychiatric/substance abuse.
Branch offices: Chicago; Portland, Maine; Columbia, Md.; Parsippany, N.J.; Cincinnati; Pittsburgh; Providence, R.I.; Chattanooga, Tenn.; Tacoma, Wash.
Officers: Paul G. Shoffett, vice chairman; Henry T. Harbin, president/CEO; Clarissa Marques, senior vp/chief clinical officer; Daniel J. Klein, senior vp-strategic planning/development.
Contact: Dan Klein.

Continued on next page



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Continued from previous page

H

Health Benefit Management

7600 Chevy Chase Drive, Suite 500,
Austin, Texas 78752; 800-580-4567;
fax: 800-580-3123

1993 Revenues	
UR direct to employers.....	9.7%
UR to health care/insurance providers	30.7%
Other services	59.6%

Staff	
Total UR employees on staff	25
Professionals.....	25
Includes: 4 physicians, 8 RNs	
UR employees on retainer.....	25
Includes: 25 physicians	

UR clients	
Total	73
Employer and group plans w/direct service	26

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

Occasional UR services: Second surgical opinion.

Reviews: Chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability, casualty.

Branch offices: Dallas, El Paso, Houston, Lubbock and San Antonio, Texas.

Officers: Ronald T. Luke, chairman; Larry Mattingly, president; Robert Marquess, vp-marketing; Karin B. Noon, treasurer; Veronica Jarrett, secretary.

Contact: Jan Blecha, public relations manager.

Health Care 2000

660 Kenilworth Drive, Towson,
Md. 21204; 410-296-8326

1993 Revenues	
UR direct to employers.....	20%
UR to health care/insurance providers	80%

Staff	
Total UR employees on staff	25
Professionals.....	NA
Includes: 2 physicians, 1 RN	
UR employees on retainer.....	15
Includes: 15 physicians	

UR clients	
Total	10
Employer and group plans w/direct service.....	8

Covered lives/reviewed admissions	
Employee benefit plan lives serviced	60,000

UR services since: 1983.

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

Reviews: Group health.

Officers: Mitchell Diamond, president; Richard Maffezzoli, medical director; Danielle Koziol, director-UR.

Contact: Mitchell Diamond.

Health Care Evaluation Inc.

6702 N. Inglewood Ave., Suite G,
Stockton, Calif. 95207; 209-951-6711;
fax: 209-951-2731

1993 Revenues	
Total gross revenue	\$2,500,000
UR direct to employers	95%
Other services.....	5%
UR gross revenue	\$2,375,000

Staff	
Total UR employees on staff	45
Professionals.....	45
Includes: 2 physicians, 22 RNs, 7 licensed practical nurses, 14 medical record technicians	
UR employees on retainer	232
Includes: 229 physicians, 3 nurses	

UR clients	
Total	80
Employer and group plans w/direct service.....	76

Covered lives/reviewed admissions	
Employee benefit plan lives serviced	402,500
Workers compensation lives serviced	80,000
Acute care inpatient admissions reviewed	25,000
Diverted for outpatient treatment.....	15%

UR services since: 1968.

URAC certified.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, hospital bill audits, outpatient service predeter-

mination, outpatient psychiatric and substance abuse services, case management.

Reviews: Standard services, including dental, high-risk pregnancy and skilled nursing facility review.

Branch offices: Bakersfield, Fresno, Sacramento and San Francisco Bay area, Calif.

Officers: Bernice Wahler, president; George Williams, vp; John Kellar, secretary/medical director; Paul Wandel, CFO; Jeff Roby, executive director.

Contact: Stefan Paciotti, director-marketing, 415-461-9152.

Health Care Review Inc.

18587 Sigma Road, Suite 200, San
Antonio, Texas 78258; 210-490-9008;
fax: 210-490-4948

1993 Revenues	
Total gross revenue	\$2,331,467
UR direct to employers	3%
UR to health care/insurance providers	42%
Other services.....	55%
UR gross revenue	\$1,049,160

Continued on next page

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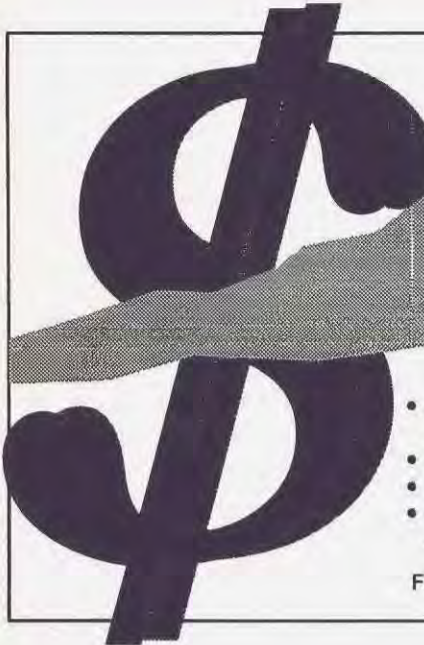
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Continued from previous page

Staff	
Total UR employees on staff	20
Professionals	11
Includes: 2 physicians, 5 RNs, 2 licensed practical nurses, 2 medical record technicians	
UR employees on retainer	140
Includes: 117 physicians, 23 nurses	

UR clients	
Total	260
Employer and group plans w/direct service	18

Covered lives/reviewed admissions	
Employee benefit plan lives serviced	836
Workers compensation lives serviced	5,718
Acute care inpatient admissions reviewed	1,765
Diverted for outpatient treatment	2%
UR services since: 1986.	

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

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

Reviews: Standard services, including dental, auto liability, medical-legal files, PPOs.

Officers: Robert D. Brown, CEO/chairman; Dolores Y. Morton, president; Maureen Brown, CFO.

Contact: Maureen Brown.

Health Cost Consultants Inc.
1945 Old Gallows Road, Suite 250,
Vienna, Va. 22182; 703-883-0217;
fax: 703-883-2956

1993 Revenues	
Total gross revenue	\$117,790,000
UR direct to employers	28%
UR to health care/insurance providers	62%
Other services	10%

Staff	
Total UR employees on staff	37
Professionals	37
Includes: 5 physicians, 24 RNs, 1 licensed practical nurse, 7 medical record technicians	
UR employees on retainer	106
Includes: 106 physicians	

UR clients	
Total	63
Employer and group plans w/direct service	7

Covered lives/reviewed admissions	
Employee benefit plan lives serviced	350,000
Workers compensation lives serviced	40,000
Acute care inpatient admissions reviewed	26,000
Diverted for outpatient treatment	22%
UR services since: 1983.	

Parent: PHP Healthcare Corp.
URAC certified.

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

Occasional UR services: Hospital bill audits.

Reviews: Standard services, including high-risk pregnancy.

Branch offices: Plantation, Fla.

Officers: Debbie Scheff, president; Sally-Ann Polson, vp-marketing; Louis Pugsley, vp-medical affairs; Ann Meyer, vp-operations.

Contact: Carolyn Smith, marketing manager.

Health Design Plus
15 Atterbury Blvd., Hudson,
Ohio 44236; 800-877-5843;
fax: 216-656-9387

1993 Revenues	
UR direct to employers	70%
Other services	30%

Staff	
Total UR employees on staff	4
Professionals	4
Includes: 1 physician, 3 RNs	

UR clients	
Total	16
Employer and group plans w/direct service	16

Covered lives/reviewed admissions	
Employee benefit plan lives serviced	8,500
UR services since: 1989.	

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

Occasional UR services: Second surgical opinion.

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

Officers: M. Ruth Coleman, president; Morton Grossman, medical director;

Connie Jones, director-managed care.

Health Direct

1011 E. Touhy Ave., Suite 500, Des Plaines, Ill. 60018; 708-391-9500; fax: 708-390-7715

1993 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	
UR employees on retainer	24
Includes: 10 physicians, 14 nurses	

UR clients	
Total	400
Employer and group plans w/direct service	340

Covered lives/reviewed admissions	
Employee benefit plan lives serviced	1,000,000
Acute care inpatient admissions reviewed	50,000
UR services since: 1980.	

Parent: EHS Health Care, Lutheran General Health System.

URAC certified.

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

Occasional UR services: Hospital bill audits.

Reviews: Standard services, including podiatric and high-risk maternity.

Officers: Charles Stark, president/CEO; Jenifer Cline, COO; Kerry Finnegan, vp-sales/marketing; Les Preuss, vp-finance/administration; Steven Tiwald, vp-networks/consulting.

Contact: Julie Barth, marketing manager.

Health Economics Corp.
5001 Spring Valley Road, Suite 1000E,
Dallas, Texas, 75244; 214-789-6400;
fax: 214-789-6412

1993 Revenues	
Total gross revenue	\$29,000,000
UR direct to employers	16%
Other services	84%
UR gross revenue	\$4,700,000

Staff	
Total UR employees on staff	50
Professionals	46
Includes: 3 physicians, 28 RNs, 15 licensed practical nurses	
UR employees on retainer	12
Includes: 12 physicians	

UR clients	
Total	68
Employer and group plans w/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	25,449
Diverted for outpatient treatment	5%
UR services since: 1984.	

Parent: Equifax Inc.

URAC certified.

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

Occasional UR services: Retrospective review, hospital bill audits.

Reviews: Standard services, including high-risk pregnancy and behavioral health.

Branch offices: Cedar Rapids, Iowa; Houston.

Officers: Dick Herrmann, president/CEO; Parks Houser, senior vp-operations; Nancy Coleman, senior vp-health care administration; Larry Dotin, vp-managed care/corporate medical director; Tom Dubowski, vp/controller.

Contact: Barbara Mercer, manager-marketing, 214-789-6444.

Health International Inc.
1840 Century Park East, Suite 770,
Los Angeles, Calif. 90067;
800-333-3760; fax: 602-948-2523

1993 Revenues	
Total gross revenue	\$7,000,000
UR direct to employers	90%
UR to health care/insurance providers	10%
UR gross revenue	\$7,000,000

Staff	
Total UR employees on staff	85
Professionals	58
Includes: 4 physicians, 53 RNs, 1 licensed practical nurse	

Insurer Topics

A special editorial section
sent exclusively
to insurers and reinsurers

Finding a niche

Insurers decide that specialization pays off



By GAVIN SOUTER

Big losses in several lines of business are forcing insurers to review their underwriting strategies.

And, following those reviews, many insurers are deciding that the way back to underwriting profit is specialization.

While the days of the multiline insurer are far from numbered, many insurers are picking and choosing business niches rather than trying to be all things to all people, insurers and brokers say.

Insurers now are more carefully analyzing their results by specific business and geographical area and concentrating their efforts on the lines in which they are making money—rather than losing it.

Insurers are unbundling their portfolios, and units that are losing money are being revamped, shut down or sold off. And those compa-

nies that continue to offer broad arrays of coverages are trying to better control the risks they accept through tighter underwriting guidelines and more field visits to policyholders.

Most of the changes in strategy are being seen in middle-market accounts where there is a lot of risk transfer, said Horace Holcomb, director of Impact, a market intelligence focus group within Alexander & Alexander Services Inc. in New York.

"Companies are concentrating on niches where they've done a lot of research. . . They feel that they have a well-spread book and that they understand the risks better, so they can separate the good from the bad," he said. These companies then develop specialized loss control, claims handling and legal departments with expert knowledge of particular fields, rather than asking the same staff to handle numerous different types of business, Mr. Holcomb said.

And where insurers are finding

that they do not have the expertise or desire to participate in certain areas, they are selling business units or subsidiaries to other companies that still have an appetite for the business, he said.

"It would appear that the way to succeed in the insurance industry is to specialize," agreed Brian O'Hara, president and chief operating officer of Bermuda-based excess liability insurer X.L. Insurance Co. Ltd.

Over the past few years, several large multiline insurers have downsized and segmented their business units in an effort to become more specialized, he said. "It's hard to find an instance where it isn't happening."

Through specialization, companies gain more control over the risks they insure, he said.

While the price of coverage remains an important factor in underwriting, it is becoming less important as companies specialize more, Mr. O'Hara said. "There are more qualitative factors, such as coverage and continuity, that you expect from specialist providers."

Both insurers and policyholders benefit from specialization, Mr. O'Hara said: Insurers have better control over their risks, and customers have more stable coverage.

"So if you are buying casualty coverage, you do not have the situation where your coverage is cut off because your carrier is suffering badly on the property side," he said.

Also, customers will not be subjected to broad pricing cycles. Instead, there will be "microcycles" during which the cost of different elements of a company's insurance program will rise and fall at different times, he said.

Gaining greater control of the risks
Continued on page 26L

Disaster plans guide post-quake recovery

Resourceful employees speed insurers' return to normalcy

By LOUISE KERTESZ

Disaster response plans helped several insurance companies in the Los Angeles area get back on track after the earthquake shook their operations into disarray.

In addition to advance planning, the insurers also counted on the resourcefulness of their employees to meet the challenge of cleaning up and resuming operations.

Woodland Hills-based 20th Century Insurance Co.'s business resumption plan—which includes a crisis communication plan, an information services plan and a human resources plan—is designed “to coincide with disaster recovery,” said Richard Dinon, senior vp.

“But many of those plans stand alone” and are put into effect to respond to various situations, he said. For example, the crisis communication plan has been used to respond to Proposition 103 issues and hearings, he said.

Company officers are issued cards with phone numbers of other officers. They also have manuals detailing the insurer's business resumption plan that they keep at home and in their cars.

“Since my area is communications, my first action at home was to get my crisis communications manual, open it up and start making contact with other officers. When I came to the office, I assessed the situation and dictated a news release to the St. Louis office of our public relations firm” because the insurer's public relations firm's Los Angeles office was not operating and phone circuits into major cities like New York were tied up, Mr. Dinon said.

Each employee is issued a card that contains basic instructions on listening to news stations, toll-free numbers to dial for instructions, and information on “telephone trees” to maintain contact with fellow workers, Mr. Dinon said.

When company executives entered 20th Century's 11-story headquarters on Monday morning with flashlights, they found extensive damage that was typical for structures near the epicenter in Northridge. Woodland Hills is less than 10 miles from Northridge.

More than half of the building's windows were blown out. “Some of the facade was cracked, the entryway near the support columns had buckled, the drywall inside the stairwells had many fractures and had fallen in. We had no power, no phones and no water,” he explained.

An 8,000-pound mainframe computer had been moved about a foot by the quake, while some of the system's drives had toppled. The computer handles the company's accounting, policy maintenance and claims records.

One floor, which was used primarily for customer files, was “several feet deep in files,” he said. “It was like the photos of many people's kitchens (after the quake). All the doors were open and everything was on the floor.”

Four other 20th Century locations in the area suffered the same kind of damage, he said.

Employees began arriving the morning after the quake and were

put to work taking claims information from policyholders who had come directly to the insurer's offices. One worker borrowed a tent from her son's soccer team and the company set up claims-handling operations in the parking lot.

The insurer subsequently rented tents that covered about 15,000 square feet of parking lot. The tents were “not part of the business plan, but they became part of the business solution,” the spokesman quipped. Even more important than a business plan are resourceful employees who respond quickly and imaginatively to cri-

ses, he said.

20th Century also rented a truck with a large electricity generator from a movie studio. That powered computers, faxes and telephone equipment under the tents.

Meanwhile, 20th Century had to decide whether it could restore its headquarters building or if it would need to move operations to another site. The company contacted a real estate agent who has worked with 20th Century for more than a decade. “His first action was to locate alternative sites in the event our building could not be made habitable,” Mr. Di-

non said.

“A company's relationship with its vendors is very, very important; part of the responsiveness and quickness of our recovery is because of the good relationships and responsibility and imagination of our vendors as well.”

A main problem in the headquarters was that once water was restored, the pressure was inadequate to operate the computer's cooling system. The insurer solved that problem by directing all the water within the headquarters building to the computer's water-cooled system.

“What we learned is that infrastructure damage affects even the

best of plans, and those issues will be addressed as we go into our future,” Mr. Dinon said. When the plan was drafted, “we thought about water, but not water pressure,” he said, adding that the computer system was not water-cooled when the insurer moved into the building in 1980.

Because rain was forecast for the first weekend after the quake and minor damage to the building was repaired, “we decided to bring operations inside,” he said.

A customer relations area was “converted to a war room...to accommodate large quantities of walk-in business” as hundreds of policyholders turned up to file claims.

The insurer hasn't yet pegged the cost of cleanup and repair, not-

Continued on next page



Reliance Re underwrites through Reliance Insurance Company

Insurer Topics

Continued from previous page
ing its first priority is to get checks to policyholders.

20th Century purchased insurance coverage for its electronic data processing equipment "that will provide us some recovery." But it has not determined if the equipment sustained enough damage to exceed the policy's deductible, Mr. Dinon said.

"We're self-insured for the rest, for our own improvements and equipment" in the leased building, he said.

Farmers Group Inc. also followed an emergency preparedness plan that laid out disaster recovery responsibilities for upper management at its regional office in Simi Valley, about four miles west of the epicenter, said Stan Smith, vp and regional manager.

The five-story building, which houses operations that service Southern California, sustained damage to

all floors. The top floor was "by far the worst," because all the heating ducts came down, he said.

Staff was out of the building for the entire week after the quake.

The building situation was "very chaotic," with overturned desks, about 50 broken computer terminals and "severely cracked drywall." There was no power, and the telephone, fire prevention and sanitation systems were not working, he said.

"Fortunately, we had a catastrophe claims system already set up in Pasadena, which we had not yet shut down from the fires" that swept through Malibu last October, Mr. Smith observed. But "the main difficulty we and other companies faced is that phone lines were totally unreliable for some time.

"That was to be expected," he noted. No system can be completely

"earthquake proof"—and American Telephone & Telegraph Co. was "very responsive" to the insurer's need to add 28 lines to its toll-free number for claims handling.

"Then we had to do simple things" like scattering three mobile homes around the region to conduct onsite claims handling, he said.

Meanwhile, about 400 employee volunteers picked up "hundreds of thousands of files" and cleaned up overturned plants, broken glass and "everything (that fell) off the wall." Because water in the cooling system leaked, almost every floor suffered water damage and employees had to deploy "massive commercial dehumidifiers and fans," he said.

"If the earthquake had hit in normal business hours, we would have had many severe injuries—if not deaths," Mr. Smith observed.

"We will be looking at working with the contractor who built the building to determine if we can use an alternative method to secure the heating ducts more strongly," Mr. Smith said. The company also will look for a method to keep files from tumbling out of their shelving.

After the quake, "we were scrambling to find a structural engineer," he also pointed out. "What we will do is develop a working relationship with a local structural engineer so that we could have someone on the scene the day of the disaster and not the day after. We had to bring (an engineer) from Irvine, and it was not easy to slug up the (freeway) the day after the quake."

He has already asked department heads to review the insurer's 50-page preparedness plan and to "provide lists of changes or anything to add."

Farmers is "keeping extremely detailed records" of repair costs for its earthquake insurer, which is a member of the Factory Mutual System, Mr. Smith said. Its deductible is more than \$1 million.

TIG Group Inc.'s leased 17-story main building in Woodland Hills, which was built in 1981, rode the quake "like a fine ship," said Eli Dabich, chief administrative officer.

Following TIG's business resumption plan, once the building was examined and declared structurally sound, the insurer set up a command center on the third floor. It was staffed by the manager in charge of the plan and designated employees, who proceeded to deal with cleaning up debris.

Staff were issued personal computers "and over half our program staff worked from home for about a week" while minor damage to the main building was being repaired, he said.

Meanwhile, a quarter-mile away, TIG's 1960s-era four-story Victory Building, which housed important files, sustained "substantial damage" and can't be used without repairs, he said.

TIG staff immediately identified and removed crucial files from the leased Victory building "in order to keep our claims process current," Mr. Dabich said. The building is now being shored up while insurance adjusters work with structural engineers to assess repair costs.

Tagging the important files to be removed involved "on-the-spot decision making," Mr. Dabich said. "A lesson learned from this whole thing is to depend less on paper and more on electronic backup." Fortunately, the insurer's data processing center is in San Diego and "we never lost system support throughout the whole process."

"Once we were certain that the main building was structurally sound, we turned to the welfare of our employees," Mr. Dabich said. "Really, the concern was for their well-being and if we can help them in any way." The insurer provided temporary housing for 14 employees who had lost their homes or apartments due to quake damage.

TIG was able to contact most of the 750 employees who worked in the Woodland Hills complex within a few days of the quake. A mailgram was drafted and issued from the command center, telling employees to contact an 800 number that gave the status of the building and when to report back to work, Mr. Dabich explained.

When they did return, on Monday, Jan. 24, a week after the quake, "we gave them a handout that showed them road closures and alternate routes and gave day care information" and train and bus schedules.

A crisis management consultant firm, specializing in psychological consulting following a disaster, was hired and met with employees in groups and individually. And, the insurer hung a big sign in the lobby that read, "Welcome back. We care."

"The life of our business is our employees," Mr. Dabich asserted. Employees experienced "a lot of stress" as a result of the quake, "and really what we tried to do is make the workplace a stabilizing influence in their lives.

"What we're doing now is going through the (business resumption) plan line-by-line. We'll review the plan in its entirety. Based on what we've just gone through, it's an ideal time" to review the plan, he said.

The Northridge quake was the first test of TIG's plan in an earthquake.

TIG has not yet assessed the cost of cleanup and repair, which will be "applied toward the deductible" of its earthquake policy, he said. **BI**

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Insurance fraud surge challenges the justice system

By William D. Brown

IT Perspective

WHITE-COLLAR crime is becoming an increasingly serious problem for our nation's businesses. Having spent most of my professional life dealing with white-collar crime, it is apparent that the con artist has replaced the safe cracker and the smoking gun has given way to "cooked books."

I have seen the evolution of such schemes over the past 20 years, in my experience with the Federal Bureau of Investigation, as a public accountant and as an attorney. Two examples of such schemes are land-development fraud and the savings and loan scandal.

The common elements in all white-collar crime cases are sophisticated con artists, complex schemes and a general reluctance to prosecute the culprits.

Insurance fraud, which is often perpetrated against the policyholders by sham companies, is rapidly becoming a nationwide epidemic. The Economic Crime Council, a federal law enforcement group, has identified the problem as a "special emphasis area."

Consequently, insurance fraud working groups have been created in a number of jurisdictions and include experts from the FBI, Internal Revenue Service, U.S. postal inspectors and assistant U.S. attorneys.

The nature of the insurance business makes it susceptible to

fraud because it is a risk-distribution system driven by constant demand for insurance products. This demand creates a steady flow of cash that must be accumulated in liquid reserves in order to pay claims.

Steady cash flow is very attractive to con artists and can easily be diverted. Large accumulations of liquid assets make insurers attractive for "takeover and loot" schemes. And the pressure to generate a return on reserve funds creates an opportunity for crooks to sell worthless assets to insurers, thus depleting the reserves.

In a "takeover and loot" scheme, con artists gain some control of a company by buying stock or contributing capital. A capital infusion may take the form of a promissory note, and stock may be bought with bogus assets. Capital-deficient and small companies that are seeking additional capital are the most vulnerable to this type of scheme. Once the crooks are inside the company, it's relatively easy for them to divert the company's funds.

The natural time lag in the claims payment process also impedes the detection of fraud perpetrated by insurers. Policyholders expect a delay in the processing of a claim, and a company's stalling tactics—such as letters saying the

claim is being processed—do not alert the claimant, thereby fostering in the claimant's mind a false sense of security.

Because of the delays in the claims process, a consumer complaint with the insurance department is delayed. Fraud generally is detected through consumer complaints, and the lag time gives the con artist the opportunity to collect more premiums. This also creates a window of opportunity to destroy evidence and divert assets.

The states supervise the insurance industry through a complex system of statutes and regulations. Policyholders rely on regulators to safeguard their premiums and to ensure that reserves from which claims are paid actually exist.

However, the regulatory system is not designed to deal with fraud, and thus resources for this purpose are scarce. Or, the other hand, each state's licensing and filing requirements facilitate prosecution of bogus insurers by laying the foundation for charges such as mail or wire fraud.

It is important to understand the broad scope and nature of insurance fraud and how it affects our personal lives and businesses.

Insurance policies covering a wide range of risks may be written by bogus or capital-deficient companies. These policies run the gamut from property and casualty to environmental risks. Recently, there has been a rise in health

insurance-related fraud involving multiemployer welfare agreements that frequently arise out of employee-leasing arrangements.

In the end, policyholders and claimants are left "holding the bag" when these sham companies are not around to pay claims.

Compounding the problem is the spread of insurance fraud internationally, as the criminals find safe havens overseas.

Since 1991, when the U.S. Senate's Permanent Subcommittee on Investigations held hearings on insurance fraud, Congress has shown an increasing interest in regulating the insurance industry. The 1991 inquiry focused on the activities of Alan Teale and others who were involved in the operation of various domestic and offshore insurers (*BI*, July 1, 1991).

Savings and loan players and their favorite schemes are resurfacing in the insurance industry as well. Notorious S&L "slicks" have been linked to questionable real estate transactions involving failed insurers. Inflated real estate projects and worthless loan participations are being used to steal insurance reserves.

Similar to a "takeover and loot" plan, schemes involving real estate use a company's liquid assets to purchase grossly overvalued real estate projects, perhaps in collusion with the developers. On paper, it appears the company has increased its assets when it hasn't. This scheme is intended to make a

company's books look better to regulators.

The road is a familiar one, with the same tragedy waiting at the end.

Like other white-collar crime, insurance fraud presents investigative difficulties that must be overcome.

Insurance fraud is particularly difficult to investigate because of the complex regulatory framework, sophisticated schemes and the prevalence of con artists.

Complicating things further is the need for a forensic examination, which involves an analysis of voluminous documents. Many good cases are abandoned out of frustration when an investigator or prosecutor gets lost or bogged down in the paper trail.

Because fraudulent activity has reached national proportions, the state and federal criminal justice system must act as the "safety net" for the public. Aggressive prosecution is the only language that con artists understand.

Unfortunately, the criminal justice system is slow to react and rarely compensates the victims.

Therefore, each of us bears some responsibility for our own protection against fraudulent insurance schemes. **BI**

William D. Brown manages the Dallas office of Hankin & Co., a Los Angeles-based business advisory firm that specializes in general and forensic consulting.

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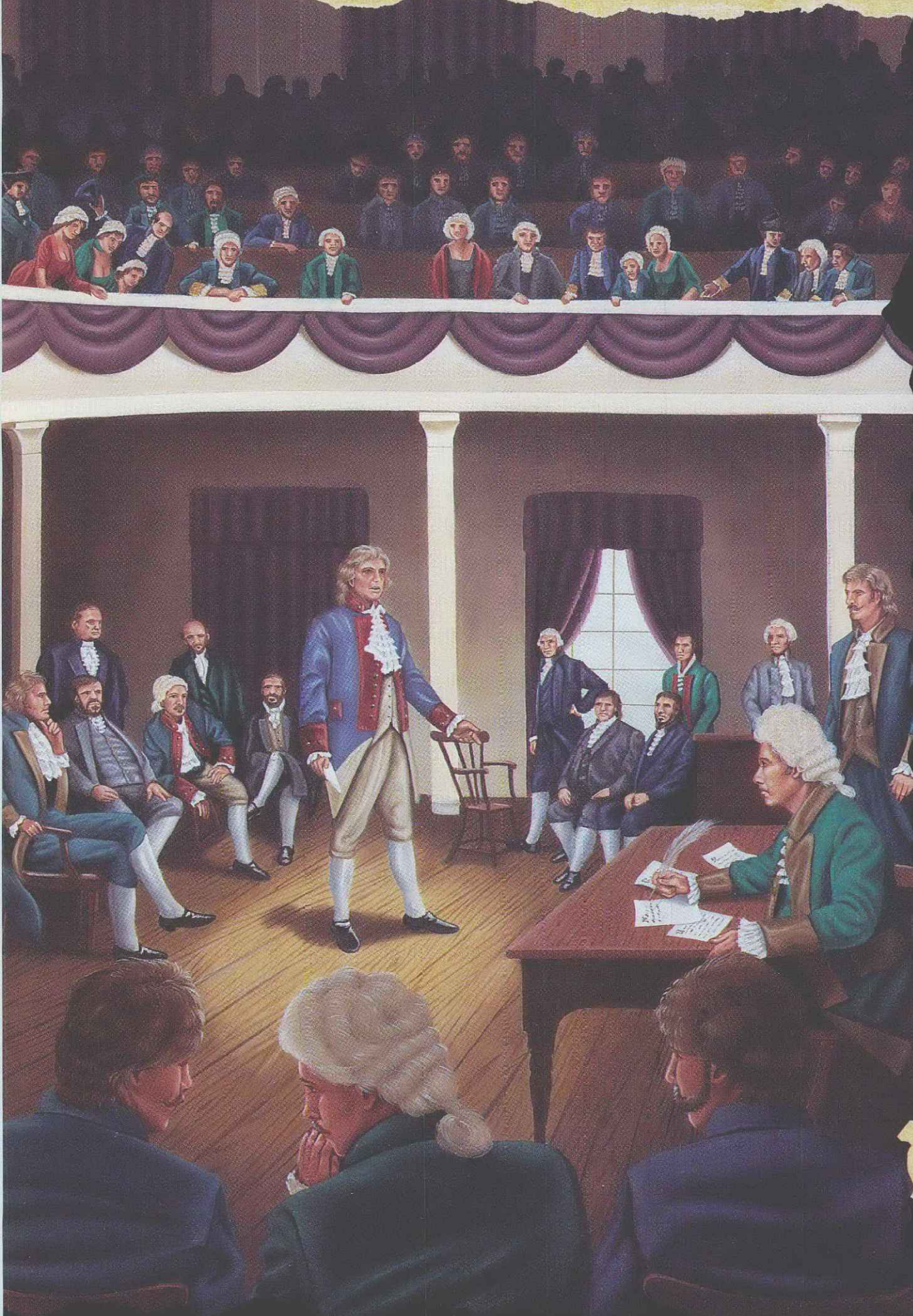
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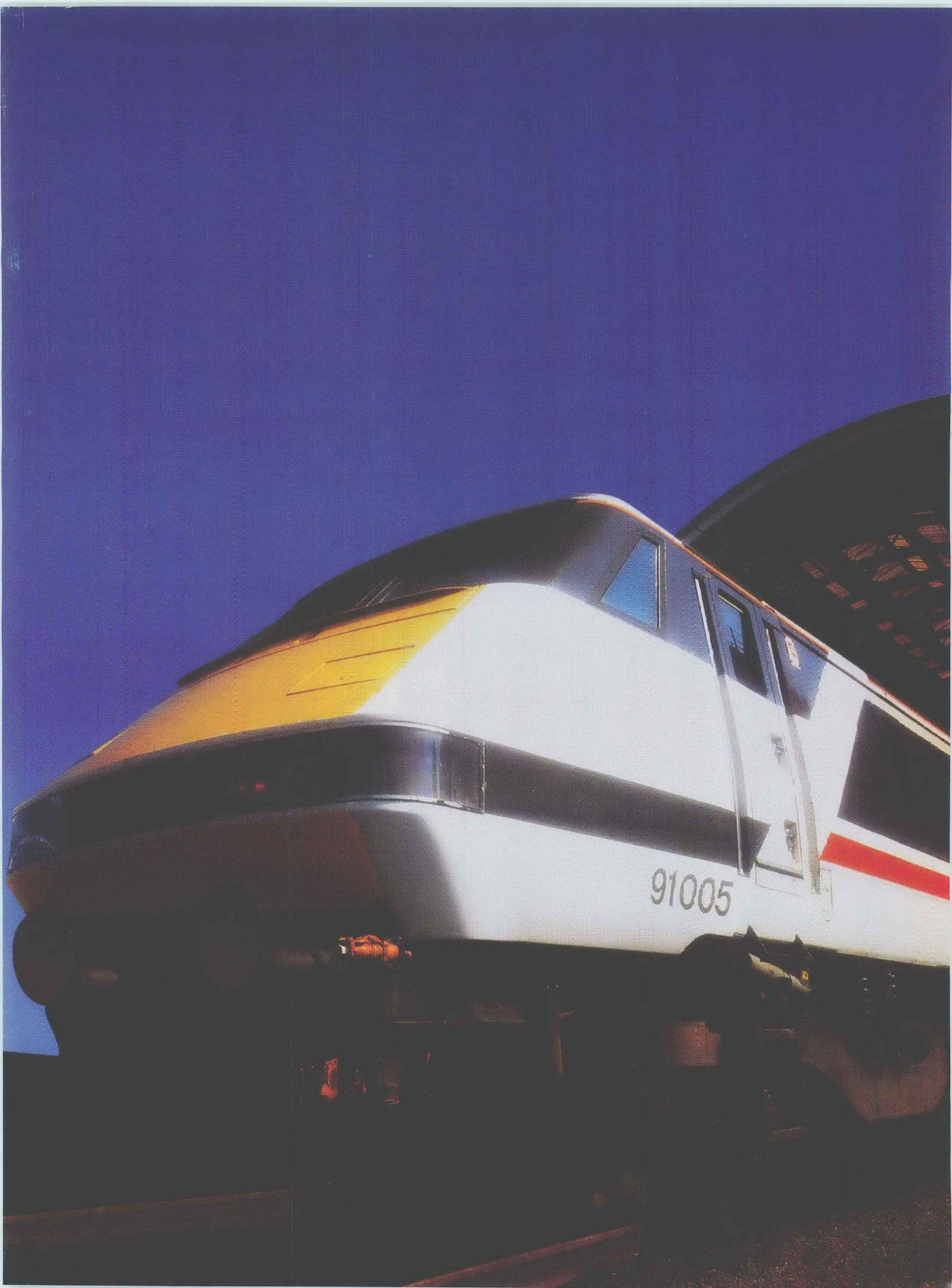


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Swindler's List: Coalition names top fraud artists

By MARK A. HOFMANN

It's a distinction that demands the adjective "dubious"—being named as perpetrator of one of the Top 10 Insurance Fraud Cases of the Year.

Yet that's the list on which a select group of individuals and organizations found themselves earlier this month when the Coalition Against Insurance Fraud announced its first annual "winners."

And recognition for some of those on the list may not end with this year's announcement, said Dennis Jay, executive director of the Washington-based coalition. He's thinking about creating an Insurance Fraud Hall of Fame.

"We'll put it in Cleveland, right next to the Rock 'n' Roll Hall of Fame," he joked.

Actually, there's nothing funny about insurance fraud, said Mr. Jay, who took the helm of the new coalition last year. Property/casualty insurance fraud costs the nation at least \$17 billion annually, according to industry estimates.

The coalition took form last June as a broad-based group whose pur-

Alan Teale's scams cited as No. 1 insurance fraud of 1993

pose is to attack all facets of property/casualty insurance fraud. Its members include individual insurance companies and trade associations, government associations, prosecutors and consumer groups.

Mr. Jay said the reason the coalition decided to name a Top 10 of Insurance Fraud was to demonstrate the diversity of fraud. "When most people think about insurance fraud, they tend to think about it in a very narrow way," he said. Some people think about claims fraud, others think about fraud committed by insurers, while still others think about fraud perpetrated by consumers, he said.

The resulting list was drawn from nominations made by about 20 different state and federal prosecutors, said Mr. Jay.

"Everybody wanted their favorite case in the Top 10," he said.

Even though the cases chosen weren't necessarily the worst in terms of dollars lost, they did represent "some of the worst and most bizarre" examples of their particular category of fraud, said Mr. Jay. He added that only cases

that had been resolved were chosen for inclusion.

No. 1 on the list, a case that the coalition calls the "Super Bowl of Insurance Fraud," involves the operations of Alan Teale. According to the coalition's citation, Mr. Teale, who was sentenced in December to 17 years in prison, "used a wide variety of insurance

Property/casualty insurance fraud costs the nation at least \$17 billion annually, the industry estimates.

and reinsurance operations to take in millions of dollars of premiums and resisted paying out claims by blaming policyholders, claims adjusters, insurance agents and attorneys. As authorities shut one company down, others sprang up."

The Teale operations, which fell under the category of insurer fraud, caused economic damage of

\$72 million, according to the coalition (*BI*, Dec. 6, 1993; Aug. 9, 1993).

No. 2 on the list, which also fell into the insurer fraud category, dealt with the activities of Norman Bramson and his sons Leonard and Martin. The Bramsons created a network of unlicensed insurance companies that sold medical malpractice coverage to hard-to-insure physicians. The companies routinely denied claims, and premiums were diverted to overseas bank accounts.

"When challenged by doctors or regulators, the Bramsons would close down the business and reopen, using a different name. Dozens of physicians were left in financial ruin; injured patients were left with no compensation for their suffering," according to the coalition's citation. The coalition puts the cost of the Bramsons' fraud at \$100 million.

Leonard Bramson has been convicted and Norman pleaded guilty to a conspiracy role in the scam. Martin Bramson continues to elude authorities (*BI*, Dec. 6, 1993; May 4, 1992).

The No. 3 entry falls into the claims fraud category and concerns the activities of Michael and David Smushkevich. The Smushkevich brothers operated mobile medical clinics and laboratories in Southern California. Luring patients with promises of free physicals, the providers would find allegedly serious health problems and bill insurers for unnecessary tests.

The Smushkeviches pleaded guilty to fraud charges last year and admitted receiving at least \$80 million from insurers, but some investigators believe the ultimate amount lost could be about \$1 billion (*BI*, March 22, 1993).

The No. 4 spot is occupied by an entity that neither has been convicted of any wrongdoing nor has admitted any wrongdoing, said Mr. Jay. It also has not been ordered to cease operations by regulators, though it has come under regulatory scrutiny.

National Medical Enterprises, a Santa Monica, Calif.-based health care provider, which was the subject of a federal fraud probe, allegedly admitted patients to its psychiatric facilities who did not need inpatient treatment and then treated them at inflated prices. After being sued by 13 insurers, NME countersued but ultimately agreed to pay \$230 million to insurers and patients without admitting any wrongdoing (*BI*, Nov. 22, 1993; Oct. 4, 1993).

No. 5 involves a case of insider fraud in the New York metropolitan area. About 100 people—independent claims adjusters, insurance company employees, policyholders and two former police officers—were accused of colluding to cheat insurers out of hundreds of millions of dollars, perhaps as much as \$1 billion, in phony and inflated claims. Forty-three of the accused have already pleaded guilty.

Claims fraud gave eight members of the Kallao family the No. 6 spot on the list. The Kallaos went from town to town, primarily in the Midwest, staging phony slip-and-fall accidents, which were followed by insurance claims. The Kallaos, aided by three other people, skimmed about \$1 million be-

fore they were caught. They have since been sentenced to two to four years in prison apiece under federal racketeering laws.

No. 7 was the unlucky number assigned to the case of 107 people caught in a claims fraud sting operation carried out by the New Jersey Department of Insurance. The Insurance Department's fraud division staged phony bus accidents and snared "ghostriders," who hopped on a bus after an accident and claimed injury, as well as 10 physicians and chiropractors and four lawyers who aided in the fraud. The amount of damage caused by the perpetrators is unknown.

An unlicensed insurer—First Assurance & Casualty Co. Ltd.—took the eighth spot in a case of insurer fraud. The company sold insurance in California but lacked the assets to cover \$2.5 million in claims stemming from the 1992 Los Angeles riots. The company was barred from doing business in the Golden State and in Texas, where it maintained its offices. It is currently suing regulators for the right to resume business.

Insurer fraud earned Rubell Helm Insurance Services Inc. the No. 9 spot. The California firm marketed itself as one of the country's leaders in designing and administering self-funded health and life plans for small companies. But its officers used premiums collected to pay for luxury vacations, houses and cars. Its officers were indicted in 1993 and its chairman pleaded guilty to fraud charges. More than \$10 million in claims remains to be paid.

Rounding out the Top 10 is a case of claims fraud that cost about \$1 million. Gaven M. Cooke "made a career out of being accident-prone," the coalition's citation reads.

Mr. Cooke used more than 20 aliases to collect money from fake auto accidents in several states. He bragged of his achievements on tabloid television shows before being charged with felony theft in Colorado last November. He is currently at large.

Mr. Jay says the list has drawn positive reaction from law enforcement officials, who have called and asked for additional information on these cases and others. He said the coalition welcomes the requests, for part of its mission is to function as a clearinghouse for insurance fraud information.

Another part of its mission is to lobby for tougher laws against insurance fraud on Capitol Hill and in the statehouses.

"We don't want to get lost in the shuffle with all the talk about violent crime," said Mr. Jay.

States have asked for help from the coalition in drafting anti-fraud bills, he said. The coalition is finishing up drafting a comprehensive list of model laws, which will be presented to the organization's board next month.

The coalition is also promoting the creation of more state fraud bureaus to deal with insurance crime.

Mr. Jay said the coalition hasn't heard from anyone who made the Top 10 list, which he promises will be an annual event.

"We've already started making out the list for 1994," he said.

For more information, write to: The Coalition Against Insurance Fraud, 1511 K St. N.W., Suite 622, Washington, D.C. 20005. **BI**

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Entry Date: 12/23/93 Response: 12/23/93 Page: 1 of 1

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Risk Address: 87 NORWOOD AVE., LONG BRANCH, NJ 07740
Current Mailing Address: ONE MAIN ST., LONG BRANCH, NJ 07740
-----2 Possible Match(es) Found-----

Match Basis: BUSINESS AT CURRENT ADDRESS Match #1
Business Name: XYZ INC.

Loss Location: 87 NORWOOD AVE., LONG BRANCH, NJ 07740
Current Address: 1 MAIN ST., LONG BRANCH, NJ 07740

Loss Date: 2/13/92
Loss Range: \$2,500 - \$3,000
Policy Type: CMP
Policy #: HTS00021015

Cause/Alleged Injury: WATER DAMAGE - BROKEN PIPE
Carrier: WORLD INSURANCE

Match Basis: BUSINESS AT RISK ADDRESS Match #2
Business Name: XYZ INC.

Loss Location: 87 NORWOOD AVE., LONG BRANCH, NJ 07740
Current Address: 87 NORWOOD AVE., LONG BRANCH, NJ 07740

Loss Date: 11/5/93
Loss Range: \$115,000 - \$120,000
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Policy #: PST00032P16

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Allegations of fraud rock Prudential

Insider's suit charges the insurer inflated value of real estate

By MICHAEL SCHACHNER

The Prudential Insurance Co. of America is denying allegations contained in a lawsuit by a former investment fund manager that it systematically defrauded pension funds by inflating the value of real estate held in one of its leading funds.

Prudential says charges that certain company officials persuaded independent appraisers and portfolio managers to enhance real estate values are untrue and were unsubstantiated by an outside law firm it hired to investigate the allegations.

In an effort to comfort fund investors, Prudential has since hired an outside auditing firm to examine the value of real estate held in the Prudential Investment Separate Account. A report from that investigation is due out next month, a spokesman said.

However, while Prudential is denying all charges against it, lawyers for the company moved quickly earlier this month to obtain a court order sealing a report

filed with the court by former Managing Director Mark Jorgensen that, according to Mr. Jorgensen's lawyer, supports his charges of wrongdoings at the Newark, N.J.-based insurer.

Mr. Jorgensen's lawsuit was filed last November in a New Jersey state court in accordance with the state's "whistle-blower" statute. The action, which has since been moved to the U.S. District Court in New Jersey, alleges that immediately after Mr. Jorgensen began raising questions about real estate evaluations in the PRISA account in 1992, he was chastised by numerous Prudential executives, told by his immediate supervisor and outside counsel that overvaluation of the portfolio was something to take pride in, and was eventually relieved of his job as a fund manager and moved to a lesser post.

Upon filing his report with the court on Feb. 7, Mr. Jorgensen was terminated by the insurer.

In his lawsuit, which seeks reinstatement to his original job, damages for reputational damage and punitive damages, Mr. Jorgensen states that by overvaluing the real

estate, primarily the value of the New York Hilton Hotel, Prudential "defrauds the public in several ways."

Specifically, he alleges that:

- Present and potential investors are misled about the historic performance of the portfolio.
- Pension funds pay too much to invest in the portfolio.
- Investors who leave the portfolio receive too much money, to the detriment of investors that remain.
- Prudential receives fees based on the overvalued account.

The lawsuit contains no actual evidence supporting Mr. Jorgensen's charges other than his accounts of meeting with Prudential officials and lawyers from the insurer's firm, Howery & Simon.

But the report, which Mr. Jorgensen prepared last summer and entered into public record to support his claims, documented several cases of real estate overvaluation, according to Nancy Erika Smith, a West Orange, N.J., attorney representing Mr. Jorgensen.

That report has been officially sealed by U.S. District Judge Dick-

inson Debevoise on the grounds that it contained confidential information about Prudential's investor clients, the Prudential spokesman said.

However, The New York Times reported on Feb. 8 that the Jorgensen report, which was originally prepared for Ray Giordano, an in-house lawyer at Prudential, specifically noted that the PRISA account listed the company's interest in the New York Hilton at \$366 million when the company's head of appraisals wrote in June 1993 that the company's interest in the property was \$200 million.

In addition, the report stated that a property in downtown Man-

hattan that was originally appraised at \$83.5 million in 1990 and eventually downgraded to \$47 million in 1992 appeared to be worth less than \$30 million, the Times reported.

"To the best of our knowledge, the allegations are untrue," the Prudential spokesman said. "Our outside lawyers could not substantiate his charges and it's important to note that none of these allegations were made until after Mr. Jorgensen was given notice that he was going to be reassigned."

In response to the allegations that Prudential pressured independent appraisers to falsify real estate values, he said, "We use 35 to 40 independent appraisers, so we'll let the allegation that we can manipulate all those appraisers stand or fall on its own." **BI**

Counting its chickens before they'd hatched

Policy Management gives account of actions

By DOUGLAS McLEOD

Policy Management Systems Inc., facing shareholder litigation over allegedly misleading financial statements, has acknowledged that it booked revenues from certain license agreements before those agreements were formally executed.

In an answer to a consolidated shareholder class-action complaint filed last month, the insurance industry software firm also says that it occasionally recognized revenue from clients for future services it had not yet rendered.

However, Policy Management also denied that these actions violated industry accounting rules.

Some employees may have violated Policy Management's internal accounting policies, a company spokesman said, but the actions were isolated and did not represent a widespread corporate practice.

Policy Management's acknowledgements came in an answer to a shareholder lawsuit filed in federal court in Columbia, S.C., after Policy Management's stock price took a nosedive in April.

For years a Wall Street favorite, racking up yearly double-digit revenue gains, Policy Management shocked investors last April when it announced first-quarter earnings far below expectations (*BI*, Dec. 20, 1993).

Its stock plummeted 43% in one day to \$47.68 from \$83.88. The stock closed last Tuesday at \$33.25.

The company blamed the earnings surprise on weakened life/health software sales resulting from uncertainty over health care reform.

However, several shareholder lawsuits were filed, charging, among other things, that Policy Management had inflated its quarterly earnings by including sales made after the end of a quarter. The suits were consolidated in U.S. District Court in Columbia last year.

The software firm then failed to produce a second-quarter 1993 financial report, and in August announced that it was firing Arthur Andersen & Co. and hiring Coopers & Lybrand to audit its financials and review its internal ac-

counting procedures.

Arthur Andersen and a previous auditor, Ernst & Young, withdrew their opinions on Policy Management's results for the years 1990 through 1992.

Policy Management's answer to the consolidated shareholder suit, filed Jan. 20, generally denies shareholder allegations that it misled investors with inflated financial reports.

However, the company admitted that it "has recognized revenue from certain license agreements in financial periods before written contracts confirming those agreements were formally executed."

Specifically, Policy Management said it booked revenues in the fourth quarter of 1992 from agreements that were not signed until the first quarter of 1993.

In addition, the company said that "on occasion" its employees would agree with customers to provide future services in exchange for current payments. Policy Management reported those revenues in quarters before the customer received services, the filing said.

New York Life Insurance Co., Blue Cross & Blue Shield of New Jersey and Mountain State Blue Cross & Blue Shield Inc. received letters from Policy Management giving them credits toward future services, the filing says.

On "a few occasions," Policy Management also granted cancellation rights to customers but booked revenues from those customers before the cancellation periods expired. One such customer, Confederation Life Insurance Co., later exercised its right to cancel, the filing says.

However, Policy Management denied that agreements like those involving New York Life, the Blue Cross plans and Confederation Life were "widespread" within the company or that they "were intended to, or in fact did, mislead any investors."

A Coopers & Lybrand report on Policy Management's internal controls is expected this month, along with the company's audited second quarter and first half 1993 financial results and any restatements of prior years' results, according to the spokesman.

Audited third-quarter and year-end 1993 results will follow, he said. **BI**

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Five years later, Prop. 103 still sparking controversy

By LOUISE KERTESZ

Proposition 103 was enacted in California with all the flourish of a Fourth of July parade, but opinions are divided over whether the law's impact on the commercial insurance market has been dynamite or a dud.

Insurers and most large brokers say Proposition 103, which basically mandated that property/casualty insurers roll back their rates and issue rebates to customers, has had a negligible effect on the commercial insurance marketplace.

However, many smaller brokers and agents disagree. They say that except for the very best risks—which are predominantly placed by the giant brokerages—the market has shrunk, prices have gone up and brokers have gone out of business.

At the very least, Proposition 103 hasn't made a broker's job any easier.

"The whole hullabaloo" and political rhetoric surrounding the controversial initiative "all the way up to the insurance commissioner...has built a tremendous hate, or certainly a distrust, of insurance and everybody in it" among California buyers, especially "smaller industrial businesses," said Duncan Mahone, senior vp at Johnson & Higgins in Los Angeles.

"It's a strange new climate we have in the last three or four years," observed Mr. Mahone, who works primarily with midsize businesses.

Although Proposition 103 primarily was intended to target personal auto insurance, "it slopped over into commercial and did a lot of harm. Clients want to shop everything. They don't have trust in their brokers anymore. Professionalism doesn't have as much impact as it did before. We have a very, very angry public," he said.

Smaller businesses, in particular, "expect insurance to be an entitlement" and don't seem to see insurance as a business that needs to make a profit, he said.

Proposition 103, which voters approved in 1988, mandated a rollback of rates to 20% below November 1987 levels, implemented prior approval of rates and made the commissioner an elected official in California (BI, Nov. 21, 1988). Insurance Commissioner John Garamendi—the first elected commissioner in the state—froze rates for insurers that did not comply with his rollback orders.

A widespread belief—as expressed by a spokesman for major insurers—is that Proposition 103 has not affected commercial lines. "We haven't heard many complaints," said a spokesman for the Sacramento office of the American Insurance Assn., a trade organization for property/casualty insurers.

"We've seen no evidence of an industrywide problem of inadequate pricing in commercial lines. There hasn't been any evidence of availability problems" as a result of Proposition 103, he added.

A spokeswoman for Jardine Insurance Brokers Inc. in San Francisco concurred.

However, not everyone selling insurance in California agrees. They contend that the controversial law has driven insurers out of the state, drying up admitted and affordable markets for coverage.

The law also has had a more subtle and malignant effect on the commercial market, they add. Because Proposition 103 has made it more difficult for admitted insurers to raise

rates, they now are being more selective about the risks they will cover, observers say.

"We definitely have seen an impact on the commercial marketplace," said James Hamilton, president of Clinton L. Booth Inc. in Glendale and president of the San Francisco-based Independent Insurance Agents & Brokers of California.

"From an agent/broker point of view, there is a contraction in the marketplace as a result of Proposition 103, and a need to access surplus lines in addition to the domestic market, and the cost has increased. There's no question about that in

my mind," he said.

Ohio Casualty Insurance Co. is among the insurers that have stopped writing commercial coverage in California, Mr. Hamilton noted.

A California Insurance Department spokesman confirmed that Ohio Casualty is writing no new or renewal business in California as the insurer finalizes its withdrawal from the state.

Ohio Casualty "was a particularly serious loss because it's a superior-rated company willing to entertain smaller workers compensation business and auto business in conjunc-

tion with commercial accounts," for which markets are "not as readily available today," Mr. Hamilton said.

"We've been seeing huge increases across the board for people going from Ohio (Casualty) to other carriers," said Jim Armitage, a principal at Arroyo Insurance Services in South Pasadena.

Another loss to the market, he said, is that "St. Paul Fire & Marine is mostly non-renewing their small-business policies. They had some wonderful programs for mercantile accounts."

However, a spokesman for St. Paul said the insurer has not withdrawn

its agency-underwritten program for small mercantile accounts in California. Rather, as part of a routine review earlier this year, the insurer withdrew the program from several agencies, he said.

In fact, the spokesman said, St. Paul Fire & Marine is in the process of filing a revised commercial insurance package policy in California called "PACE," or Package Accounts for Commercial Enterprises.

The "churning" that has resulted from the loss of some markets in California "has resulted in higher costs to the consumer and probably more limited coverage in a number of situations," said the Booth agen-

Continued on next page

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Continued from previous page
cy's Mr. Hamilton.

"We have accounts that have moved to new carriers, and pricing has increased substantially in some cases," he said. "And there has been a need to go to the surplus lines market. It's a fact of life. There's no use kidding ourselves. There's no question that the market is not as broad, the appetite of carriers is not as strong."

Proposition 103 also has driven some brokers out of the market, observers contend.

"You see the impact (of Proposition 103) with respect to small to medium-sized commercial insurance brokerages most severely," said Raymond Greenberg, an attorney in Calabasas, Calif., who represents retail and surplus lines brokers as well as

admitted and non-admitted insurers. Because Proposition 103 has made it complicated or impossible for admitted insurers to obtain a rate increase, they will try to keep their losses down by being very selective in the risks they cover, he said. So brokers are faced with the "inability to place all but the most gold-plated, known risks" with admitted insurers.

Consequently, retail brokers have had to place coverage for their clients through wholesalers—and share the commissions. "The problem from the solvency standpoint is that (retail brokers') commissions have been seriously impacted," he said.

"If you are an alphabet broker, this has no effect on you. But if you are a broker with up to \$25 million in annual gross premium—and these brokers write most of the business in the state—these folks, for a number of reasons, are getting killed."

In addition to these casualties of

Proposition 103, the law has had "subtle, wide-ranging effects" on the commercial marketplace, said Arroyo's Mr. Armitage.

"The main effect (of Proposition 103) is that certain carriers that were extremely active in providing insurance for certain small businesses are not aggressively pursuing that anymore," he said.

Insurers are "not necessarily doing it upfront. Some of the direct writers are doing it in reducing the amount of premium agents can submit."

And some insurers are not renewing policies, which is having a dramatic impact on some commercial risks, Mr. Armitage said. He cited a condominium association that couldn't find coverage with an admitted company and is consequently facing a 100% increase in premiums in the surplus lines market.

"Basically, the problem is the brokers have to go to the wholesale marketplace for what ought to be fairly ordinary insurance" like nursery schools and gas stations, said Mr. Greenberg, the attorney.

Retail brokers can't place "fairly common exposures" like apartment owners liability and beauty salons on their own and must go through big surplus lines brokers, he said.

The Booth agency's Mr. Hamilton finds it "hard to single out a particular class of business" that has been adversely affected by Proposition 103

"because coverage is available through either the domestic or foreign marketplace—but again, it's at a price. The cost to the consumer has increased considerably," he said.

"Carriers are not generalists. They're not willing to take a chance. They want stuff that will almost guarantee them a profit. That's because flexibility of rates is not available. They're not willing to take a gamble," he said.

"Anybody that is new in business—new entrepreneurs—are having a real difficult time finding admitted carriers," said Mr. Armitage. "It seems like the cream of the business finds availability readily, but something that is not a part of a niche within a carrier is having difficulty. . . . The stuff that's the least bit out of the norm, even with a good track record, is hard to place."

As the admitted market becomes more selective, some companies are turning to offshore insurers, several of which have come under attack from state regulators.

"Where do you go? Rightly or wrongly, you go to the cheapest," Mr. Hamilton said. Some of those are offshore insurers that have been ordered by California regulators to cease and desist operations, he said.

"As you have a restriction in the market of regular insurers, unscrupulous people will try to take a niche," Mr. Armitage agreed.

Last May, about 250 non-admitted insurers were barred from the state for failing to provide financial information required by Mr. Garamendi's regulations implementing a surplus lines rule known as Section 2174.

Under the rule, a surplus lines broker wishing to use a non-admitted insurer must file a statement showing the insurer has \$15 million in capital and surplus. Non-U.S. companies must also show they have \$5.4 million in a U.S. trust account (BI, Dec. 7, 1992).

"There has been overregulation of non-admitted insurers in California" since Mr. Garamendi took the reins, Mr. Greenberg said. "The pity is not all of the 300 or so companies that no longer write here are bad guys."

Section 2174 has discouraged several reputable non-admitted insurers from doing business there, he said.

For example, the rule was too much for Burlington Insurance Co. of Burlington, N.C., Mr. Greenberg said. "It has only about \$7 million in capital and surplus, and Section 2174 requires \$15 million—a stupid and naive, arbitrary and unjustified number."

Proposition 103 tightened the admitted market, and Section 2174 "reacted to relatively few insolvencies in the non-admitted market, which dried up. They threw out not only the baby with the bath water, but the entire bathroom," he said. ■

Strategies

Continued from page 26A

they insure is becoming of paramount importance to insurers, said Richard Franklin, senior vp at CIGNA Corp. in Philadelphia.

During the soft market, many underwriters have concentrated on retaining business at the expense of stringent underwriting, he said.

"There was less attention paid to loss control, financial analysis and exposure identification. . . . We may have saved a few dollars in underwriting costs by doing that, but it cost us more in losses."

To reduce those losses, CIGNA now is reclassifying much of its business, he said. The insurer is giving its underwriters updated and stricter underwriting guidelines and advice on how to price risks.

As a result of the reclassifications, which began in April 1993, approximately half of CIGNA's commercial package accounts have undergone changes, like increased deductibles, increased premiums or restructured coverages, Mr. Franklin said.

Better control of risks is also being achieved through closer work with customers, said Ernest A. Lausier, senior vp and chief underwriting officer at CNA Insurance Cos. in Chicago.

"We are trying to find out what the customer needs are and then fulfill them. Then you are in a position to have underwriters acting as business consultants rather than as an underwriter who just accepts or rejects risks," he said.

To do this, underwriters visit policyholders' facilities, Mr. Lausier said.

And local underwriters are being given more responsibility, he said. "In the past, we may have had 5,000 to 7,000 submissions go to our home office. But that has been reduced by half, and we hope to get it down by 75% because it allows our people to be more responsive to what the customer wants."

The event that stimulated the greater emphasis on more controlled underwriting was Hurricane Andrew in 1992, said Gerard Kelly, senior vp at Johnson & Higgins in New York.

Since then, property underwriters have examined the risks they insure much more thoroughly, he said. "Underwriters are looking at the risks and making sure that their book is well-spread and they are charging the right premium."

Through this process, underwriters have found that many of the risks they covered in the past led to much larger claims that had been expected, Mr. Kelly said. For example, many properties in Florida did not meet the specifications demanded under

Florida's building code.

And this style of underwriting will remain even when competition for property accounts increases and prices fall, he predicted.

"With the size of potential catastrophe losses that we now know insurers could suffer, underwriters can't afford to not look carefully at their cat exposures," Mr. Kelly said.

Workers compensation is another line of business in which underwriters have suffered big losses and have been forced to review their strategies, said A&A's Mr. Holcomb.

Companies are now ranking states in terms of how favorable the workers compensation environment is.

As a result, insurers will target about 30 to 35 first- and second-tier states—classified by the regulatory environment of each state—where their workers comp underwriting environment is satisfactory, and they will not seek workers comp business in other states, Mr. Holcomb said.

This strategy can have an impact on other coverages, too, because workers comp is often written as part of a package policy. Consequently, insurers will not only avoid underwriting workers comp in some states, but they will in effect be avoiding other coverages in those states as well, he said.

"There will be exceptions for long-term clients, but what will happen is that they will not write new business there," Mr. Holcomb said.

CIGNA's poor experience in workers comp caused the company in 1992 to stop writing workers comp coverage as a component of middle-market packages, said Mr. Franklin.

Now it has decided to re-enter the market, underwriting workers comp exposure's separately from the rest of the coverage it writes for a policyholder in order to better reflect the loss exposure, he said.

"We want to write comp as comp, not as part of an account."

CIGNA will also limit the number of states in which it will offer workers comp coverage to 10 first-tier and five second-tier states.

Despite actions by many underwriters to change their underwriting strategies, there is no sea change in the insurance industry that will lead to better underwriting standards, according to Richard D. Smith, president of Chubb Corp. in Warren, N.J.

"It varies by risk and by company, but you cannot say that there is a compelling notion in the industry to develop more professional and basic underwriting," he said.

But those insurers that wish to be successful should ensure that they are employing professional underwriters with a sound knowledge of the risks they are insuring, Mr. Smith said. ■

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Continued from previous page

UR employees on retainer	18
Includes: 18 physicians	
UR clients	
Employer and group plans w/direct service	350
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.	
Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, outpatient service predetermination, case management, prospective large case management.	
Occasional UR services: Retrospective review, second surgical opinion, outpatient psychiatric and substance abuse services.	
Reviews: Standard services, excluding chiropractic. Also reviews high-risk maternity.	
Branch offices: Scottsdale, Ariz.	
Officers: Donald K. Kelly, chairman/CEO; Suzanne D. Kelly, vice chairman; Michael C. Peerboom, president/COO; Kenneth R. Roepke, vp/chief medical officer; Ronald L. Eggleston, vp-medical administration.	
Contact: Michael C. Peerboom.	

Health Management Strategies International Inc.
1725 Duke St., Suite 300, Alexandria, Va. 22192; 703-706-4100; fax: 703-706-4803

1993 Revenues	
Total gross revenue	\$30,000,000
UR direct to employers	68%
UR to health care/insurance providers	31%
Other services	1%
UR gross revenue	\$29,800,000
Staff	
Total UR employees on staff	70
Professionals	70
Includes: 4 physicians, 66 RNs	

UR clients	
Total	20
Employer and group plans w/direct service	5
Covered lives/reviewed admissions	
Employee benefit plan lives serviced	7,000,000
UR services since: 1985.	
Parent: Group Hospitalization & Medical Services Inc.	
URAC certified.	
Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management, utilization analysis consulting.	
Reviews: Group health, rehabilitation, psychiatric/substance abuse.	
Officers: William R. Vandervennet Jr., COO; Alan B. Zients, senior vp-medical affairs; Joseph Avellar, vp-operations.	
Contact: William R. Vandervennet Jr.	

Health Resources Ltd.
P.O. Box 246, Pittsfield, Maine, 04967; 207-487-5135; fax: 207-487-2496

1993 Revenues	
UR direct to employers	98%
UR to health care/insurance providers	2%
Staff	
Total UR employees on staff	14
Professionals	12
Includes: 11 RNs, 1 licensed practical nurse	
UR employees on retainer	2
Includes: 2 physicians	

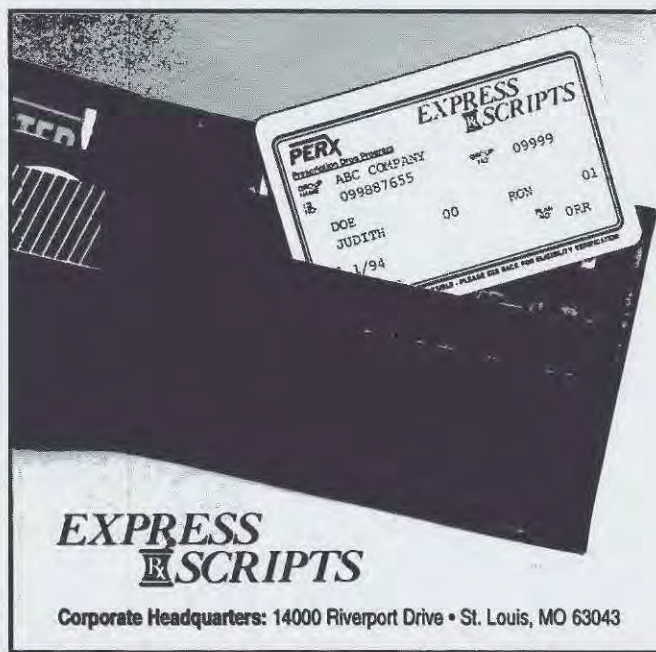
UR clients	
Total	28
Employer and group plans w/direct service	26
UR services since: 1984.	
Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management, pre-estimates of surgical charges.	
Reviews: Standard services.	
Branch offices: Portland, Maine.	
Officers: Myles Hutchins, vp; Debora Seneca, case manager; Elizabeth Hamel, operations manager.	
Contact: Elizabeth Hamel.	

Health Service Affiliates
11499 Chester Road, 6th Floor, South Tower, Cincinnati, Ohio 45246; 513-772-9009; fax: 513-772-9025

Staff	
Total UR employees on staff	5
Professionals	5
Includes: 3 RNs, 1 licensed practical nurse, 1 medical record technician	

UR employees on retainer	NA
Includes: 2 physicians	
UR clients	
Total	14
Employer and group plans w/direct service	6
Covered lives/reviewed admissions	
Employee benefit plan lives serviced	23,000
Acute care inpatient admissions reviewed	NA
Diverted for outpatient treatment	10%
UR services since: 1991.	
Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management.	
Reviews: Standard services.	
Officers: William Stief, CEO; Mary Hanley, president.	
Health Service Review Inc.	
6730 Roosevelt, Franklin, Ohio 45005; 513-422-0063; fax: 513-422-1281	
1993 Revenues	
UR direct to employers	85%

Continued on page 30



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The cost of health reform

Clinton proposal's entitlements will increase spending

By Peter G. Peterson

WITH AMERICA'S ATTENTION focused on deficit reduction last February, the president warned that controlling health care costs was an essential precondition for balancing the budget and renewing our economic future. But somewhere between February's diagnosis and September's proposed cure, the bottom line on health care costs vanished.

Bill Clinton certainly deserves praise for moving health care reform to the top of the agenda. He is right to insist that no American should be unable to afford basic health insurance or fear losing coverage by falling ill or changing jobs. But alas, his plan doesn't give us credible cost control. To the contrary, its vast expansion of entitlements—regardless of need—opens the floodgate to a new spending surge.

The president's mandated-benefits package is modeled on a small number of elite Fortune 500 health plans. Beyond the lavish guarantee of universal coverage, the plan would create a costly array of other new entitlements. It would give a generous prescription-drug benefit to all elderly Americans. It calls for at-home and "community-based" personal services for disabled people of every age and income level and heavily subsidized coverage for early retirees. It would provide a range of mental health and substance abuse services immediately, and extensive dental benefits and orthodontia by the year 2001.

The issue isn't whether these new benefits would be nice to have. They would. The issue is whether we can afford them. We can't. These entitlements would be piled on top of myriad federal benefits already scheduled to grow much faster than the economy. Even without the health plan, the cost of Social Security and Medicare is in danger of becoming unsustainable in the next century. Unless entitlements can be controlled, there can be no fiscal sanity.

Asked about the danger that the proposed health benefits would give an extra push to the entitlement juggernaut, administration spokespeople insist the numbers all add up. The plan, they assert, will generate more than enough health care savings to pay for new benefits and still reduce the deficit. But economists as ideologically diverse as Martin Feldstein, Michael Boskin and Henry Aaron all question the administration's assumptions and numbers.

New benefits always create new demand. Back in 1965 President Lyndon Johnson defended Medicare by saying that an extra \$500 million would be "no problem." Today the program costs \$150 billion.

The record in forecasting cost savings is no better. In 1990, for example, Congress projected that tightening the screws on Medicare would yield \$43 billion in savings—none of which materialized. When the Clinton plan was unveiled, Ira Magaziner, the administration's health strategist, insisted that its projections were based on sophisticated models and that there was no reason to worry. We'd better hope so.

For years, economists have been saying that to make our system more efficient and less costly we must give patients, doctors and hospitals incentives to weight costs and benefits. Yet consider how the proposed plan would affect copayments and deductibles, the small portion of medical bills that insured patients must pay out of their own pockets. These would go down for the vast majority of Americans, not up—cushioning us even more from the true costs.

Or consider the present \$75 billion tax subsidy for employer-paid health care. It's hard to imagine a more perverse entitlement: Its biggest windfalls go to upper-income Americans while nothing is offered to the poor or unemployed. Yet the administration would grandfather current employer-paid health plans for 10 years before imposing any ceiling on their tax subsidy.

Some put great hope in the incentive effects of the plan's proposed managed competition. But Alain Enthoven, the health policy expert from Stanford University and the chief architect of managed competition, says the administration's proposal won't work without a cap on this tax subsidy—the key to inducing consumers to choose cost-effective health plans.

Perhaps fearing that Mr. Enthoven may be right, the administration has added an extra circuit breaker: regulation. A National Health Board would decide what procedures are "necessary or appropriate." The plan would cap total health care dollars by limiting increases in insurance premiums. Caps were also slapped in the plan's new benefits and subsidies.

There is certainly precedent for the administration's caps. We've had caps on the federal deficit for a decade and caps on the national debt for half a century. If there is one thing sure about caps, it is that they have only worked when Congress was planning to spend less anyway. Incredibly, the administration itself acknowledges this. As Judith Feder, deputy assistant secretary of health and human services, noted in recent testimony, it is "inconceivable" that Congress would not waive the health plan's subsidy caps if costs ever came close to breaching them. Yet far from alerting the public to the politically toxic fact that meeting its cost-saving goals will mean making choices, the White House has proclaimed its plan will deliver more for less.

The president's silence about choices reflects the seductive assumption that all we have to do is squeeze the pure waste out of our health system. If only Washington gets tough on fraud and abuse, cuts excess paper work and punishes the profiteers, we can supposedly realize huge savings without trade-offs. But in real life, pure waste is difficult to identify. Most of what physicians do involves judgments about probabilities (the benefits of routine fetal monitoring or of a bone marrow transplant), not certainties. One physician's notion of waste is another's idea of good medicine. Moreover, real medical costs are not going up because of a proliferation of useless services but because of costly new technologies that have at least some benefit.

Americans like to think, a European wit once quipped, that everything is an option, even death. Whether we look to the rates at which we commit dying patients to intensive-care units, switch on multimillion-dollar MRI scanners for routine complaints or perform heart bypasses on septuagenarians, rates are far higher here than anywhere else. Cost control means making trade-offs between providing spectacular care for the few and doing the greatest good for the greatest number. It means asking—as other countries do—whether we should spend \$100,000 extending the life of a single premature infant when, for the same cost, we could provide prenatal care to 100 women.

The Clinton plan pretends we can avoid such painful choices. It assumes we can generate huge fiscal savings in health care while boosting the demand for health care—with no new broad-based tax except on cigarettes. Is there any way this new riverboat gamble could work? Only, as Warren Rudman, former Republican senator from New Hampshire, wryly suggests, if Americans are required to smoke. That way we could maximize the new tax revenues on tobacco and insure that most Americans would not be around long enough to cash in on the new early retirement subsidy.

It's time America faced the facts. We need radical health reform. We don't need more costly universal entitlements that will prove very difficult to pay for and impossible to take away. A workable plan would be incremental and experimental. It would start by extending basic health insurance coverage to Americans who can't afford it, but await the success

of cost-saving measures before adding more benefits. "Basic" means medical policies to cover doctor and hospital bills, with significant copayments and deductibles. It does not mean subsidizing coverage for prescription drugs, or broadly defined mental or dental care.

I suggest making this no-frills health insurance a condition of employment (and leaving it up to employers and employees how to split the cost of the "mandate"). I would make all coverage more affordable through insurance reforms like community rating (requiring each insurance company to charge each customer the same premium) and guaranteed issue (forbidding insurers to deny coverage to high-risk individuals). I would extend Medicaid to all households under the poverty line—and allow households with incomes up to twice the poverty line to "buy into" Medicaid on a sliding scale. According to the Congressional Budget Office, these proposals would cost a fraction of what the president has proposed. Yet together they would guarantee basic insurance coverage to 99% of all Americans.

Workable reforms would also introduce the incentives needed to make our health benefits less expensive and our entire health system more cost-conscious. That means enacting immediate, deep cuts in the tax subsidy for employer-provided health care and significant new cost-sharing requirements in public programs. It also means overhauling the medical malpractice system. To control the skyrocketing cost of heroic intervention in the last days of life, we must go beyond Bill and Hillary Clinton's admirable advice to prepare living wills. We need standardized forms and even financial incentives to encourage the public to do so.

Although such reforms are sure to bring down costs, no one knows how much or how quickly. That is why it is crucial to await proven savings before adding large entitlements—and allow states, employers and health care providers room to experiment. The essential precondition for genuine reform is consensus. Sen. Daniel Patrick Moynihan, the Democratic chairman of the Senate Finance Committee, has described the economics of the president's plan as "a fantasy." Yet without a consensus about limits, is it not a political fantasy to think we can use regulation to silently cap costs? A consensus about limits might take the form of Oregon's reform plan: explicit rules about which procedures the government will pay for and those it won't. Or, limits could be entirely implicit, worked out ad hoc by doctors and patients as we learn to live within budgets. Whatever route we take, there will be no way around some version of rationing.

Letting entitlements spiral out of control is a way of saying, as a society, that whatever we promise to ourselves today takes precedence over finding the resources to invest in a better future for our children. When the Clinton subsidy caps were introduced as a hedge against cost overruns, Rep. Henry Waxman, D-Calif., complained that "the whole idea of an entitlement is to guarantee that even if their estimates are incorrect, the money will be there and people can count on it." Real reform means rethinking this "whole idea."



Peter G. Peterson is chairman of the Blackstone Group, a private investment bank in New York, and the author of "Facing Up: How to Rescue the Economy From Crushing Debt and Restore the American Dream."

Continued from page 27

UR to health care/insurance providers	5%
Other services	10%

Staff	
Total UR employees on staff	28
Professionals	19
Includes: 19 RNs	
UR employees on retainer	29
Includes: 27 physicians, 2 nurses	

UR clients	
Total	193
Employer and group plans w/direct service	181

Covered lives/reviewed admissions	
Employee benefit plan lives serviced	196,750
Workers compensation lives serviced	4,080
Acute care inpatient admissions reviewed	12,251
Diverted for outpatient treatment	6%

UR services since: 1983.
Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management, physician fee review.

Occasional UR services: Retrospective review, second surgical opinion, hospital bill audits.
Reviews: Standard services, including dental.
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

1993 Revenues	
UR direct to employers	25%
UR to health care/insurance providers	75%

Staff	
Total UR employees on staff	192
Professionals	192
Includes: 7 physicians, 52 RNs, 18 licensed practical nurses	
UR employees on retainer	108
Includes: 108 physicians	

Covered lives/reviewed admissions	
Employee benefit plan lives serviced	1,800,000
Workers compensation lives serviced	7,500
Acute care inpatient admissions reviewed	275,000

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 services, case management.

Reviews: Standard services, including HMO triage support.
Officers: Ronald Lankford, senior vp; John Crum, preadmission; Bill Runyon, case management; Maureen Gregg, concurrent review; Sue Mattingly, transplant management.

Healthcare Advantage Inc.

4427 S. Robertson, New Orleans, La. 70115; 504-899-8686; fax: 504-899-8677

1993 Revenues	
Total gross revenue	\$2,300,000
UR services	25%
Other services	75%
UR gross revenue	\$600,000

Staff	
Total UR employees on staff	9.5
Professionals	9.5
Includes: 4.5 RNs, 1 licensed practical nurse, 4 medical record technicians	
UR employees on retainer	17
Includes: 17 physicians	

Covered lives/reviewed admissions	
Employee benefit plan lives serviced	88,000
Workers compensation lives serviced	36,000
Acute care inpatient admissions reviewed	2,000
Diverted for outpatient treatment	5%

UR services since: 1989.
Parent: Touro Infirmary.
Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management.

Occasional UR services: Second surgical opinion, hospital bill audits.
Reviews: Standard services.
Branch offices: Jackson, Miss.
Officers: Gary M. Stein, CEO/chairman; Jane Cooper, president; Tom McKeown, secretary/treasurer.
Contact: Jane Cooper or Julie Dawson, manager-utilization management/New Orleans.

Healthcare COMPARE Corp.

3200 Highland Ave., Downers Grove, Ill. 60515; 708-241-7900; fax: 708-241-7856

1993 Revenues	
Total gross revenue	\$151,000,000

Staff	
Total UR employees on staff	1,417
Professionals	315
Includes: 25 physicians, 166 RNs, 42 licensed practical nurses	

UR clients	
Total	2,805
Employer and group plans w/direct service	954

Covered lives/reviewed admissions	
Employee benefit plan lives serviced	12,400,000
Workers compensation lives serviced	6,700,000
Acute care inpatient admissions reviewed	436,000
Diverted for outpatient treatment	2.5%

UR services since: 1982.
URAC certified.
Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, hospital bill audits, outpatient psychiatric and substance abuse services, case management, practitioner bill audit.

Occasional UR services: Outpatient service predetermination.
Reviews: Standard services, including physical medicine.
Branch offices: Sacramento, Calif.
Officers: James C. Smith, president/CEO; John L. Krakauer, executive vp-advanced technology development; Joseph E. Whitters, CFO; Daniel S. Brunner, executive vp-policy/government affairs; Mary Anne Carpenter, executive vp-clinical operations.

HealthCare Options

3103 Airport Blvd., Suite 540, Mobile, Ala. 36606; 205-471-5666; fax: 205-471-1233

1993 Revenues	
Total gross revenue	\$2,500,000
UR direct to employers	92%
UR to health care/insurance providers	3%
Other services	5%
UR gross revenue	\$2,300,000

Staff	
Total UR employees on staff	17
Professionals	17
Includes: 2 physicians, 15 RNs	
UR employees on retainer	9
Includes: 4 physicians, 5 nurses	

UR clients	
Total	28
Employer and group plans w/direct service	4

Covered lives/reviewed admissions	
Employee benefit plan lives serviced	125,660
Workers compensation lives serviced	6,500
Acute care inpatient admissions reviewed	6,583
Diverted for outpatient treatment	8%

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

Occasional UR services: Retrospective review, second surgical opinion.
Reviews: Standard services, including pharmaceutical, prenatal.
Branch offices: Birmingham, Ala.; Miami; Grand Rapids, Mich.
Officers: Richard T. Shell, president; Brasher V. (Pete) Miller, vp.
Contact: Pete Miller.
** Applies to Birmingham, Ala. location only.*

Healthcare Review Corp.

9200 Shelbyville Road, Suite 722, Louisville, Ky. 40222; 502-426-4888; fax: 502-429-5233

1993 Revenues	
Total gross revenue	\$4,200,000
UR direct to employers	75%
UR to health care/insurance providers	25%
UR gross revenue	\$4,200,000

Staff	
Total UR employees on staff	123
Professionals	93
Includes: 7 physicians, 76 RNs, 10 medical record technicians	
UR employees on retainer	30
Includes: 28 physicians, 2 nurses	

UR clients	
Total	31
Employer and group plans w/direct service	24

Covered lives/reviewed admissions	
Employee benefit plan lives serviced	681,000
Workers compensation lives serviced	150,000
Acute care inpatient admissions reviewed	125,000
Diverted for outpatient treatment	6.5%

UR services since: 1986.
Parent: National Health Services.
Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management, physician provider credentialing.

Occasional UR services: Hospital bill audits.
Reviews: Standard services, including dental, prenatal, long term care/nursing homes, hospice.
Officers: Anthony J. Pino, CEO; Barbara Freeman, medical director; Carlton Darland, vp-operations.

Healthmarc

P.O. Box 1373, Minneapolis, Minn. 55440-1373; 612-797-4700; fax: 612-797-4949

1993 Revenues	
UR direct to employers	94%
UR to health care/insurance providers	6%

Staff	
Total UR employees on staff	640
Professionals	485
Includes: 4 physicians, 285 RNs, 10 licensed practical nurses, 25 medical record technicians	
UR employees on retainer	155
Includes: 150 physicians, 5 nurses	

Covered lives/reviewed admissions	
Employee benefit plan lives serviced	4,800,000
Workers compensation lives serviced	3,900,000
Acute care inpatient admissions reviewed	99,200
Diverted for outpatient treatment	2%

UR services since: 1983.
Parent: United HealthCare Corp.
URAC certified.
Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, second surgical opinion, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management, price negotiation.

Occasional UR services: Retrospective review, hospital bill audits.
Reviews: Standard services, including ambulatory care.
Branch offices: Pasadena and Sacramento, Calif; Westborough, Mass.; Charleston, W.Va.
Officers: David McLean, president; John Davis, COO; Deanna Rohde, vp; Tim Temple, vp-sales/marketing.
Contact: Tim Temple, 612-797-4960.

Healthnetwork Inc.

1420 Kensington Road, Suite 203, Oak Brook, Ill. 60521-2106; 708-954-2900; fax: 708-954-1518

1993 Revenues	
Total gross revenue	\$4,534,471
UR direct to employers	10.7%
Other services	89.3%
UR gross revenue	\$484,888

Staff	
Total UR employees on staff	7
Professionals	7
Includes: 1 physician, 5 RNs, 1 medical record technician	

UR clients	
Total	41
Employer and group plans w/direct service	11

Covered lives/reviewed admissions	
Employee benefit plan lives serviced	86,998
Acute care inpatient admissions reviewed	9,086
Diverted for outpatient treatment	3%

UR services since: 1985.
Parent: Little Co. of Mary Hospital & Health Care Centers, Mercy Hospital & Medical Center, Illinois Masonic Medical Center, West Suburban Hospital Medical Center.
URAC certified.
Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, second surgical opinion, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management.

Occasional UR services: Retrospective review, hospital bill audits.
Reviews: Standard services, excluding chiropractic.
Officers: George C. Phillips Jr., president; Donna Wolak, vp-finance; Lore J. Stanley, vp-operations; Robert J. Wright, vp-general services; Rufina Salvanera, director-utilization management.
Contact: Thomas G. Galvan, controller.

HealthPro

1 Research Drive, Worcester, Mass. 01581; 508-366-3100; fax: 508-366-3131

1993 Revenues	
UR direct to employers	60%
UR to health care/insurance providers	5%
Other services	35%

Staff	
Total UR employees on staff	175
Professionals	88
Includes: 6 physicians, 81 RNs, 1 medical record technician	
UR employees on retainer	80

Covered lives/reviewed admissions	
Employee benefit plan lives serviced	265,000
Acute care inpatient admissions reviewed	1,000
Diverted for outpatient treatment	10%

UR services since: 1979.
URAC certified.
Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management.

Occasional UR services: Retrospective review, hospital bill audits.
Reviews: Psychiatric/substance abuse, workers comp/disability.
Branch offices: Las Vegas.
Officers: Ron Holman, president/CEO; Marilyn E. Kingston, executive vp; Linda Holman, vp/CFO; Marcus Sola, vp-clinical administration.

1993 Revenues	
Total gross revenue	\$8,500,000
UR direct to employers	5%
UR to health care/insurance providers	5%
Other services	90%
UR gross revenue	\$340,000

Staff	
Total UR employees on staff	95
Professionals	11
Includes: 4 physicians, 1 RN, 1 licensed practical nurse, 5 medical record technicians	
UR employees on retainer	55
Includes: 50 physicians, 5 nurses	

UR clients	
Total	100
Employer and group plans w/direct service	43

Covered lives/reviewed admissions	
Employee benefit plan lives serviced	265,000
Acute care inpatient admissions reviewed	1,000
Diverted for outpatient treatment	10%

UR services since: 1975.
Parent: United HealthCare Corp.
URAC certified.
UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management.
Reviews: Standard services, excluding chiropractic. Also reviews HMOs.
Branch offices: Columbus, Ohio.
Officers: Gary N. Lapidis, president; Katherine Schocas, executive vp; Barbara Ladon, vp-marketing; Norman J. Yvon, vp-finance.
Contact: Stanley Ifill, account manager.

Hines & Associates

115 E. Highland Ave., Elgin, Ill. 60120; 708-741-1288 or 800-944-9401; fax: 708-741-1306

1993 Revenues	
UR direct to employers	4%
UR to health care/insurance providers	96%

Staff	
Total UR employees on staff	96
Professionals	65
Includes: 4 physicians, 61 RNs	
UR employees on retainer	NA
Includes: 13 physicians	

UR clients	
Total	263
Employer and group plans w/direct service	12

Covered lives/reviewed admissions	
Employee benefit plan lives serviced	180,000
Workers compensation lives serviced	2,000
Acute care inpatient admissions reviewed	1,350

UR services since: 1987.
URAC certified.
Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management, peer review.

Occasional UR services: Hospital bill audits.
Reviews: Standard services, including dental and maternity.
Branch offices: LaMesa, Calif.; Denver; Washington, D.C.; Bloomington/Normal, Ill.; Evansville, Ind.; Dubuque, Iowa; New Orleans; Bay City, Mich.; Mount Pleasant, S.C.; Dallas; Portsmouth, Va.; Seattle and Spokane, Wash.; Appleton and Milwaukee, Wis.
Officers: Judith Hines, president; Eileen Zurlblis, Lynn Breitbart, vps; Mary Hasterok, associate vp; Grace Richard, director.

The Holman Group

21050 Vanowen St., Canoga Park, Calif. 91303; 818-704-1444 or 800-321-2843; fax: 818-704-9339

1993 Revenues	
Total gross revenue	\$8,500,000
UR direct to employers	5%
UR to health care/insurance providers	5%
Other services	90%
UR gross revenue	\$340,000

Staff	
Total UR employees on staff	95
Professionals	11
Includes: 4 physicians, 1 RN, 1 licensed practical nurse, 5 medical record technicians	
UR employees on retainer	55
Includes: 50 physicians, 5 nurses	

UR clients	
Total	100
Employer and group plans w/direct service	43

Covered lives/reviewed admissions	
Employee benefit plan lives serviced	265,000
Acute care inpatient admissions reviewed	1,000
Diverted for outpatient treatment	10%

UR services since: 1979.
URAC certified.
Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management.

Occasional UR services: Retrospective review, hospital bill audits.
Reviews: Psychiatric/substance abuse, workers comp/disability.
Branch offices: Las Vegas.
Officers: Ron Holman, president/CEO; Marilyn E. Kingston, executive vp; Linda Holman, vp/CFO; Marcus Sola, vp-clinical administration.

1993 Revenues	
Total gross revenue	\$1,000,000
UR direct to employers	17%
Other services	83%
UR gross revenue	\$170,000

Staff	
Total UR employees on staff	3
Professionals	2
Includes: 2 RNs	
UR employees on retainer	4
Includes: 3 physicians, 1 nurse	

UR clients	
Total	17

Covered lives/reviewed admissions	
Employee benefit plan lives serviced	10,000
Acute care inpatient admissions reviewed	1,500
Diverted for outpatient treatment	5%

UR services since: 1990.
Parent: VHA Great Rivers and Casper,
Continued on page 32

I

I PRO—National Medical Review

1979 Marcus Ave., 1st floor, Lake Success, N.Y. 11042; 516-326-7767 ext. 588; fax: 516-326-7791



**WELCOME
TO OUR
DATA BASE.**

● There are two things you need to make the right healthcare decisions. Information. And more information. At Intracorp, our Focused Data Analysis is composed of everything we've learned from the 800,000 admissions we review each year. Valuable information that can be invaluable to you and your employees. For example, it can work as a scorecard to show you how much our utilization and case management programs are saving you in unnecessary bed days avoided or appropriate alternative settings arranged. It can be used for comparison, to show you how your utilization program is doing compared to other companies in your industry. And it can give you a basis for making decisions about benefit plan changes or enhancements. To learn more, call us at 1-800-345-1075. The call, of course, is free. The information, though, is priceless. **INTRACORP THE HEALTH CARE MANAGEMENT COMPANY.**

Continued from page 30
Bartholf & Associates.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, second surgical opinion, hospital bill audits, case management.

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

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

Officers: Ron Krause, chairman; Pete Casper, president; Stephen Bartholf, secretary/treasurer, Kathy Lewis, vp.
Contact: Kathy J. Lewis.

Integrated Physicians Consulting Services

Lincoln Drive W., Suite 3003A,
Greentree Executive Campus, Marlon,
N.J. 08053; 609-988-9023;
fax: 609-988-9027

1993 Revenues
UR direct to employers.....30%
UR to health care/insurance providers.....70%

Staff

Total UR employees on staff.....18
Professionals.....7
Includes: 5 physicians, 1 RN, 1 licensed practical nurse

UR employees on retainer.....27
Includes: 22 physicians, 5 nurses

UR clients

Total.....50
Employer and group plans w/direct service.....10

Covered lives/reviewed admissions

Employee benefit plan lives serviced.....30,000
Workers compensation lives serviced.....73,000

UR services since: 1993.

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

Reviews: Standard services, including dental.

Officers: David N. Bukstel, Mark Stern, Sharon Shecter-Cohen.
Contact: Sharon Shecter-Cohen.

Intracorp

1205 Westlakes Drive, Suite 300,
Berwyn, Pa. 19312; 215-889-2600;
fax: 215-889-2621

1993 Revenues

Total gross revenue.....\$278,360,000
UR direct to employers.....4.3%
UR to health care/insurance providers.....35%
Other services.....60.7%
UR gross revenue.....\$109,460,000

Staff

Total UR employees on staff.....3,986
Professionals.....3,986
Includes: 30 physicians, 1,300 RNs

UR employees on retainer.....300
Includes: 300 physicians

UR clients

Total.....16,704
Employer and group plans w/direct service.....1,028

Covered lives/reviewed admissions

Employee benefit plan lives serviced.....26,422,822
Workers compensation lives serviced.....2,879,428
Acute care inpatient admissions reviewed.....618,103
Diverted for outpatient treatment.....3.2%

UR services since: 1984.

Parent: CIGNA Corp.
URAC certified.

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

Reviews: Standard services, including dental, PPOs, high-risk maternity, specialty care.

Branch offices: Los Angeles; Atlanta; Chicago; Philadelphia; Pittsburgh; Dallas; plus 100 field offices throughout United States and Canada.

Officers: Patricia Rowland, president; Dorothy Dugger, chief medical officer; Donald Duford, senior vp-marketing/product development/management; Katherine Perry, CFO; Kenneth Ross, senior vp-operations.
Contact: Susan Fazo, director-corporate communications.

K

Kemper National Services Inc.

1601 S.W. 80th Terrace, Plantation,
Fla. 33324-4036; 305-452-4000;
fax: 305-452-4028

1993 Revenues

Total gross revenue.....\$25,000,000
UR direct to employers.....40%
UR to health care/insurance providers.....5%
Other services.....55%
UR gross revenue.....\$10,000,000

Staff

Total UR employees on staff.....154
Professionals.....NA
Includes: 6 physicians, 130 RNs

UR clients

Total.....600

Covered lives/reviewed admissions

Employee benefit plan lives serviced.....14,000
Workers compensation lives serviced.....7,000,000
Acute care inpatient admissions reviewed.....4,100

UR services since: 1992.

Parent: Lumbermens Mutual Casualty Co.

URAC certified.

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

Reviews: Standard services, including physical therapy and radiology.

Officers: Thomas R. Chapman, president/CEO; Gary Chohamin, Robert Kulbick, Ileana Chapman, vps; Eileen Ramallo, assistant vp.

Contact: Candy Thompson, assistant vp.

Kepple & Co.

P.O. Box 1986, Peoria, Ill. 61656-1986;
309-673-7330; fax: 309-671-0239

1993 Revenues

Total gross revenue.....\$3,446,000
UR direct to employers.....11.0%
UR to health care/insurance providers.....1.5%
Other services.....87.5%
UR gross revenue.....\$432,000

Staff

Total UR employees on staff.....3.5
Professionals.....3.5
Includes: 2.5 RNs, 1 licensed practical nurse

UR clients

Total.....50
Employer and group plans w/direct service.....46

Covered lives/reviewed admissions

Employee benefit plan lives serviced.....19,674
Acute care inpatient admissions reviewed.....NA
Diverted for outpatient treatment.....10%

UR services since: 1986.

Parent: Health Care Horizons Inc.

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

Occasional UR services: Retrospective review, second surgical opinion, hospital bill audits, outpatient service predetermination.

Reviews: Group health.

Officers: Philip C. Walker II, president; James Stevenson, vp/secretary; Gloria Towles, vp/treasurer; Van Barta, director; Gerald Landgraf, chairman.

M

Managed Care Programs Inc.

4830 W. Kennedy Blvd., Suite 450,
Tampa, Fla. 33609; 813-282-8424;
fax: 813-282-8034

1993 Revenues

UR direct to employers.....1%
UR to health care/insurance providers.....29%
Other services.....70%

Staff

Total UR employees on staff.....7
Professionals.....7
Includes: 1 physician, 6 RNs

UR clients

Total.....6
Employer and group plans w/direct service.....1

Covered lives/reviewed admissions

Employee benefit plan lives serviced.....605,000
Acute care inpatient admissions reviewed.....800
Diverted for outpatient treatment.....95%

UR services since: 1991.

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

Occasional UR services: Hospital bill audits.

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

Branch offices: Louisville, Ky.

Officers: Jim Kent, president/CEO; John Kelly, vp-operations; Chuck DiPrimio, director-marketing.

Contact: Chuck DiPrimio.

Massachusetts Peer Review Organization Inc.

235 Wyman St., Waltham, Mass.
02154-1231; 617-890-0011;
fax: 617-487-0083

1993 Revenues

Total gross revenue.....\$7,117,716
UR direct to employers.....100%
UR gross revenue.....\$7,117,716

Staff

Total UR employees on staff.....449.43
Professionals.....59.43
Includes: 3.53 physicians, 50.4 RNs, 3.5 licensed practical nurses, 2 medical record technicians

UR employees on retainer.....390
Includes: 386 physicians, 4 nurses

UR clients

Total.....10
Employer and group plans w/direct service.....10

Covered lives/reviewed admissions

Acute care inpatient admissions reviewed.....95,000

UR services since: 1985.

Parent: Massachusetts Medical Society.

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

Occasional UR services: Second surgical opinion.

Reviews: Rehabilitation.

Officers: Brenda E. Richardson, president; Kathleen E. McCarthy, executive director; Roberta A. Krovitz, assistant executive director; J. Peter Maselli, medical director; Robin E. Morin, director-review.

READER REPLY SERVICE

PRODUCTS & SERVICES LISTING

Issue of February 21

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FREE LITERATURE FOR READERS

Issue Date: FEBRUARY 21, 1994

Card Expiration: APRIL 18, 1994

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<input type="checkbox"/> Government	<input type="checkbox"/> Actry/Conslt	<input type="checkbox"/> Inst
<input type="checkbox"/> Educational Inst	<input type="checkbox"/> Attorney	<input type="checkbox"/> Other
- Number of employees:

<input type="checkbox"/> 150 or less	<input type="checkbox"/> 151 - 499	<input type="checkbox"/> 500 - 999
<input type="checkbox"/> 1,000 - 4,999	<input type="checkbox"/> 5,000 or more	<input type="checkbox"/> Unknown
- My title is best defined as:

<input type="checkbox"/> Administrative Mgt	<input type="checkbox"/> Benefits Mgt
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Please print clearly

Name _____
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Continued from previous page

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

Reviews: Standard services, excluding chiropractic.
Officers: V. Fullerton, president; S. Fullerton, vp; L. Sacks, medical director.
Contact: Stephen B. Fullerton.

Med-Valu Inc.

485 Metro Place S., Suite 200,
Dublin, Ohio 43017; 614-764-2282;
fax: 614-766-0004

1993 Revenues

Total gross revenue	\$4,230,000
UR direct to employers	10%
UR to health care/insurance providers	90%
UR gross revenue	\$4,230,000

Staff

Total UR employees on staff	53
Professionals	53
Includes: physicians, RNs	

UR clients

Total	25
Employer and group plans w/direct service	3
UR services since: 1987.	

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

Reviews: Standard services.
Branch offices: Oklahoma City.
Officers: Michael Linde, president; Mary Ellen O'Grady, Frank Anzelmo, vps.
Contact: Mary Ellen O'Grady.

MedCost Inc.

1399 Ashleybrook Lane, Suite 100,
P.O. Box 25347, Winston-Salem, N.C.
27114-5347; 910-760-3090;
fax: 910-760-2352

1993 Revenues

UR direct to employers	12%
UR to health care/insurance providers	50%
Other services	38%

Staff

Total UR employees on staff	29
Professionals	26
Includes: 26 RNs	

UR clients

Total	37
Employer and group plans w/direct service	18

Covered lives/reviewed admissions

Employee benefit plan lives serviced	312,000
Acute care inpatient admissions reviewed	13,490
Diverted for outpatient treatment	1%
UR services since: 1984.	

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

Occasional UR services: Hospital bill audits, outpatient psychiatric and substance abuse services.

Reviews: Standard services, excluding chiropractic. Also reviews prenatal.
Officers: Robert Cadwallader, chairman; Otto Mueller, president; Billie Davis, vp; Sheryl Neugebauer, secretary; David Fater, treasurer.
Contact: Sharon Lambros, account manager.

Medical Claims

Review Services Inc.

7910 Woodmont Ave., Suite 700,
Bethesda, Md 20814-3015;
800-356-2775 or 301-913-0002;
fax: 301-913-0028

1993 Revenues

UR direct to employers	5%
UR to health care/insurance providers	55%
Other services	40%

Staff

Total UR employees on staff	38
Professionals	22
Includes: 4 physicians, 5 RNs, 1 licensed practical nurse, 8 medical record technicians	
UR employees on retainer	100
Includes: 75 physicians, 25 nurses	

UR services since: 1984.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, second surgical opinion, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management, fee schedule review, provider bill audits.
Reviews: Standard services, including dental.
Branch offices: Orlando, Fla.; Pittsburgh, Pa. (sales offices).
Officers: Barbara Gutstadt, president/CEO; John Gallagher, chairman; Glen

UR clients

Total	650
Employer and group plans w/direct service	12

UR services since: 1984.

URAC certified.

Frequent UR services: Retrospective review, retrospective lost time analysis, retrospective medical claims analysis, medical and utilization review consulting to federal government/state workers comp funds, utilization review software.

Occasional UR services: Concurrent hospital treatment review, length of stay determination, second surgical opinion, hospital bill audits, outpatient service predetermination, case management.

Reviews: Chiropractic, workers comp/disability, dental, automobile coverage.

Officers: Ronald E. Gots, chairman; Peter Garahan, president/CEO; Thomas McCarthy, executive vp; Michele French, vp.

Medical Cost Management

111 W. Jackson, 22nd Floor, Chicago,
Ill. 60604; 312-341-0217;
fax: 312-341-9783

1993 Revenues

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

Staff

Total UR employees on staff	15
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UR clients

Total	95
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Covered lives/reviewed admissions

Employee benefit plan lives serviced	200,000
UR services since: 1986.	

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

Reviews: Standard services, including dental.
Officers: Michael J. O'Connor, president; David S. Fox, vp-medical director; C. Larkin Flanagan, secretary/treasurer.

Medical Foundation

Services Inc.

3625 N.W. 82nd Ave., Suite 211,
Miami, Fla. 33166; 305-593-0404;
fax: 305-477-6622

1993 Revenues

Total gross revenue	\$2,500,000
UR direct to employers	80%
UR to health care/insurance providers	20%
UR gross revenue	\$2,500,000

Staff

Total UR employees on staff	50
Professionals	30
Includes: 2 physicians, 9 RNs, 15 licensed practical nurses, 4 medical record technicians	
UR employees on retainer	16
Includes: 15 physicians, 1 nurse	

UR clients

Total	30
Employer and group plans w/direct service	10

Covered lives/reviewed admissions

Employee benefit plan lives serviced	90,000
Workers compensation lives serviced	10,000
Acute care inpatient admissions reviewed	NA
Diverted for outpatient treatment	10%
UR services since: 1973.	

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

Reviews: Standard services, excluding rehabilitation. Also reviews dental.
Officers: Rose Strain, executive director; Richard N. Dietrich, director-marketing; Robert Furlong, Lee Stapp, medical directors.

Contact: Richard Dietrich.

Medical Review Corp.

1240 Sussex Turnpike, Randolph,
N.J. 07869; 201-895-2244;
fax: 201-895-2266

1993 Revenues

UR direct to employers	60%
UR to health care/insurance providers	25%
Other services	15%

UR services since: 1984.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management, fee schedule review, provider bill audits.
Reviews: Standard services, including dental.
Branch offices: Orlando, Fla.; Pittsburgh, Pa. (sales offices).
Officers: Barbara Gutstadt, president/CEO; John Gallagher, chairman; Glen

services, case management, fee negotia-

tion.

Occasional UR services: Retrospective review.

Reviews: Standard services.
Officers: Marc Allen, chairman/CEO; Judy Luray, president/COO.
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

1993 Revenues

UR direct to employers	10%
UR to health care/insurance providers	90%

Staff

Total UR employees on staff	51
Professionals	NA
Includes: 3 physicians, 4 RNs, 10 medical record technicians	
UR employees on retainer	NA
Includes: 330 physicians, 4 nurses	

UR clients

Total	1,000
Employer and group plans w/direct service	100
UR services since: 1982.	

Parent: Medical Opinions Inc.

UR services: Length of stay determination, retrospective review, second surgical opinion, outpatient service predetermination, outpatient psychiatric and substance abuse services, physician peer opinions.

Reviews: Standard services, including dental, home health, prescription drugs, durable medical equipment and disability/casualty claims.

Officers: William Low, president; Diane Hoyle, executive vp.

Medicus Resource

Management Inc.

833 Park Road N., Wyomissing,
Pa. 19610; 610-372-8417;
fax: 610-371-0310

1993 Revenues

UR direct to employers	90%
UR to health care/insurance providers	10%

Staff

Total UR employees on staff	4
Professionals	4
Includes: 1 physician, 3 RNs	

UR clients

Total	42
Employer and group plans w/direct service	38

Covered lives/reviewed admissions

Employee benefit plan lives serviced	57,772
Acute care inpatient admissions reviewed	2,868
Diverted for outpatient treatment	4%
UR services since: 1989.	

Parent: Berkshire Health Plan.

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

Occasional UR services: Retrospective review.

Reviews: Standard services.
Officers: Edward J. Wargo, president; Lawrence Cabaugh, treasurer; A. George Gilfillan, chairman; Gerald Malick, vice chairman; C. Harold Cohn, medical director.

MEDIQ Review Services Inc.

12000 J Commerce Parkway, Mount
Laurel, N.J. 08054; 609-231-7400;
fax: 609-231-7401

1993 Revenues

UR direct to employers	5%
UR to health care/insurance providers	90%
Other services	5%

Staff

Total UR employees on staff	30
Professionals	10
UR employees on retainer	1,000
UR services since: 1986.	

Parent: MEDIQ Inc.

URAC certified.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management, fee schedule review, provider bill audits.
Reviews: Standard services, including dental.
Branch offices: Orlando, Fla.; Pittsburgh, Pa. (sales offices).
Officers: Barbara Gutstadt, president/CEO; John Gallagher, chairman; Glen

Haas, medical director.

Contact: Barbara Gutstadt.

MedPlans Review

14 E. First St., Fort Scott, Kan. 66701;
800-826-2898; fax: 316-223-8292

1993 Revenues

UR direct to employers	10%
UR to health care/insurance providers	90%

Staff

Total UR employees on staff	4
Professionals	4
Includes: 3 RNs, 1 medical record technician	
UR employees on retainer	11
Includes: 10 physicians, 1 nurse	

UR clients

Total	3
Employer and group plans w/direct service	1

Covered lives/reviewed admissions

Employee benefit plan lives serviced	18,000
Workers compensation lives serviced	7,000
Acute care inpatient admissions reviewed	717
Diverted for outpatient treatment	20%
UR services since: 1993.	

Parent: MedPlans 2000 Inc.

Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, second surgical opinion, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management, billing/code error determination, reasonable and customary fee determination, medical necessity determination.

Occasional UR services: Retrospective review, hospital bill audits.

Reviews: Standard services, including property/casualty.

Officers: Martin T. Miner, president/CEO; Andrew Lorimer, managed care officer; Patsy Scott, medical management officer; David Barnes, secretary/treasurer.

Contact: Peggy Fritter.

MedTrac Inc.

P.O. Box 290429, Nashville, Tenn.
37229-0429; 615-872-6300;
fax: 615-872-6310

1993 Revenues

Total gross revenue	\$3,020,000
UR direct to employers	20%
UR to health care/insurance providers	78%
Other services	2%
UR gross revenue	\$2,900,000

Staff

Total UR employees on staff	21
Professionals	21
Includes: 21 RNs	
UR employees on retainer	2
Includes: 2 physicians	

UR clients

Total	102
Employer and group plans w/direct service	52

Covered lives/reviewed admissions

Employee benefit plan lives serviced	260,000
Workers compensation lives serviced	180,000
Acute care inpatient admissions reviewed	18,000
Diverted for outpatient treatment	0.8%
UR services since: 1969.	

Parent: Willis Corroon P.L.C.

URAC certified.

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

Reviews: Standard services.
Branch offices: North Hollywood, Calif.; Wichita, Kan.; Minneapolis; Spartanburg, S.C.

Officers: Terry W. Warren, president/CEO; John Lanier, vp-operations; Robert Coffee, secretary.

MedView Services Inc.

32991 Hamilton Court, Farmington
Hills, Mich. 48344; 810-488-5260;
fax: 810-488-5262

1993 Revenues

UR direct to employers	5%
UR to health care/insurance providers	7%
Other services	88%

Staff

Total UR employees on staff	12
Professionals	9
Includes: 2 physicians, 5 RNs, 2 medical record technicians	

UR clients

Total	22
Employer and group plans w/direct service	12
UR services since: 1984.	

Parent: Pharmacy Management Services Inc.

URAC certified.

Frequent UR services: Preadmission

Continued from previous page certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management/centers of quality transplant network.

Reviews: Group health, chiropractic, rehabilitation, prenatal.

Branch offices: Phoenix; Long Beach and Orange*, Calif.; Denver; Newark, Del.; Maitland and Miami*, Fla.; Atlanta*; Lisle* and Schaumburg, Ill.; Chesterfield, Mo.; Hauppauge and Kingston, N.Y.; Beachwood, Cincinnati and Dayton*, Ohio; Tulsa*, Okla.; Pittsburgh*; Houston and Irving, Texas.

*URAC certified. Other offices scheduled for review in 1994.

Mountain Medical Affiliates

1385 S. Colorado Blvd., Suite 620, Denver, Colo. 80222; 303-782-9696; fax: 303-782-9009

1993 Revenues

UR direct to employers.....	10%
UR to health care/insurance providers.....	85%
Other services.....	5%

Staff

Total UR employees on staff.....	4
Professionals.....	4
Includes: 1 physician, 2 RNs, 1 licensed practical nurse	

UR clients

Total.....	55
Employer and group plans w/direct service.....	10

Covered lives/reviewed admissions

Employee benefit plan lives serviced.....	6,330
Acute care inpatient admissions reviewed.....	480
Diverted for outpatient treatment.....	10%

UR services since: 1990.
Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management, claim repricing.

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

Reviews: Standard services, including prenatal.

Officers: Barbara Brett, CEO; M. Dennis Barton, president; Jack Gallagher, medical director; David Munch, benchmark medical director; William Fell, vp.

MultiPlan Managed Care

115 Fifth Ave., New York, N.Y. 10003-1004; 212-780-2000

1993 Revenues

UR direct to employers.....	90%
UR to health care/insurance providers.....	10%

Staff

Total UR employees on staff.....	60
Professionals.....	NA
Includes: 1 physician, 3 RNs, 5 medical record technicians	

UR employees on retainer.....NA
Includes: 10 physicians, 30 nurses

UR clients

Total.....	27
Employer and group plans w/direct service.....	27

Covered lives/reviewed admissions

Employee benefit plan lives serviced.....	65,000
Acute care inpatient admissions reviewed.....	NA
Diverted for outpatient treatment.....	3%

UR services since: 1981.
Parent: MultiPlan Inc.

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

Occasional UR services: Retrospective review, hospital bill audits.

Reviews: Standard services, excluding chiropractic. Also reviews high risk pregnancy.

Branch offices: Malvern, Pa.; Alexandria, Va.

Officers: Donald Rubin, president; Kathleen Sullivan, vp.; Lorraine Woods, vp-marketing; Edward Gluckmann, senior vp; Sidney L. Meyer, senior vp/general counsel.

Contact: Lorraine Woods.

Mutual of Omaha Cos. Integrated Behavioral Services

Mutual of Omaha Plaza, Suite S-3, Omaha, Neb. 68173; 800-488-7706; fax: 402-978-2880

1993 Revenues

UR direct to employers.....	100%
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N

NHA Review Services Inc.

770 S. Post Oak Lane, Suite 445, Houston, Texas 77056; 713-439-0123; fax: 713-439-7529

1993 Revenues

Total gross revenue.....	\$467,568
UR direct to employers.....	10%
UR to health care/insurance providers.....	90%
UR gross revenue.....	\$467,568

Staff

Total UR employees on staff.....	5
Professionals.....	5
Includes: 1 physician, 3 RNs, 1 licensed practical nurse	

UR employees on retainer.....14
Includes: 14 physicians

UR clients

Total.....	23
Employer and group plans w/direct service.....	3

Covered lives/reviewed admissions

Employee benefit plan lives serviced.....	25,976
Workers compensation lives serviced.....	11,200
Acute care inpatient admissions reviewed.....	3,013
Diverted for outpatient treatment.....	5%

UR services since: 1988.
Parent: National HealthCare Alliance Inc.

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

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

Reviews: Standard services.

Officers: Robert Woolfolk, chairman/CEO; Melvin Thorne, president; Lanis McKinney, vp.

National Case Management/CIAS

300 Esplanade, Suite 1240, Oxnard, Calif. 93030; 805-983-2242; fax: 805-485-0663

1993 Revenues

Total gross revenue.....	\$1,600,000
UR direct to employers.....	30%
UR to health care/insurance providers.....	70%
UR gross revenue.....	\$1,600,000

Staff

Total UR employees on staff.....	17
Professionals.....	NA
Includes: 9 RNs	

UR employees on retainer.....NA
Includes: 5 physicians, 5 nurses

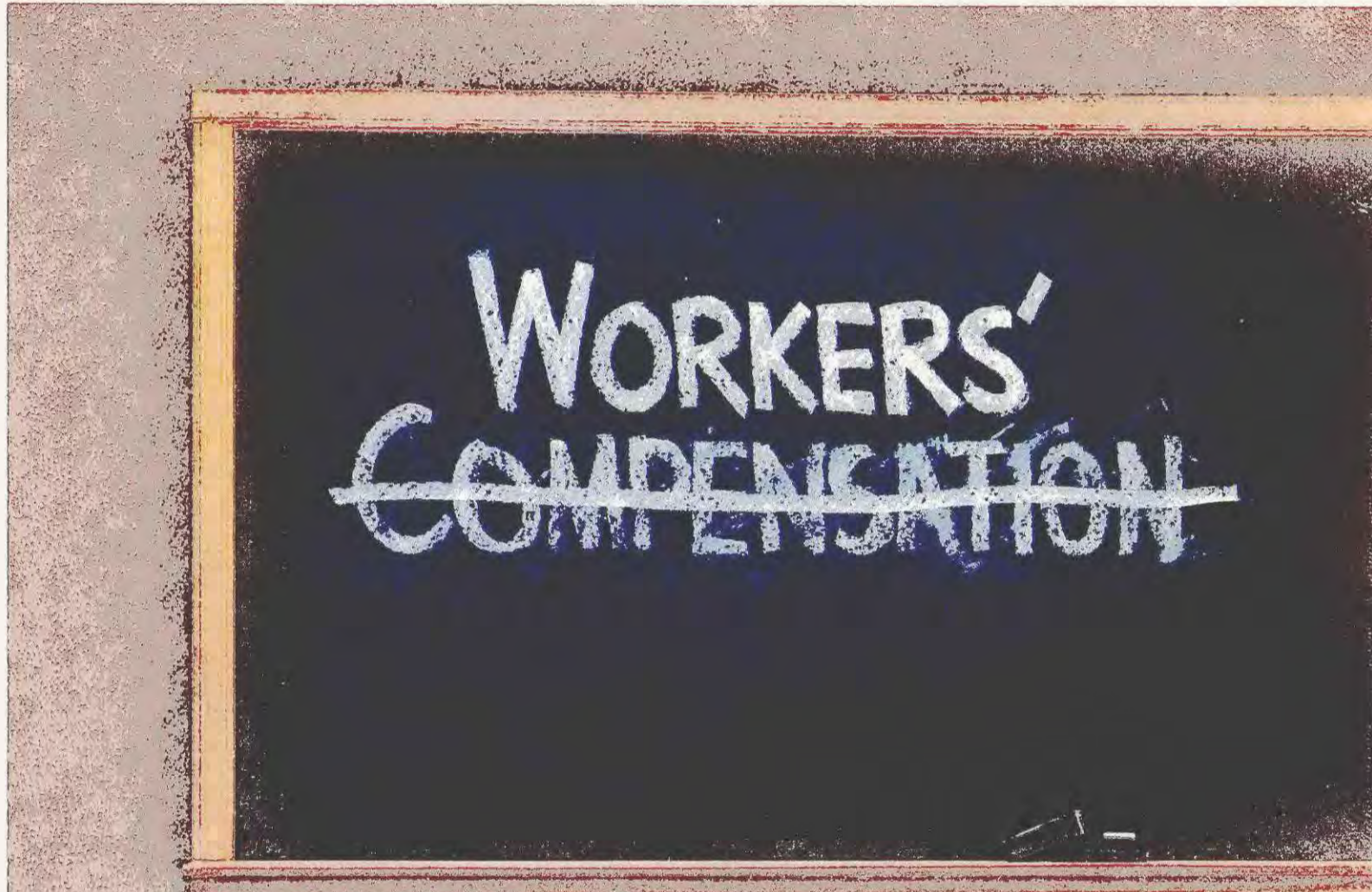
UR clients

Total.....	35
Employer and group plans w/direct service.....	5

Covered lives/reviewed admissions

Employee benefit plan lives serviced.....	15,000
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FINALLY, A CASE FOR MAN

SOME WORKING SOLUTIONS FROM CONSERVCO.

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

At Conservco, we'd rather talk about solutions. And we found the best way to come up with them is to look at both sides of the issue. Workers' Compensation and Employee Benefits.

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Since 1981, Conservco has been a leader in both medical and disability cost management for both Employee Benefits and Workers' Compensation. And what we see are two groups whose needs and goals are moving closer and closer together. Both are struggling to control costs. Both want high quality care. Both are seeing the benefits of early intervention and bringing the employee back to work as quickly as possible.

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

Continued from previous page

Workers compensation lives serviced.....1,250,000

UR services since: 1988.
UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, hospital bill audits, case management.

Reviews: Standard services.
Branch offices: Long Beach, Calif.; Las Vegas.

Officers: Michael J. Lewis, president/CEO; Mary M. Abraham, CFO; Donna L. Lester, vp; Bonnie Krueger, sales manager; Sharon Sides, controller.
Contact: Bonnie Krueger.

National Health Services Inc.

175 N. Patrick Blvd., Brookfield, Wis. 53045; 414-792-1300; fax: 414-792-9595

1993 Revenues	
Total gross revenue	\$11,000,000

UR direct to employers	36%
UR to health care/insurance providers	50%
Other services	14%
UR gross revenue	\$8,800,000

Staff	
Total UR employees on staff	106
Professionals	102.5
Includes: 5 physicians, 97.5 RNs	
UR employees on retainer	3.5
Includes: 3.5 physicians	

UR clients	
Total	90
Employer and group plans w/direct service	30

Covered lives/reviewed admissions	
Employee benefit plan lives serviced	1,710,000
Workers compensation lives serviced	115,000
Acute care inpatient admissions reviewed	102,000
Diverted for outpatient treatment	7%
UR services since: 1984.	
Parent: PFS Cos.	
URAC certified.	

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

agement.

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

Reviews: Standard services.
Branch offices: Louisville, Ky.; Dallas.
Officers: Anthony Pino, president/CEO; Alvaro Pertuz, executive vp; Kristie L. Jorgenson, vp-administration; Randall Correia, vp-medical affairs; Jack Lane, medical director.
Contact: D. Jordan Misner, director-sales.

National Medical Audit

3 Embarcadero Center, Suite 1250, San Francisco, Calif. 94111; 415-393-5675; fax: 415-393-5553

1993 Revenues	
UR direct to employers	28%
UR to health care/insurance providers	26%
Other services	46%

Staff	
Total UR employees on staff	35
Professionals	12
Includes: 8 physicians, 4 RNs	
UR employees on retainer	8
Includes: 4 physicians, 4 nurses	

UR clients	
Total	45
Employer and group plans w/direct service	23

UR services since: 1984.
Parent: William M. Mercer Inc.

Frequent UR services: Retrospective review, evaluation of utilization review programs.

Reviews: Standard services, excluding rehabilitation. Also reviews dental.

Branch offices: Atlanta; Chicago; Boston; Minneapolis; New York; Washington.

Officers: Arnold J. Milstein, president; Michael J. Martin, director-utilization review/quality assurance services.

National Utilization Management Corp.

7301 N. 16th St., Phoenix, Ariz. 85020; 800-354-2464; fax: 602-371-3885

1993 Revenues	
Total gross revenue	\$1,650,000
UR direct to employers	25%
UR to health care/insurance providers	75%
UR gross revenue	\$1,650,000

Staff	
Total UR employees on staff	11
Professionals	11
Includes: 2 physicians, 9 RNs	
UR employees on retainer	N/A
Includes: 75 physicians	

UR clients	
Total	18
Employer and group plans w/direct service	3

Covered lives/reviewed admissions	
Employee benefit plan lives serviced	250,000
Workers compensation lives serviced	80,000
Acute care inpatient admissions reviewed	4,000
Diverted for outpatient treatment	5%
Parent: USA Health Network.	
URAC certified.	

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

Reviews: Standard services.
Officers: George Bogle, CEO; Constance K. Collins, president; Larry Hinson, vp; Wendy Sary, secretary/treasurer; Millard Nelson, medical director.

O

Ohio Health Choice

2322 E. 22nd St., Cleveland, Ohio 44115; 800-554-0027; fax: 216-621-3178

Staff	
Total UR employees on staff	15
Professionals	10
Includes: 2 physicians, 9 RNs, 1 licensed practical nurse	

UR clients	
Total	81,119

Covered lives/reviewed admissions	
Employee benefit plan lives serviced	125,000
UR services since: 1984.	
Parent: St. Vincent Charity Hospital.	

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

Reviews: Group health, psychiatric/substance abuse.

Branch offices: Canton, Ohio.
Officers: Russell C. Eckles, executive vp; Dan Pearce, executive director; Joan Mason, director-operations; Scott Vaccaro, corporate marketing manager; Jan Pae, director-networks.

Options

700 River Ave., Suite 400, Riverside Commons, Pittsburgh, Pa. 15212; 412-323-8500; fax: 412-323-8502

1993 Revenues	
UR direct to employers	10%
UR to health care/insurance providers	10%
Other services	80%

Staff	
Total UR employees on staff	15
Professionals	NA
Includes: 10 RNs	
UR employees on retainer	NA
Includes: 200 physicians	

UR clients	
Total	25

Covered lives/reviewed admissions	
Workers compensation lives serviced	3,000
Acute care inpatient admissions reviewed	NA
Diverted for outpatient treatment	25%
UR services since: 1984.	
URAC certified.	

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

Occasional UR services: Discharge planning, outpatient psychiatric and substance abuse services.
Reviews: Group health, chiropractic

Continued on next page

~~EMPLOYEE~~
BENEFITS

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at your total medical cost picture and manage with a more unified, flexible, cost-effective system than ever before.

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like this that add up to big savings. Solutions that work no matter where the injury occurred, who's paying, or how simple or complex the claim.

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systems in effect at every stage in the cycle of every case, from the onset of illness through recovery and billing, regardless of whether the claim is covered by Workers' Comp or Employee Benefits, you are in control. And only by being in control can you truly manage.

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CONSERVCO

WORKING TOGETHER, EVERYONE BENEFITS.
 Integrated Medical/Disability Management

Continued from previous page
workers comp/disability, physical therapy.

Branch offices: Altoona, Harrisburg/Lebanon and Philadelphia, Pa.
Officers: Joseph M. McCabe, president; Antonia L. Scarlata, secretary/treasurer.

Options Unlimited

76 E. Main St., Huntington, N.Y. 11743; 516-673-1150; fax: 516-673-8369

1993 Revenues	
Total gross revenue	\$1,200,000
UR direct to employers	10%
UR to health care/insurance providers	80%
Other services	10%
UR gross revenue	\$1,100,000
Staff	
Total UR employees on staff	20
Professionals	17
Includes: RNs	
UR employees on retainer	124
Includes: 14 physicians, 110 nurses	
UR clients	
Total	24
Employer and group plans w/direct service	6
Covered lives/reviewed admissions	
Employee benefit plan lives serviced	48,000
Workers compensation lives serviced	10,000
Acute care inpatient admissions reviewed	2,500
Diverted for outpatient treatment	10%
UR services since: 1983.	
Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management,	

provider claim review.
Occasional UR services: Second surgical opinion, hospital bill audits.
Reviews: Standard services.
Officers: Catherine Mullahy, president/secretary.
Contact: Kelly Medwig, administrator.

P

PCC/Drug Data Systems Inc.

828 N. Hollywood Way, Burbank, Calif. 91505; 818-843-8551; fax: 818-843-1079

Covered lives/reviewed admissions	
Workers compensation lives serviced	1,000,000
Frequent UR services: Retrospective review, provider bill audits.	
Reviews: Group health, psychiatric/substance abuse, workers comp/disability, pharmacy, home health care, durable medical equipment, orthopedic equipment, orthotic supplies, hearing aids and infusion therapy.	
Officers: Alvin Saidiner, president.	

Pacific Health Alliance Review

1350 Old Bayshore Highway, Suite 560, Burlingame, Calif. 94010; 800-624-7761; fax: 408-369-7755

1993 Revenues	
UR direct to employers	30%
UR to health care/insurance providers	70%
Staff	
Total UR employees on staff	6

Professionals	
Includes: 6 RNs	6
UR clients	
Total	29
Employer and group plans w/direct service	10
UR services since: 1986.	
Parent: Pacific Health Alliance.	
Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management, gatekeeper/specialty authorization, hospital service negotiation, transplant case rates.	
Occasional UR services: Hospital bill audits.	
Reviews: Standard services, excluding rehabilitation. Also reviews home health care, home IV therapies and specialty services.	
Branch offices: Campbell, Calif.	
Officers: Lawrence Cappel, president; Robert Mackler, executive vp; Sheila Graham, director-PHA Review.	
Contact: Lawrence Cappel, 415-375-5800.	

PAR 3 Utilization Review Services Inc.

1772 Platte St., Denver, Colo. 80202; 303-433-6898; fax: 303-433-7696

1993 Revenues	
UR direct to employers	95%
UR to health care/insurance providers	5%
Staff	
Total UR employees on staff	26

Professionals	
Includes: 6 physicians, 11 RNs, 2 licensed practical nurses, 3 medical record technicians	22
UR employees on retainer	65
Includes: 62 physicians, 1 nurse	
UR clients	
Total	408
Employer and group plans w/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 UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management, diagnostic review.	
Occasional UR services: Retrospective review, second surgical opinion.	
Reviews: Standard services, including dental, physical therapy and auto.	
Officers: Kimberly A. Sutphin, president/COO; Henry Roth, vp/chairman; Howard Entin, vp/secretary; John Sbarbaro, vp/treasurer.	
Contact: Kimberly A. Sutphin.	

Pathway Review Systems

40600 Ann Arbor Road, Plymouth, Mich. 48170; 313-459-2997; fax: 313-454-7301

1993 Revenues	
Total gross revenue	\$403,556
UR direct to employers	20%
UR to health care/insurance providers	70%
Other services	10%
UR gross revenue	\$387,802
Staff	
Total UR employees on staff	6
Professionals	6
Includes: 5 RNs, 1 medical record technician	
UR employees on retainer	600
Includes: 800 physicians	
UR clients	
Total	9
Employer and group plans w/direct service	2
Covered lives/reviewed admissions	
Employee benefit plan lives serviced	21,500
Acute care inpatient admissions reviewed	2,800
Diverted for outpatient treatment	3%
UR services since: 1990.	
Parent: Michigan Peer Review Organization.	
URAC certified.	
Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management.	
Reviews: Standard services, including dental and optometric.	
Officers: Richard Buynoy, chairman; Gary Horvat, president; Gary Guetschow, treasurer; Betteye Elkins, vp; Penelope Pestronk, secretary.	
Contact: Gary Horvat.	

1993 Revenues	
Total gross revenue	\$2,500,000
UR direct to employers	99%
Other services	1%
UR gross revenue	\$2,470,000
Staff	
Total UR employees on staff	21
Professionals	21
Includes: 2 physicians, 19 RNs	
UR employees on retainer	2
Includes: 2 physicians	
UR clients	
Total	679
Employer and group plans w/direct service	679
Covered lives/reviewed admissions	
Employee benefit plan lives serviced	250,000
Workers compensation lives serviced	22,000
Acute care inpatient admissions reviewed	30,000
Diverted for outpatient treatment	8.5%
UR services since: 1984.	
Parent: Pennsylvania Blue Shield, Capital Blue Cross.	
URAC certified.	
Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, second surgical opinion, outpatient service predetermination.	
Occasional UR services: Discharge planning, retrospective review, outpatient psychiatric and substance abuse services, case management.	
Reviews: Standard services, excluding chiropractic. Also reviews certification for short-term, long-term, workers comp, FMLA and maternity disability.	
Officers: Jerry Boyer, president; Elizabeth Galitski, vp; Susan Bianchi, director-information systems; Yvonne Fry, manager-precertification; Margaret Belafonti, manager-disability.	
Contact: Jerry Boyer, 800-441-2333.	

1993 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	200
Professionals	NA
Includes: 11 physicians, 55 RNs	
UR employees on retainer	NA
Includes: 120 physicians, 1 nurse	
UR clients	
Total	140
Employer and group plans w/direct service	35
Covered lives/reviewed admissions	
Employee benefit plan lives serviced	17,000,000
Workers compensation lives serviced	225,000
Acute care inpatient admissions reviewed	268,000
Diverted for outpatient treatment	20%
UR services since: 1984.	
URAC certified.	
Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management, forensic reviews, appeals.	
Occasional UR services: Second surgical opinion, hospital bill audits.	
Reviews: Standard services, including dental.	

1993 Revenues	
Total gross revenue	\$2,500,000
UR direct to employers	99%
Other services	1%
UR gross revenue	\$2,470,000
Staff	
Total UR employees on staff	21
Professionals	21
Includes: 2 physicians, 19 RNs	
UR employees on retainer	2
Includes: 2 physicians	
UR clients	
Total	679
Employer and group plans w/direct service	679
Covered lives/reviewed admissions	
Employee benefit plan lives serviced	250,000
Workers compensation lives serviced	22,000
Acute care inpatient admissions reviewed	30,000
Diverted for outpatient treatment	8.5%
UR services since: 1984.	
Parent: Pennsylvania Blue Shield, Capital Blue Cross.	
URAC certified.	
Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, second surgical opinion, outpatient service predetermination.	
Occasional UR services: Discharge planning, retrospective review, outpatient psychiatric and substance abuse services, case management.	
Reviews: Standard services, excluding chiropractic. Also reviews certification for short-term, long-term, workers comp, FMLA and maternity disability.	
Officers: Jerry Boyer, president; Elizabeth Galitski, vp; Susan Bianchi, director-information systems; Yvonne Fry, manager-precertification; Margaret Belafonti, manager-disability.	
Contact: Jerry Boyer, 800-441-2333.	

1993 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	200
Professionals	NA
Includes: 11 physicians, 55 RNs	
UR employees on retainer	NA
Includes: 120 physicians, 1 nurse	
UR clients	
Total	140
Employer and group plans w/direct service	35
Covered lives/reviewed admissions	
Employee benefit plan lives serviced	17,000,000
Workers compensation lives serviced	225,000
Acute care inpatient admissions reviewed	268,000
Diverted for outpatient treatment	20%
UR services since: 1984.	
URAC certified.	
Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management, forensic reviews, appeals.	
Occasional UR services: Second surgical opinion, hospital bill audits.	
Reviews: Standard services, including dental.	

1993 Revenues	
Total gross revenue	\$2,500,000
UR direct to employers	99%
Other services	1%
UR gross revenue	\$2,470,000
Staff	
Total UR employees on staff	21
Professionals	21
Includes: 2 physicians, 19 RNs	
UR employees on retainer	2
Includes: 2 physicians	
UR clients	
Total	679
Employer and group plans w/direct service	679
Covered lives/reviewed admissions	
Employee benefit plan lives serviced	250,000
Workers compensation lives serviced	22,000
Acute care inpatient admissions reviewed	30,000
Diverted for outpatient treatment	8.5%
UR services since: 1984.	
Parent: Pennsylvania Blue Shield, Capital Blue Cross.	
URAC certified.	
Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, second surgical opinion, outpatient service predetermination.	
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Officers: Jerry Boyer, president; Elizabeth Galitski, vp; Susan Bianchi, director-information systems; Yvonne Fry, manager-precertification; Margaret Belafonti, manager-disability.	
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Officers: Jerry Boyer, president; Elizabeth Galitski, vp; Susan Bianchi, director-information systems; Yvonne Fry, manager-precertification; Margaret Belafonti, manager-disability.	
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Officers: Jerry Boyer, president; Elizabeth Galitski, vp; Susan Bianchi, director-information systems; Yvonne Fry, manager-precertification; Margaret Belafonti, manager-disability.	
Contact: Jerry Boyer, 800-441-2333.	

Continued on next page

Branch offices: Irvine and Los Angeles, Calif.
Officers: George Carpenter, CEO; Alfred B. Lewis, COO.
Contact: Randall H. Radcliff, vp-sales/marketing, 714-442-2100.
Merger of Peer Review Analysis Inc. and CORE Management Inc. is pending shareholder and regulatory approval.

Plan 21 Inc.
4550 Post Oak Place Drive, Suite 341, Houston, Texas 77027; 713-621-6500; fax: 713-621-6560

1993 Revenues	
UR direct to employers	45%
UR to health care/insurance providers	5%
Other services	50%
Staff	
Total UR employees on staff	10
Professionals	7
Includes: 1 physician, 3 RNs, 1 licensed practical nurse, 2 medical record technicians	
UR employees on retainer	2
Includes: 2 physicians	
UR clients	
Total	22

Continued from previous page

Acute care inpatient admissions reviewed2,815
 Diverted for outpatient treatment.....12%
UR services since: 1990.
UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management, physician claims audit.

Reviews: Group health, rehabilitation, psychiatric/substance abuse.
Officers: Bernard Tammie, CEO.
Contact: Patrick Galla.

Preferred Works Inc.

15 River Road, Wilton, Conn. 06897;
 203-761-7300; fax: 203-761-7311

1993 Revenues	
Total gross revenue	\$44,800,000
UR direct to employers	18.4%
UR to health care/insurance providers	9.9%
Other services	71.7%
UR gross revenue	\$12,700,000

Staff
 Total UR employees on staff60
 UR employees on retainer.....40
 Includes: 25 physicians, 15 nurses

UR clients
 Total80
 Employer and group plans w/direct service.....65

Covered lives/reviewed admissions
 Employee benefit plan lives serviced25,000
 Workers compensation lives serviced20,000
 Acute care inpatient admissions reviewed.....3,000

UR services since: 1985.
Parent: Value Health Inc.
URAC certified.
Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, hospital bill audits, outpatient service predetermination, case management, automated bill review.

Occasional UR services: Outpatient psychiatric and substance abuse services.
Reviews: Standard services, including dental, home health, physical therapy, short and long term disability.
Branch offices: Maitland, Fla.
Officers: Dave Noone, CEO; Matt Ruvo, CFO; Grace Armstrong, senior vp-marketing/sales.
Contact: Sherrie Dulworth, vp-marketing/sales, 203-761-7336.

Premier Medical Network

2180 South 1300 East, Suite 415, Salt Lake City, Utah 84106-2826;
 800-777-7572 or 801-486-3366;
 fax: 801-487-3020

1993 Revenues	
Total gross revenue	\$1,151,400
UR direct to employers	18%
UR to health care/insurance providers	7%
Other services	75%
UR gross revenue	\$285,000

Staff
 Total UR employees on staff6
 Professionals.....6
 Includes: 1 physician, 3 RNs, 2 medical record technicians

UR employees on retainer.....18
 Includes: 18 physicians

UR clients
 Total30
 Employer and group plans w/direct service.....21

Covered lives/reviewed admissions
 Employee benefit plan lives serviced22,500
 Workers compensation lives serviced38,000
 Acute care inpatient admissions reviewed.....2,750
 Diverted for outpatient treatment.....14%

UR services since: 1985.
Parent: Holy Cross Care, Northern Utah Care, HealthTrust Inc.
URAC certified.

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

Occasional UR services: Claims review, second surgical review.

Reviews: Standard services, excluding chiropractic. Also reviews physical therapy.

Officers: Lynn S. Simons, president; Joseph A. Schoenhals, medical director; Charles C. Auchterlonie, COO; Josette T. Dorius, director-utilization management/quality assurance.
Contact: Josette T. Dorius.

Private Healthcare Systems Inc.

1100 Winter St., Waltham, Mass. 02154; 617-895-7500;
 fax: 617-895-3458

1993 Revenues	
Total gross revenue	\$85,500,000
UR direct to employers	5%
UR to health care/insurance providers	60%
Other services	35%
UR gross revenue	\$55,575,000

Staff
 Total UR employees on staff1,122
 Professionals.....505
 Includes: 12 physicians, 493 RNs
 UR employees on retainer.....64
 Includes: 64 physicians

UR clients
 Total20
 Employer and group plans w/direct service.....4

Covered lives/reviewed admissions
 Employee benefit plan lives serviced5,200,000
 Workers compensation lives serviced1,100,000
 Acute care inpatient admissions reviewed.....544,484
 Diverted for outpatient treatment.....4.9%

UR services since: 1985.
Parent: Business Men's Assurance Co. of America, CNA Insurance Cos., Confed Admin Services Inc., Employers Health Insurance, Fortis Inc., General American Life Insurance Co., Great-West Life & Annuity Insurance Co., The Guardian Life Insurance Co. of America, Jefferson-Pilot Life Insurance Co., The New

England Mutual Life Insurance Co., Northwestern National Life Insurance Co., Pacific Mutual Life Insurance Co., Phoenix Home Life Mutual Insurance Co., State Mutual Life Assurance Co. of America, Trustmark Insurance Co.
URAC certified.

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

Reviews: Standard services, excluding chiropractic. Also performs high risk maternity screening.

Branch offices: Irvine, Calif.; Rosemont, Ill.

Officers: Gene P. Guselli, president/CEO; Donna Goldin, executive vp/COO; N. Stephen Ober, executive vp/corporate medical director; Michael A. Euele, vp-client services; William F. Schunemann, treasurer.

Contact: Michael A. Euele.

PRO-West, A Professional Review Organization

10700 Meridian Ave. N., Suite 100, Seattle, Wash. 98133; 206-364-9700; fax: 206-368-2419

1993 Revenues	
Total gross revenue	\$8,153,000
UR direct to employers	90%
UR to health care/insurance providers	10%
UR gross revenue	\$8,153,000

Staff
 Total UR employees on staff94
 Professionals.....47
 Includes: 1 physician, 37 RNs, 1 licensed practical nurse, 8 medical record technicians
 UR employees on retainer200
 Includes: 200 physicians

UR clients
 Total56
 Employer and group plans w/direct service.....18

Covered lives/reviewed admissions
 Employee benefit plan lives serviced2,765,206
 Workers compensation lives serviced10,000
 Acute care inpatient admissions reviewed.....68,000
 Diverted for outpatient treatment.....1%

UR services since: 1975.
Frequent UR services: Preadmission

certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, hospital bill audits, case management, DRG validation, disability claim review.

Occasional UR services: Second surgical opinion, outpatient service predetermination, outpatient psychiatric and substance abuse services.

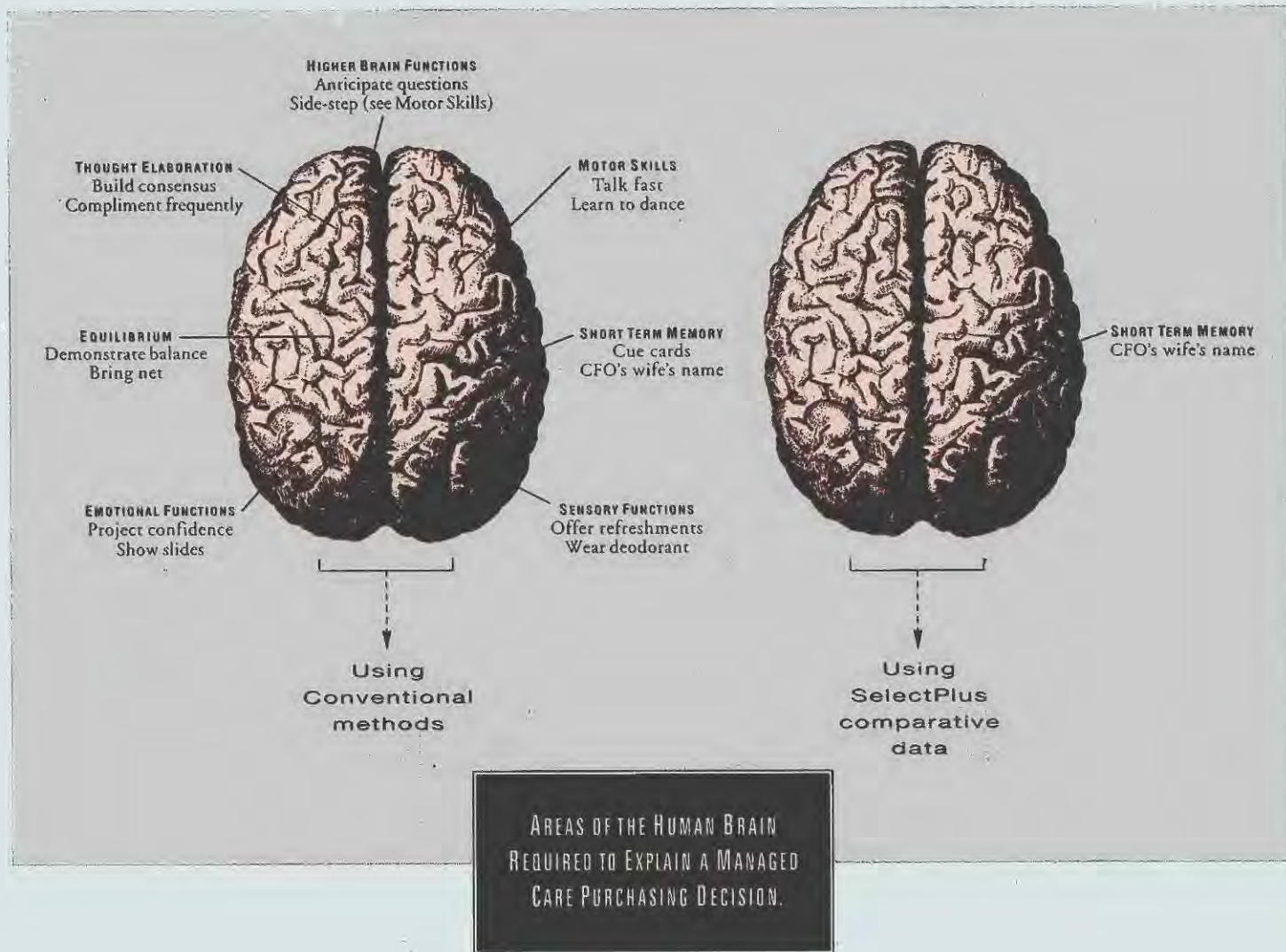
Reviews: Standard services, including dental, home health, nursing home, physical therapy, massage therapy, experimental/investigational treatment, durable medical equipment and prenatal coordination.

Branch offices: Anchorage, Alaska; Boise, Idaho.

Officers: Herbert M. Hilgers, chairman; John W. Daise, CEO; Georgene Grauman, CFO; Michael Garrett, director-utilization management/marketing; J.C. Peterson, director-medical affairs.
Contact: Julianne E. Collier.

Continued on next page

For a description of standard services and methodology see page 20.



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Continued from previous page

ProHealth Inc.
(dba Harrington ProHealth)

811 Green Crest Drive, Westerville,
Ohio 43081; 800-832-1647;
fax: 614-891-5253

1993 Revenues	
Total gross revenue	\$2,900,000
UR direct to employers	90%
Other services	10%
UR gross revenue	\$2,600,000

Staff	
Total UR employees on staff	22
Professionals	20
Includes: 3 physicians, 17 RNs	
UR employees on retainer	22
Includes: 22 physicians	

UR clients	
Total	66
Employer and group plans w/direct service	66

Covered lives/reviewed admissions	
Employee benefit plan lives serviced	159,000
Acute care inpatient admissions reviewed	19,138
Diverted for outpatient treatment	10%
UR services since: 1985	
Parent: Harrington Services Corp.	
URAC certified.	

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

Reviews: Standard services, including dental, home health, high-risk maternity and prescriptions.

Officers: Robert R. Parker, president; Thomas P. McDonough, executive vp; Robert J. Covert, CFO; Steven J. Weber, COO; William Brake, secretary.

Contact: John R. Williford, director-operations.

Provident Life & Accident

1 Fountain Square, Chattanooga,
Tenn. 37402; 615-755-1156;
fax: 615-755-1750

1993 Revenues	
UR direct to employers	70%
Other services	30%

Staff	
Total UR employees on staff	120
Professionals	80
Includes: 1 physician, 70 RNs, 9 licensed practical nurses	
UR employees on retainer	137
Includes: 137 physicians	

UR clients	
Employer and group plans w/direct service	1,465

Covered lives/reviewed admissions	
Employee benefit plan lives serviced	1,000,000
Acute care inpatient admissions reviewed	95,000
UR services since: 1983	

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

Occasional UR services: Hospital bill audits.

Reviews: Standard services, excluding workers comp/disability.

Officers: Robin Charlton, medical review services; Ken Bryant, vp-medical delivery systems.

Prudential Psychiatric Management

56 N. Livingston Ave., Roseland,
N.J. 07068; 800-382-9479;
fax: 201-716-8497

1993 Revenues	
UR direct to employers	60%
UR to health care/insurance providers	40%

Covered lives/reviewed admissions	
Employee benefit plan lives serviced	2,100,000
UR services since: 1990	

Parent: The Prudential Insurance Co. of America.

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

Reviews: Psychiatric/substance abuse.

Branch offices: Horsham and Houston, Texas.

Officers: Richard Kunnes, president.

Contact: Steven Tolle.

Psychology Systems Inc.

615 S. Main St., Milpitas, Calif. 95035;
408-263-8046; fax: 408-263-0349

1993 Revenues	
Total gross revenue	\$6,500,000
UR direct to employers	10%
Other services	90%
UR gross revenue	\$650,000

Staff	
Total UR employees on staff	12
Professionals	11
UR employees on retainer	1
Includes: 1 physician	

UR clients	
Employer and group plans w/direct service	30

Covered lives/reviewed admissions	
Employee benefit plan lives serviced	35,000
Acute care inpatient admissions reviewed	249
Diverted for outpatient treatment	30%

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

Occasional UR services: Hospital bill audits.

Reviews: Psychiatric/substance abuse.

Branch offices: Fresno, Oakland and Placentia, Calif.; Las Vegas, Nev.

Officers: John C. Brady II, president; Richard D. Falls, senior vp-marketing; James B. Wallace, senior vp-operations; Ronald Seff, medical director; Howard Hilderbrand, CFO.

Contact: James Weymouth.

Q

Quality Managed Care Inc.

8717 W. 110th St., Suite 270,
Overland Park, Kan. 66210;
913-345-1784; fax: 913-345-1804

1993 Revenues	
Total gross revenue	\$1,132,233

UR direct to employers	6%
UR to health care/insurance providers	8%
Other services	86%
UR gross revenue	\$164,357

Staff	
Total UR employees on staff	10
Professionals	10
Includes: 10 RNs	
UR employees on retainer	5
Includes: 2 physicians, 3 nurses	

UR clients	
Total	7
Employer and group plans w/direct service	1

Covered lives/reviewed admissions	
Employee benefit plan lives serviced	14,000
Workers compensation lives serviced	2,400
Acute care inpatient admissions reviewed	1,577
Diverted for outpatient treatment	2%

UR services since: 1988.

Parent: The Olsten Corp.
URAC certified.

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

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

Reviews: Standard services, including high-risk maternity.

Branch offices: Los Angeles; Denver; Chicago; Des Moines, Iowa; Wichita, Kan.; Philadelphia.

Officers: H. Michael Gaines, president; Noreen Whalen, vp/general manager.

Contact: Timothy Gallagher, 317-844-2120.

The Queen's Health Care Plan

2 Waterfront Plaza, Suite 200, 500 Ala
Moana Blvd., Honolulu, Hawaii 96813;
808-522-7560; fax: 808-522-7561

1993 Revenues	
UR direct to employers	20%
UR to health care/insurance providers	40%
Other services	40%

Staff	
Total UR employees on staff	25
Professionals	16
Includes: 4 physicians, 12 RNs	

UR clients	
Total	7
Employer and group plans w/direct service	3

Covered lives/reviewed admissions	
Employee benefit plan lives serviced	190,000
Workers compensation lives serviced	700
Acute care inpatient admissions reviewed	2,000
Diverted for outpatient treatment	5%

UR services since: 1985.

Parent: The Queen's Health Systems.
Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management.

Occasional UR services: Hospital bill audits.

Reviews: Standard services, excluding chiropractic. Also reviews dental. Provides off-island referral programs.

Officers: Richard M. Jackson, president/CEO; Harry A. Baut, CFO; James M. Kraft, director-commercial operations; Rhoda Wan Dee, director-utilization management/quality assurance; Sue M.V. Patterson, director-provider relations.

Contact: Don Perry, marketing representative, 808-522-7555.

S

Sagamore Health Network Inc.

11555 N. Meridian St., Suite 400,
Camel, Ind. 46032; 317-573-2900;
fax: 317-573-2946

1993 Revenues	
UR direct to employers	2.41%
UR to health care/insurance providers	12.81%
Other services	84.78%

Staff	
Total UR employees on staff	12
Professionals	10
Includes: 1 physician, 8 RNs, 1 licensed practical nurse	

UR clients	
Total	80

Continued on next page

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Continued from previous page

Employer and group plans w/direct service	20
Covered lives/reviewed admissions	
Employee benefit plan lives serviced	138,000
Acute care inpatient admissions reviewed	23,500
Diverted for outpatient treatment	3%

UR services since: 1985.
URAC certified.
Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, second surgical opinion, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management.

Occasional UR services: Retrospective review.
Reviews: Group health, rehabilitation, psychiatric/substance abuse, dental, prenatal.

Officers: William R. Ealy, president/CEO; Keith C. Starling, vp-operations/COO; John Johnson, vp-finance; Robert Finnegan, vp-managed care; Malinda Hinkle, vp-marketing.
Contact: Keith C. Starling.

San Diego Foundation for Medical Care

9555 Chesapeake Drive, Suite 203, San Diego, Calif. 92123; 800-424-4222 or 619-268-7500; fax: 619-496-3720

1993 Revenues	
Total gross revenue	\$2,981,000
UR direct to employers	3%
UR to health care/insurance providers	12%
Other services	83%
UR gross revenue	\$503,000

Staff	
Total UR employees on staff	12
Professionals	NA
Includes: 8 RNs, 1 medical record technician	
UR employees on retainer	NA
Includes: 55 physicians	

UR clients	
Total	19
Employer and group plans w/direct service	14

Covered lives/reviewed admissions	
Employee benefit plan lives serviced	41,115
Workers compensation lives serviced	372
Acute care inpatient admissions reviewed	3,791
Diverted for outpatient treatment	2.5%

UR services since: 1983.
UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, retrospective review, second surgical opinion, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management, physician peer review program.

Reviews: Standard services, including dental.
Officers: Robert F. Thurner, CEO; Bernard Minton, CFO; Michael Ganey, vp-provider network development; Clinton Mayers, vp-marketing/business development.

Second Opinion Consultants Inc.

P.O. Box 183, Pleasantville, N.Y. 10570; 800-446-4606 or 914-741-1090; fax: 914-769-8248

1993 Revenues	
UR direct to employers	20%
UR to health care/insurance providers	80%

Staff	
Total UR employees on staff	4
Professionals	4
Includes: 2 licensed practical nurses, 2 medical record technicians	
UR employees on retainer	1
Includes: 1 physician	

UR clients	
Total	12
Employer and group plans w/direct service	10

Covered lives/reviewed admissions	
Employee benefit plan lives serviced	5,000
Diverted for outpatient treatment	13%

UR services since: 1984.
UR services: Second surgical opinion, hospital bill audits, prospective diagnostic testing review, physician fee negotiation.
Reviews: Group health, chiropractic, workers comp/disability.
Officers: Madelon L. Finkel, president/CEO; Norman Mazza, medical director.
Contact: Madelon L. Finkel.

Sentinel Management Services Inc.

2250 Erin Court, Lancaster, Pa. 17601; 717-291-1760; fax: 717-291-9757

1993 Revenues	
UR direct to employers	40%
UR to health care/insurance providers	50%
Other services	

Staff	
Total UR employees on staff	6
Professionals	6
Includes: 5 RNs	
UR employees on retainer	5
Includes: 2 physicians, 3 nurses	

UR clients	
Total	137
Employer and group plans w/direct service	134

Covered lives/reviewed admissions	
Employee benefit plan lives serviced	18,000
Acute care inpatient admissions reviewed	3,000
Diverted for outpatient treatment	20%

UR services since: 1988.
Parent: Erin Group Administrators Inc.

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

Occasional UR services: Second surgical opinion, outpatient psychiatric and substance abuse services.

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

physical therapy and home health care.
Officers: David Kolesky, president; Susan C. Rossi, director.

Spectrum Review Services Inc.

3845 FM 1960 West, Suite 410, Houston, Texas 77068-3519; 800-258-5055 or 713-444-2194; fax: 713-444-2484

1993 Revenues	
UR direct to employers	10%
UR to health care/insurance providers	70%
Other services	20%

Staff	
Total UR employees on staff	7
Professionals	7
Includes: 3 licensed practical nurses, 1 medical record administrator	
UR employees on retainer	NA
Includes: 75 physicians, 25 nurses	

UR clients	
Total	15

Covered lives/reviewed admissions	
Employee benefit plan lives serviced	250,000
Acute care inpatient admissions reviewed	3,500
Diverted for outpatient treatment	3%

UR services since: 1991.
Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management, PPO steering.

Occasional UR services: Retrospective review, second surgical opinion.

Reviews: Standard services.
Officers: Frank J. Berrier Jr., president/CEO; Ernest J. Munshow, vp.

Strategic Health Development Corp.

9315 N.E. 6th Ave., Suite A-1, Miami Shores, Fla. 33138; 305-754-7933; fax: 305-751-1029

1993 Revenues	
Total gross revenue	\$2,000,000
UR direct to employers	40%
UR to health care/insurance providers	40%
Other services	20%
UR gross revenue	\$1,300,000

Staff	
Total UR employees on staff	37

Professionals	
Includes: 3 physicians, 30 RNs, 4 licensed practical nurses	
UR employees on retainer	32
Includes: 12 physicians, 40 nurses	

UR clients	
Total	30

Covered lives/reviewed admissions	
Employee benefit plan lives serviced	500,000
Workers compensation lives serviced	1,000
Diverted for outpatient treatment	10%

UR services since: 1985.
Parent: Strategic Health.
URAC certified.

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

Reviews: Standard services, excluding chiropractic.

Officers: Alfred J. Karniewicz Jr., CEO; Nigel D. Wallbank, president.
Contact: Nigel Wallbank.

Continued on next page

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Sunderbruch/ENCOMPASS

6000 Westown Parkway, Suite 350E,
West Des Moines, Iowa 50266-7771;
800-383-2856; fax: 515-222-2407

1993 Revenues	
Total gross revenue	\$23,000,000
UR direct to employers	69%
UR to health care/insurance providers	21%
Other services	10%
UR gross revenue	\$22,977,000
Staff	
Total UR employees on staff	325
Professionals	190
Includes: 3 physicians, 179 RNs, 5 licensed practical nurses, 3 medical record technicians	
UR employees on retainer	10
Includes: 8 physicians, 1 nurse	
UR clients	
Total	208
Employer and group plans w/direct service	152

Covered lives/reviewed admissions	
Employee benefit plan lives serviced	4,500,000
Workers compensation lives serviced	120,000
Acute care inpatient admissions reviewed	20,000
Diverted for outpatient treatment	4%
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 services, case management.

Occasional UR services: Length of stay determination, ambulatory case management.

Reviews: Standard services, including physician office care, home health care, skilled nursing facilities, intensive care facilities, hospice, high-risk maternity, ambulatory services.

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

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

Contact: Holly Smith, national sales director, 708-953-8554.

U

**United HealthCare Corp./
Workers' Compensation/
Casualty Services**

6300 Olson Memorial Highway,
Golden Valley, Minn. 55427-4981;
612-797-2300; fax: 612-797-2301

1993 Revenues	
UR direct to employers	30%
UR to health care/insurance providers	70%
Staff	
Total UR employees on staff	60
Professionals	NA
Includes: 20 physicians, 30 RNs	
UR employees on retainer	NA
Includes: 150 physicians	
UR clients	
Total	65
Covered lives/reviewed admissions	
Workers compensation lives serviced	4,000,000
Diverted for outpatient treatment	12%
UR services since: 1991.	

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

Occasional UR services: Hospital bill audits, outpatient psychiatric and substance abuse services, return-to-work management.

Reviews: Chiropractic, workers comp/disability.

Branch offices: Pasadena, Calif.; Westborough, Mass.; Charleston, W.Va.

Officers: T. Stevens Spruth, president; Glenda S. Garrard, vp-client programs; Barbara Daiker, director-provider network development; Virginia S. McDonald, operations director; Lynn Harris, director-sales/marketing.

Unipsych Corp.

7951 S.W. 6th St., Suite 100,
Plantation, Fla. 33324; 305-474-8727;
fax: 305-474-1351

1993 Revenues	
UR direct to employers	25%
UR to health care/insurance providers	25%
Other services	50%
Staff	
Total UR employees on staff	17
Professionals	5
Includes: 2 physicians, 1 RN	
UR employees on retainer	NA
Includes: 50 physicians	
UR clients	
Total	18
Employer and group plans w/direct service	12

Covered lives/reviewed admissions	
Employee benefit plan lives serviced	400,000
Workers compensation lives serviced	6,000
UR services since: 1986.	

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

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

Officers: Leo Bradman, chairman; Ronald Harshman, president/CEO; James Kaplan, director-finance; Ernest Cohen, psychiatric director; Anke Stimpson, clinical services manager.

Contact: Leo Bradman.

**Utilization Management
Program**

1575 Northside Drive, 200 ATC, Suite
250, Atlanta, Ga. 30318; 800-229-4867
or 404-351-4867; fax: 404-351-4867
ext. 185

1993 Revenues	
UR direct to employers	80%
UR to health care/insurance providers	20%
Staff	
Total UR employees on staff	7
Professionals	7
Includes: 6 RNs, 1 medical record technician	
UR employees on retainer	46
Includes: 45 physicians, 1 nurse	
UR clients	
Total	3
Employer and group plans w/direct service	3

Covered lives/reviewed admissions	
Employee benefit plan lives serviced	500,000
Acute care inpatient admissions reviewed	6,500
Diverted for outpatient treatment	20%
UR services since: 1985.	

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

Occasional UR services: Hospital bill audits.

Reviews: Standard services.

Officers: Larry Smith, president/CEO; Monica R. Compton, director-operations; Marian Moody, director-quality assurance; John Grooms, director-marketing.

V

Value Health Inc.*

22 Water/le Road, Avon, Conn.
06001; 203-678-3400;
fax: 203-678-3477

1993 Revenues	
Total gross revenue	\$565,200,000
UR direct to employers	1%
UR to health care/insurance providers	2%
Other services	97%
UR gross revenue	\$16,956,000
Staff	
Total UR employees on staff	571
Professionals	357
Includes: 14 physicians, 193 RNs, 2 psychologists, 27 pharmacists	
UR employees on retainer	214
Includes: 163 physicians, 4 nurses, 21 psychologists, 26 pharmacists	
UR clients	
Total	102
Employer and group plans w/direct service	303

Covered lives/reviewed admissions	
Employee benefit plan lives serviced	27,475,000
Acute care inpatient admissions reviewed	47,000
Diverted for outpatient treatment	30%
URAC certified.	

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

Reviews: Standard services, including dental, prescription drug, foot and ankle care.

Branch offices: Marina del Ray and Santa Monica, Calif.; Wilton, Conn.; Tampa, Fla.; Davenport, Iowa; Boston; Bloomfield Hills, Farmington Hills and Southfield, Mich.; St. Louis; Troy, N.Y.; Dallas and Houston; Fairfax and Falls Church, Va.

Officers: Robert E. Patricelli, chairman/CEO; William J. McBride, president/COO/treasurer; Steven J. Shulman, executive vp; David M. Wurzer, vp-finance; Paul M. Finigan, vp-general counsel/secretary.

Contact: Alvin Decker, vp-sales.
* Value Health offers utilization review services through its subsidiaries: Levin-VHI, National Foot Care, Value Behavioral Health, Value Health Management, Value Health Sciences and Value Rx. Consolidated information has been provided. Value Health also owns Preferred Works, which reports independently.

W

Wausau Insurance Cos.

2000 Westwood Drive, Wausau,
Wis. 54401; 715-847-7250;
fax: 715-843-3608

1993 Revenues	
Total gross revenue	\$24,500,000
UR direct to employers	7%
UR to health care/insurance providers	2%
Other services	91%
UR gross revenue	\$2,200,000
Staff	
Total UR employees on staff	41
Professionals	29
Includes: 23 RNs	
UR employees on retainer	NA
Includes: 6 physicians	
UR clients	
Total	3,005
Employer and group plans w/direct service	3,000

Covered lives/reviewed admissions	
Employee benefit plan lives serviced	180,000
Acute care inpatient admissions reviewed	25,000
Diverted for outpatient treatment	5%
UR services since: 1972.	

Parent: Employers Insurance of Wausau.

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

Reviews: Standard services, including prenatal risk assessment, physical medicine and podiatry.

Officers: Galen R. Barnes, president/COO; James M. Magalska, senior vp-group/retirement plan operations; Gerald E. Osband, vp-medical affairs.

**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

1993 Revenues	
UR direct to employers	8%
UR to health care/insurance providers	92%
Staff	
Total UR employees on staff	32
Professionals	32
Includes: 1 physician, 31 RNs	
UR clients	
Total	120
Employer and group plans w/direct service	10
UR services since: 1980.	

Frequent UR services: Retrospective review, hospital bill audits, case management, peer review, independent medical exams, provider bill audits, medical bill repricing.

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

Reviews: Standard services, including dental, physical therapy and psychological.

Branch offices: Lintthicum, Md.
Officers: Barry P. Green, president; Allen Mohr, COO; Edward W. Baker, senior vp; Camie McGrath, director-marketing.

Contact: Camie McGrath.

Z

Zenith Administrators Inc.

111 Massachusetts Ave. N.W.,
Washington, DC 20001;
800-848-9200; fax: 202-962-8854

1993 Revenues	
Total gross revenue	\$4,050,000
UR direct to employers	4%
Other services	96%
UR gross revenue	\$3,320,000
Staff	
Total UR employees on staff	29.2
Professionals	29.2
Includes: 1.5 physicians, 25.7 RNs, 2 licensed practical nurses	
UR clients	
Total	148

Covered lives/reviewed admissions	
Employee benefit plan lives serviced	398,150

Acute care inpatient admissions reviewed.....10,600
Diverted for outpatient treatment.....1%
UR services since: 1984.
Parent: ULLICO Inc.
URAC certified.
Frequent UR services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, second surgical opinion, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, case management.

Occasional UR services: Retrospective review.
Reviews: Standard services, excluding workers comp/disability. Also reviews dental.

Branch offices: Phoenix; San Francisco, Calif.; Denver; Chicago; Indianapolis; Albuquerque, N.M.; Seattle.

Officers: Robert A. Georgine, chairman/CEO; James W. Luce, president-Zenith Administrators; Jerome P. Pollock, executive vp/COO; Dean Kalahar, Gary Eng, senior vps.

**Zurich-American
Managed Care**

1400 American Lane, Schaumburg,
Ill. 60195-1056; 708-706-2406;
fax: 708-706-2608

Staff	
Total UR employees on staff	54
Professionals	NA
Includes: 4 RNs	
UR employees on retainer	NA
Includes: 100 physicians, 300 nurses	
UR clients	
Employer and group plans w/direct service	3,000

Covered lives/reviewed admissions	
Workers compensation lives serviced	60,000
Diverted for outpatient treatment	10%
UR services since: 1985.	

Parent: Zurich Insurance Co.
Frequent UR services: Retrospective review, second surgical opinion, hospital bill audits, medical bill audits, fraud review, pattern of treatment reviews, ergonomic reviews.

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

Reviews: Chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability, dental, physical therapy, prescription drug programs, durable good programs and job modification programs.

Officers: L. Adams, senior vp; M. Syrek, vp; S. Armstrong, manager.

Contact: Stephen P. Armstrong.

ADDENDUM

Information in the following listing was not available in time to be included in the alphabetical listing.

Beech Street

2 Ada, Suite 200, Irvine, Calif. 92718;
714-727-1353; fax: 714-727-1319

1993 Revenues	
UR direct to employers	4%
UR to health care/insurance providers	6%
Other services	90%
Staff	
Total UR employees on staff	36
Professionals	28
Includes: 4 physicians, 16 RNs, 4 licensed practical nurses	
UR employees on retainer	18
Includes: 18 physicians	
UR clients	
Total	140
Employer and group plans w/direct service	93

Covered lives/reviewed admissions	
Employee benefit plan lives serviced	379,210
Workers compensation lives serviced	3,800,000
Acute care inpatient admissions reviewed	27,587
UR services since: 1982.	

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

Reviews: Standard services, excluding rehabilitation. Also reviews auto liability.

Branch offices: Houston, Texas.

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

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Reforms

Continued from page 1

Council on Flexible Compensation in Washington. "Other business groups—and we agree—concluded the whole process was more window dressing by the administration than an honest attempt to consider our suggestions."

"The administration's open door policy only went so far and the final piece of legislation didn't reflect a lot of our strongest views," said a spokeswoman for the Business Roundtable, an organization of 200 major corporate chief executives.

A couple of months into the process of developing a bill, "it became obvious to us, and to other groups, the White House was simply not listening," agreed Jim Klein, director of the Assn. of Private Pension & Welfare Plans in Washington. "It's become clear to us that (the administration) was hell-bent on coming up with their own plan and the supposed input from the business and other communities was a wasted effort."

That perceived stance has cost the Clinton administration some valuable allies as it attempts to push the president's formidable health care reform plan through Congress.

Several prominent business groups earlier this month called the plan unduly complicated and fraught with too much government regulation (BI, Feb. 7). Although the groups did not fully endorse any of the competing plans, some of them say legislation proposed by Rep. Jim Cooper, D-Tenn., would be a better starting point for reform.

While some observers see the opposition to President Clinton's plan by the Business Roundtable, the U.S. Chamber of Commerce

and other business groups as a turning point in the debate, others say the president never had extensive business support.

"I never saw a heck of a lot of support to begin with," said Dennis Nirtaut, manager of employee benefits for Continental Bank Corp. in Chicago. "I just think business groups are finally getting themselves together and coming out with a formal stance."

The administration's lack of credibility was a big issue for many employers and business groups. Benefit directors simply do not believe the administration would be able to cap employers' health care costs at 7.9% of payroll, as proposed, given the scope of the basic benefits package that would be provided.

"I never believed the numbers; I thought it was fallacy," said Mr. Nirtaut.

The 7.9% payroll cap "is baloney," charged Robert Penzkover, director of employee benefits at Quaker Oats Co. in Chicago. "We all know you can't buy that health care for that price."

President Clinton's promise that the government would pay 80% of early retirees' health care costs didn't persuade the skeptics, either.

"My personal opinion is the retiree stuff is a concession to" big automotive companies and smoke-stack industries with older workforces, said Mr. Penzkover. "At Quaker, we don't have the imbalance."

The administration also made a grave mistake by underestimating the importance employers attach to maintaining their own health care programs, benefit managers say.

"They didn't understand how important benefits are to the corporate environment," Mr. Penzkover said. "Companies are known

as good places to work because of their benefits. At Quaker, we've invested heavily in health promotion, wellness and flexible benefits." Those programs would become extraneous under the basic benefit package President Clinton is proposing, he said.

"To say, 'We want to maintain an employment-based system because it works well,' and then to structure it in a way that all employers do is finance it—who do they think they're kidding?" asked Robert Dankmyer, vp of corporate benefits for Marriott International Corp. in Washington. "Employers want the ability to manage costs and Clinton takes away the ability to manage costs for all companies except a very few large employers."

Employers also clearly want to retain control over the design of corporate benefit plans.

"Companies want some flexibility in designing programs," Mr. Penzkover said. "The Clinton benefit package is a one-size-fits-all approach. But we've found different people can tolerate different deductibles and make tradeoffs of one benefit for another. That's a highly prized benefit to employees."

The administration also ignored the pleas of small business, said Robert Patricelli, chairman of U.S. Chamber's health and employee benefits committee. "The Clinton people unnecessarily complicated what was going to be a difficult proposal to start with," he said. "If they kept the focus on universal coverage at the outset and had not

added such disliked features as mandated alliances and price controls, there may have been more opportunity for business support."

Small businesses would experience a whopping \$40 billion cost shift if the nation adopts a reform scheme that pools the non-working uninsured into community-rated alliances with employees of small companies, Mr. Patricelli said.

Others say they lost faith in the Clinton plan when it became clear that the only people involved in shaping the legislation were academics or government policymakers.

"There were very few people in the Clinton camp that had experience with the business model," said Mark Ugoretz, president of the ERISA Industry Committee in Washington. That was a constant criticism among employers about the makeup of the task force. "They were all academics or government policy types, but none of these guys had ever met a payroll."

President Clinton's health care reform proposal isn't the only plan under fire for ignoring the negative impact that health system reform could have on American companies.

"In many of the bills, we'll see the cost of employment going up so high that companies will have no choice but to reduce employment," Mr. Ugoretz said. If health care reform means an employer mandate, many employers will continue to face rising costs. Those employers "can't reduce their health care costs if health care

coverage is mandated. Their only choice will be to close plants and lay off workers," Mr. Ugoretz said.

"We think jobs is a big issue and we think the economic viability of a business is a big issue," agreed Marriott's Mr. Dankmyer. "There has to be a reality check about what the nation can and cannot afford to do."

"There is a notion on the Hill that business can afford to do much more and maybe that's true to some extent," Mr. Dankmyer said.

But, he added, politicians and policymakers may not understand how far business can go.

Employer lobbying groups, as well as individual employers that have yet to go solo to Capitol Hill with their concerns, are now gearing up for battle. Their goal, in the face of the Clinton administration's perceived brush off, is to bend the ear of the lawmakers who will debate the various reform bills in Congress.

"I think the White House missed an opportunity more than we did," the APPWP's Mr. Klein said. "Now we are taking our message to Capitol Hill, where this will be getting written and resolved anyway."

Continental's Mr. Nirtaut, who also is chairman of the Chicago Business Group on Health, said his membership is currently trying to develop a formal position. "I see this as a once-in-a-lifetime opportunity. This is something that could impact us for a long time to come. Employers have to get involved." BI

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Clinton

Continued from page 1

setbacks for the administration's health care reform proposal. Earlier this month, the Congressional Budget Office reported that the cost would exceed earlier estimates and that the plan would swell the federal deficit, not cut it, as the administration has maintained (BI, Feb. 14).

The CBO report came on the heels of the rejection of the Clinton plan by three major business groups—The Business Roundtable, the U.S. Chamber of Commerce and the National Assn. of Manufacturers (see related story, page 1).

Despite high-level administration lobbying, the Business Roundtable, a group of 200 big company CEOs, not only rejected the Clinton bill but backed the rival Cooper proposal as a starting point for health care reform.

Not once in her 45-minute GHAA speech did Mrs. Clinton mention Rep. Cooper by name. But her remarks were clearly directed at the Tennessee Democrat, whose proposal has attracted as much, if not more, interest recently than the administration's.

Rep. Cooper proposes limiting employer tax breaks for health care costs and using the revenue to subsidize coverage for the uninsured.

Speaking calmly but with determination, Mrs. Clinton called that "one of the most dangerous and threatening aspects of health care reform."

Employers, she said, might try to retain tax advantages by offering cheaper, lower-quality plans instead of more expensive plans that

provide good benefits and services. And the victims of such maneuvering would be employees, who would be deprived of choices.

"Patient choice of plan should mean just that," the First Lady said.

Curbing employer tax deductions for health care expenses also would lead to what Mrs. Clinton described as "gaming" of the system. A health plan might say publicly that it is offering the same benefits at a lower cost than another plan. But when the small print is read, the benefits from the lower-cost plan might be much less.

Trying to determine the cost of a plan and whether the benefits are comparable to another plan would lead to endless squabbles, she said. "We think there is tremendous danger in the kind of comparisons, monitoring, accountability and gaming that will occur if we try to finance health care by removing tax preferences and moving everyone into so-called low-cost plans."

Under the Cooper bill, employers could take a full tax deduction for health care premiums for the "lowest-cost" plan in a specified geographic region.

Rep. Cooper maintains that if tax breaks were limited, health plans would compete more vigorously and offer lower prices to stay under the tax cap.

The Cooper bill also would establish a new federal board, comparable to the Securities and Exchange Commission, to set the basic benefit package that all plans would have to offer. That board would not be set up until after a health reform law was passed.

Mrs. Clinton said that approach would make it impossible to determine ahead of time the cost of the

plan and the amount of federal subsidies that would be needed.

At the same time, a proposal that doesn't spell out what benefits would be offered in health care plans would be tough to sell to the American people, she said.

"It would be difficult to explain to the American people that Congress has passed a piece of legislation that promises you insurance but doesn't tell you what the benefits are."

HMOs would fail in the market if their approach to consumers was: "Trust us. We are the greatest HMO in the region. You buy (from us) and we'll tell you later what the benefits are," Mrs. Clinton told the HMO executives.

Yet that is precisely the approach some members of Congress want to take by proposing that a federal board set the benefit package later.

The better approach, Mrs. Clinton said, is spelling out now what benefits would be provided, as the administration bill does.

Mrs. Clinton also sharply criticized a so-called individual mandate, a method of achieving universal coverage favored by a number of congressional Republicans.

Under this approach, individuals would have to obtain health insurance, either through their employers or by buying their own policies. Government subsidies would cover some of the cost for poor people.

This strategy is doomed to fail for a number of reasons, Mrs. Clinton said. Government lacks the resources to enforce such a requirement, she said, noting hundreds of thousands of people drive cars without liability insurance despite laws in a number of states mandating coverage.

Tracking individuals as their in-

come levels change and as they move in and out of jobs and insurance plans would require "enormous administrative oversight," she said. In addition, an individual mandate could undermine employment-based coverage, leading to even higher public costs.

Employers, Mrs. Clinton said, would have an economic incentive to drop coverage for low-wage workers if the government subsidized the cost of individual policies purchased by the workers.

"What do employers, looking at this rationally, say to themselves?" she asked. If the government is willing to pick up the tab for benefits companies are now providing, companies would quite logically drop employees from their benefit plans, adding to the cost of government subsidies, she said.

Unlike at other recent public appearances, Mrs. Clinton did not directly lash out at the Health Insurance Assn. of America, the sponsor of the "Harry and Louise" commercials that have drawn criticism on Capitol Hill and from the White House.

But Mrs. Clinton has not forgotten Harry and Louise nor the HIAA. The real agenda of the administration's critics is no change and no reform, she said.

The HIAA has come out in favor of an employer mandate, restrictions on insurer use of pre-existing condition exclusions and other reforms.

Mrs. Clinton urged the HMO industry to do its own advertising.

"Talk about your achievements," she advised, adding that HMOs need to advertise that some HMOs give members a choice of providers and that many members are very satisfied. **BI**

Rangel questions if universal cover would really work

WASHINGTON—Enactment of legislation that establishes universal health coverage still could leave millions of Americans without access to health care, a congressman representing New York's Harlem area warns.

Rep. Charles Rangel, D-N.Y., said even with universal health care coverage, individuals in many urban areas may not receive the care they need if physicians do not maintain practices in those areas.

"You may have the plastic card, but where will the doctors come from?" Rep. Rangel asked, referring to the coverage card President Clinton says all citizens would have under his health care reform plan.

Speaking last week before the Group Health Assn. of America, Rep. Rangel also noted that while the Clinton proposal appears to promise universal coverage, one major group—illegal aliens—would not be guaranteed coverage.

That omission would put more financial pressures on state and local governments to meet the health care needs of illegal aliens, he said.

Rep. Rangel said he wasn't surprised that several business groups have rejected the administration's health care reform plan.

Ultimately, though, to have any role in the negotiations that shape health care reform legislation, business groups will have to state what they are for and not just what they are against, the congressman said.

—By Jerry Geisel

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GLOBAL FOCUS

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PUBLISHING DATES AD CLOSING DATES

February 14 February 2

June 13 June 1

August 22 August 10

November 14 November 2

INTERNATIONAL

U.K. auditors press for liability reforms

By ADRIAN LADBURY

LONDON—Already taking steps on their own to limit their liability for non-auditing work, the Big Six accounting firms plan to lobby the British government to limit their liability by law.

Having paid millions of dollars to settle negligence suits and held liable for millions of dollars more in other actions, the firms argue that if the frequency and size of claims continue unabated they could threaten the solvency of an accounting firm.

Under current U.K. company law, accountants are not allowed to contractually limit their liability for auditing work. They may set limits in their contracts for non-auditing work but traditionally have not done so, except for high-risk work like advising clients during mergers and acquisitions.

Making matters worse for the firms are hardening professional liability insurance rates and shrinking insurance capacity in the London and international markets. Even a cap on accounting firm liability may not prompt insurers to increase capacity or ease up on rate hikes, some say.

At least one of the big firms—Arthur Andersen & Co.—already has started imposing limits to its liability in contracts for non-auditing work, such as tax preparation. Liability limits range from five to 50 times the amount of fees, with the average limit between five and 15 times the fee amount.

"Basically anything that involves an opinion is dangerous," commented a partner with a Big Six firm.

But efforts to impose limits in contracts are only a stopgap measure, accountants say. Britain's Institute of Chartered Accountants contends that the big firms' exposure will not be truly limited unless Parliament replaces joint and several liability with proportional liability.

Too often, the firms complain, they are held jointly and severally liable

for damages that are more the fault of others, often directors of failed companies who would make less attractive targets in a lawsuit.

Insurers have steadily been withdrawing capacity for accountants' coverage. Only about \$50 million worth of coverage is available on the open market this year, compared with about three times that amount only two years ago.

As of late last year, the Big Six faced claims seeking about \$30 billion (BI, Nov. 22, 1993).

In Britain, as in the United States, the Big Six firms—Arthur Andersen, Deloitte & Touche, Coopers & Lybrand, Ernst & Young, KPMG Peat Marwick and Price Waterhouse—are coordinating their lobbying efforts.

Currently, the ICA Liability Committee is finishing its proposals for amendments to section 310 of the U.K. Companies Act. Introduced after an auditing scandal, that 1928 law prevents firms from contractually limiting their liability for audits.

If the proposals are approved at a March 2 committee meeting, they will be sent to the Department of Trade and Industry.

"We want to amend section 310 so that accountants can contract a liability limit the same as everyone else," said Graham Ward, a Price Waterhouse partner who is also the committee chairman.

"We are also looking at joint and several liability because if we are dealing with a fraud, the directors tend to get off lightly while the accountants get multimillion-pound suits," he said.

"What is unfair and so damaging is to have a situation where (under the current joint and several liability system) such a disproportionate burden of risk falls on the only ones left with anything in their pockets just because they have professional liability insurance. . . . This is the long-term aim. . . to encourage judges to take a proportionate view," said ICA Chief Executive Andrew Colquhoun.

But Mr. Colquhoun, who said the

Continued on next page

A case for reform in Australia

Big settlement renews call to cap auditor liability

By KATE McILWAINE

SYDNEY, Australia—An accounting firm's record settlement of a lawsuit stemming from its audit of a failed bank is expected to further harden professional liability rates for Australian accountants.

The \$136 million Australian (\$96.3 million) settlement also may prompt insurers to tighten the wording on professional indemnity policies.

The expected fallout from the settlement has renewed accountants' calls for the Australian government to place a statutory cap on liability for accountants, auditors and other professionals.

KPMG Peat Marwick last month agreed to the settlement, which was a fraction of the \$1.1 billion Australian (\$778.8 million) sought in the lawsuit brought by the state of Victoria against Peat Marwick Hungerford, a predecessor of KPMG Peat Marwick.

The 1991 lawsuit involved a failed merchant bank, Tricontinental Holdings Ltd., which had merged with the government-owned State Bank of Victoria. The Victorian government sold the bank in 1990 but remained responsible for Tricontinental's debt. The

government's lawsuit blamed the auditors for some of the losses the bank incurred on bad loans.

The lawsuit resulted in "the largest commercial settlement in Australia's history," according to Victorian Premier Jeff Kennett.

The most significant feature of the case is that the Victorian court system had encouraged the parties to reach a settlement because the courts are incapable of handling a case of that magnitude, said Angus MacCiver, general manager-professional indemnity at FAI Insurance Ltd. in Sydney.

"Once the court system said it couldn't handle it, the only law that applied was Murphy's," Mr. MacCiver quipped.

John Harkness, Sydney-based executive chairman of KPMG Peat Marwick, said "a significant amount" of the settlement will be paid by the accounting firm's global insurance arrangements, which were in place in 1988.

KPMG Peat Marwick has a captive insurer, but Mr. Harkness would not comment on how much the captive would contribute.

One source suggested the settlement figure represented a total loss on the accounting firm's insurance program, with a \$20 million retention being met by the captive and coverage above that shared by casu-

Continued on next page

Mandatory cat cover proposed in Germany

By DON LEWIS KIRK

BONN, Germany—The December flooding of the Rhine River and its tributaries, which caused more than 1 billion deutsche marks (\$579.9 million) in damage, has generated support for a compulsory national insurance program to cover natural catastrophe risks in Germany.

In a rare demonstration of political unity, Christian Democrats and Social Democrats are calling for compulsory national insurance for flood, landslide and earthquake risks.

"Compulsory national insurance would be the only means to provide comprehensive insurance against

risk of flooding where they occur on a regular basis," said a spokesman for Allianz Versicherungs A.G. "Then the property owner in Hannover would have to compensate for flood damage on the Mosel," a tributary of the Rhine.

Since 1992, German insurers have offered limited coverage of flood and earthquake risks. Critics said national insurance would be equivalent to introducing a new tax.

Earthquake-prone Baden-Wuerttemberg is currently the only German state that requires all property owners to buy insurance for storm, flood and earthquake risks. But by the middle of this year, it must give up its state-owned insurance mo-

nopoly in compliance with new European Union directives. As a result, the coverage will no longer be compulsory.

As a result of recent storm and flood losses, German companies already hard hit by the recession could face further rate increases for catastrophe coverage, said Helmut Fischer, chairman of the Federation of Insured Companies. Mr. Fischer said rate increases between 20% and 30% are common. "No one has been spared," he said.

Companies in Baden-Wuerttemberg have benefited from lower catastrophe rates because of the state-owned monopoly (BI, Jan. 17; Jan. 3).

BI

Theft of Norway's 'Scream' puzzles museum officials

By MARIA KIELMAS

OSLO, Norway—The day the world focused its attention on the opening of the Olympic Winter Games in Lillehammer, Norway, a famous painting was stolen from a museum about 120 miles to the south.

The theft of Norwegian painter Edvard Munch's "The Scream" from the Norwegian National Gallery in Oslo early on Feb. 12 has prompted a wave of criticism about the gallery's security.

The painting is considered unsalable because of its fame. Because it is owned by the state it is not insured.

Security cameras recorded two individuals using a step ladder to break into one of the gallery's first-floor windows. It took the thieves only 58 seconds to position the ladder, enter the gallery, seize the painting and escape.

"The great scandal is about the security measures (in the gallery)," said the gallery's director, Knut Berg. "We thought that (the first-floor window) was rather high up and not easy to use to get in. We had the rather blue-eyed notion that a thief could not go that high."

The first-floor windows of the gallery, which has high ceilings, are about 16½ feet above street level.

"We thought that it would be very difficult for a thief to climb through a broken window at such a

height above the ground," Mr. Berg said.

A security study did assume that a thief could climb through an open window from the outside, "so we put locks on all of the doors and the windows," Mr. Berg said.

In 1982, the gallery underwent a rigorous security evaluation and overhaul after the theft of a number of paintings exposed a weakness in the security system, he said. Security cameras were placed inside and outside the buildings and special "room security" devices were installed, Mr. Berg said, declining to elaborate.

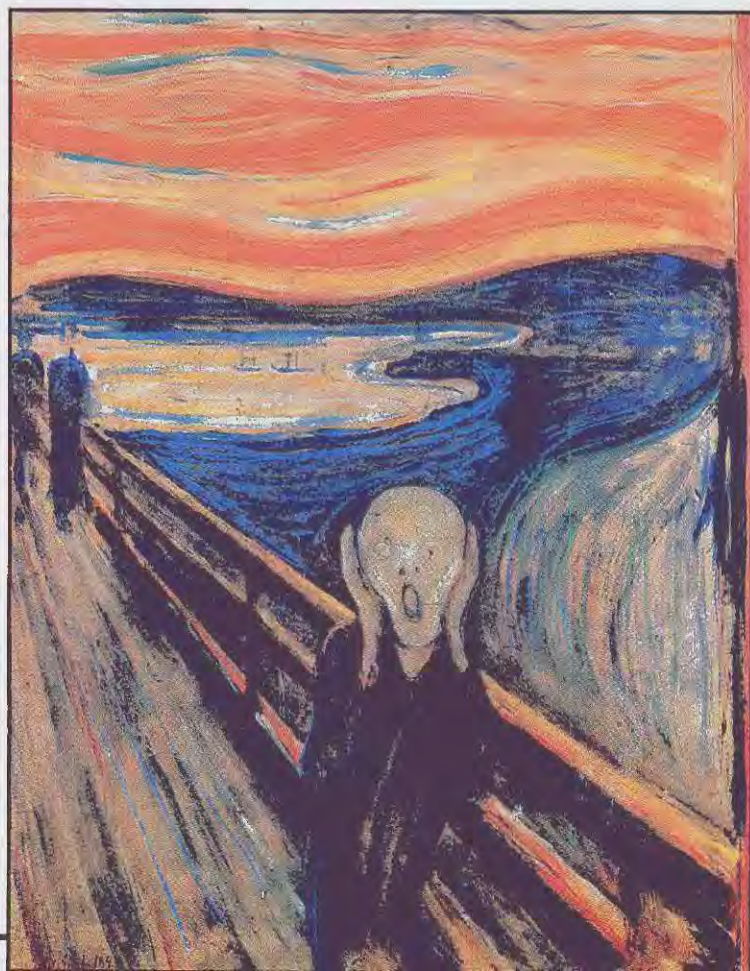
The recent theft has led the gallery to install security devices on the paintings individually, he added.

"The Scream," a 44-by-71-inch painting on cardboard, had been hung behind bulletproof glass nearly a quarter-inch thick. The painting and the glass were taken off the wall together, Mr. Berg said.

"The Scream," Munch's most famous work, is the second painting by the early 20th-century artist to have been stolen from the National Gallery. In August 1993, thieves made off with a small portrait he painted in 1886.

Mr. Berg said the theft could have been a stunt timed to coincide with the opening of the Olympics.

A hint by a Norwegian anti-abortion leader that his small group could be responsible for the theft was treated last week with skepticism.



AP/Wide World Photo

Violence

Continued from page 2

sures, said Bill Granahan, chief operating officer of Betterley Risk Consultants, the risk management consulting unit of Milliman & Robertson Inc. in Worcester, Mass.

Workers compensation is often the exclusive remedy for victims of workplace violence or their survivors. In some states, victims or their families can recover outside the workers comp system if gross negligence on the part of the employer is proved.

In the Texas case, the parents were able to recover outside the workers comp system because the two employees were never notified that they were covered by workers compensation and were too young to have contractually waived their rights anyway, said Jeff E. Rusk, an attorney with Shields & Rusk in Austin, who represented the victims' parents. The two other victims were friends of the two employees. No arrests have been made in the case.

Brice Foods Inc., which owns the yogurt shop, was covered under its general liability policy for \$11 million, a spokeswoman said, declining

to elaborate. The property manager, Morrison Properties, was also covered under its general liability policy for its \$1 million share of the award, Mr. Rusk said. Morrison Properties declined to comment.

"Workers comp has tended to serve as a shield, but it's wearing thin," making it easier to sue employers in cases of workplace violence, said NWSI's Mr. Kinney.

Unless employers take safety precautions, they will eventually pay out large amounts in settlements or end up in court, consultants warn.

In the case of the Austin murders, the employer and property manager took their chances and lost. It was an issue of "kids, cash and late-night hours," Mr. Rusk said.

Teenage employees routinely closed the I Can't Believe It's Yogurt store at 11 p.m. with \$1,000 to \$2,000 in the cash register, he said. What's more, the store has large glass windows and only one of the strip mall's other 10 or so stores was open at the time. "It was attractive to crime."

In the past 10 years, the police received 19 calls from the yogurt store and 98 calls altogether from the mall. In addition, the store next to the yogurt shop had been robbed

eight times.

Yet the property manager failed to tell other tenants about crimes that had occurred and failed to request extra police patrols, Mr. Rusk said.

He contends that changing the mode of operation, improving the lighting and alarms, and putting up a sign that read "No more than \$20 in the cash register at all times" could have prevented the crime.

According to the National Institute for Occupational Safety and Health, homicide is the leading cause of workplace deaths among women, and only motor vehicle and machinery-related accidents cause more deaths among all workers.

NIOSH, which is part of the Centers for Disease Control and Prevention in Atlanta, found that 7,603 workers were slain on the job from 1980 through 1989, the latest period for which information was available. That amounts to nearly 15 workplace murders every week during the 10-year period.

In October, NIOSH in its first-ever "alert" on workplace violence called on employers and workers to take several specific safety measures.

The recommendations include im-

proving external lighting, using drop safes to reduce cash on hand, installing silent alarms and surveillance cameras, increasing staff, training staff not to resist during a robbery and closing down during late-night and early morning hours. The alert notes that the effectiveness of the recommendations has not been widely tested (*BI*, Nov. 8, 1993).

One employer that has taken steps to prevent such crimes is Pizza Hut Inc., contends Chris Guarrero, director of security for the Wichita, Kan.-based restaurant chain. While he wouldn't elaborate about Pizza Hut's safety program—"it would take the edge off of the advantage"—he did say the company recognizes that "we have a responsibility to our employees and customers."

Sometimes "all the equipment in the world" cannot prevent deaths, but companies can take reasonable steps to ensure that they are less exposed to negligence suits, he said. "That's why people like me exist."

Employers can take some simple, inexpensive measures to help prevent violent incidents, said Jan Travnick, loss control safety officer for Kemper National Insurance Cos.

in Long Grove, Ill.

If a store closes late, perimeter lighting should be kept on and the landscape should be trimmed down so no one can be lurking behind bushes, she advises. Additionally, employers can make sure that garbage is only emptied during daylight hours.

In addition to silent alarms, employers and employees should make sure that "when something does happen they know what to do," Ms. Travnick said. Just as employers practice fire drills and earthquake drills, they should also practice violent-act drills.

Even in businesses with tremendous employee turnover rates, employers should take the time and effort to train employees on what to do if a violent crime occurs.

Other proven countermeasures to improve security include school-night curfews for student workers, and adult supervision and security staffing during high-risk hours, added NWSI's Mr. Kinney.

"People are mad about crime," said Shields & Rusk's Mr. Rusk. "Even though there is a third party pulling the trigger, (people) want employers to eliminate the opportunity for that person." **BI**

INTERNATIONAL

U.K. limits

Continued from previous page

ICA has been lobbying for liability limits since the mid-1980s, does not believe that a wide-ranging legal reform process is likely until "the early years of next century." One reason is that the current liability system in U.K. law affects many different interests and reform would require a process similar to amending the U.S. Constitution.

He is, however, more confident that the audit limits can be introduced soon and some of the pressure taken off ICA's larger member firms.

In an interview with *Business Insurance*, Mr. Colquhoun said the government had indicated it may amend the company law during the 1995-1996 parliamentary session.

"The reform of 310, given the political will on the part of the government, seems to offer a reasonably straightforward way of at least breaking the logjam."

Chris Nunn, senior technical adviser with Arthur Andersen, one of the leading forces in the current campaign and one of the first to introduce limits on non-auditing work, believes action is vital because of the shrinking insurance capacity.

"We want a level playing field. The effort has largely been driven by deep pocket-targeting of audit firms and the fact that insurance is no longer available. The campaign is very much in progress, and it's a question of persuading the government it's fair for us to do it. If you're going to get sued to the point of extinction, you're not being very commercially astute if you don't try and avoid it in the original deal."

Mr. Nunn recognizes that the effort to change the joint and several liability of the auditors is a long-term aim, but he backed up Mr. Colquhoun's belief that liability limits should help in the short term.

"We just cannot get the (insurance) cover and are not protected against the really high levels of exposures we are running into. The smaller firms may still get the coverage, but their rates have gone through the roof, too," he added.

So far, clients are not objecting to the introduction of limits in non-auditing work and the proposed limits in auditing, the accounting firms say.

Geoff Saunders, chairman of the Assn. of Insurance & Risk Managers

in Industry & Commerce, said his association has not formally discussed the matter but said he personally sees little reason for accounting clients to object to the liability limits.

"The days of unlimited liability are disappearing fairly quickly and this is why the U.K. insurers are trying to take the same kind of action in liability insurance and Lloyd's is heading that way. In today's world, unlimited liability is a bit of an anachronism.

"In all other industries, like building contracting or the architectural profession, you would normally want to limit your liability to the value of the contract or a multiple of the fee, considering these multimillion awards," Mr. Saunders said.

Smaller and medium-sized firms have not faced the same number and scope of claims as the Big Six and most of them buy insurance on the open market. But the market certainly hardened last year as rates increased and capacity fell.

According to Accountants' Profes-

sional Indemnity Quarterly, a quarterly bulletin published by Bowring Financial & Professional Insurance Brokers Ltd., 1993 rates for smaller accountants—those with annual fee income up to 200,000 pounds (\$295,500)—experienced "minimum premium increases of 20% and upwards regardless of claims experience." Bowring also said many Lloyd's underwriters reduced their participation in the market last year with "reductions from 50% in 1992 to 20% currently being by no means exceptional."

Big Six firms traditionally buy coverage through a marketwide line slip arranged by Minet Group P.L.C. of London, which is placed with more than 100 insurers worldwide.

The multimillion-dollar slip is made up of a combination of pooled captive coverage, growing self-retentions and coverage bought on the open market.

Minet brokers in London were unavailable for comment on the current size and makeup of the slip, but it is

widely acknowledged in the London market that high-layer excess capacity, in London at least, has fallen drastically in the last few years.

The slip was hit badly by U.S. savings-and-loan claims, such as Ernst & Young's 1992 agreement to pay \$400 million to settle federal claims stemming from work carried out for several failed thrifts. About \$300 million of the settlement was covered by the slip (*BI*, Nov. 30, 1992).

The lead underwriter on the Ernst & Young coverage at that time reportedly was syndicate 418, managed by Merrett Underwriting Agency Management Ltd.

In the 1993 Chatset Guide to Syndicate Run-Offs, the Lloyd's analyst said the Ernst & Young claim was "almost entirely" responsible for the syndicate's 35% loss and the belated decision by underwriter Stephen Merrett to leave 418's 1990 underwriting year open. None of the Merrett syndicates is actively underwriting.

Even if accounting firms were al-

lowed to limit their liability for audits, it is doubtful whether insurance capacity would increase.

The limits "may be good news from an accountant's point of view and maybe possibly from an insurer's point of view, but there is an element of shutting the stable door after the horse has bolted," said Charles Cox, director of Bowring Financial & Professional.

"It is not driven by lack of insurance capacity, and if they were to limit I don't think the capacity would return in droves. . . . If they did limit, it would probably not be limited to such a level to have a big impact on claims," said Roger Flaxman, director of London broker Miller Professional Liabilities Ltd.

One underwriter who used to support the Minet line slip said the limits may be fine for accountants if they managed to persuade the government to change the law, but wondered how appealing it would be to insurers if they were only applicable in the United Kingdom. **BI**

Australia

Continued from previous page

ally insurers worldwide. Former directors and officers of Tricontinental and former auditors of the State Bank of Victoria also contributed without admitting liability, Mr. Harkness said.

The settlement, reached after five months of negotiation, "recognizes that a commercial resolution of the claims is now preferable to engaging in protracted and expensive litigation extending for some years into the future," Mr. Harkness said.

Bill Small, chief executive of Price Waterhouse in Sydney and chairman of a National Joint Limitation of Liability Task Force, said the settlement would increase professional liability premiums for auditors, which are already about \$60,000 Australian (\$42,480) per partner for the larger accounting firms.

The task force, which is a joint committee of the Institute of Chartered Accountants and the Australian Society of Certified Practicing Accountants, is lobbying the federal and state governments for legislation to limit liability (*BI*, Jan. 4, 1993; June 29, 1992).

If limits on liability are not imposed in an effort to keep insurance

rates from rising, some accountants will go without professional liability insurance because of the high cost, Mr. Small said.

Stephen Harrison, executive director of the Institute of Chartered Accountants, said the Tricontinental settlement "highlights the difficulties we've been talking about."

"We have been talking about a calamity of unlimited liability, and the Tricontinental decision has brought it closer," he said.

Mr. Harrison said accountants cannot afford high premiums on top of the other business expenses. And those who purchase insurance are "sitting ducks" for lawsuits, he said.

A federal government working group studying the issue of liability caps was scheduled to report its findings last Friday to a meeting of state and federal attorneys general. The working party's original recommendation was to allow accounting firms to incorporate to shield the partners personal assets from liability. It also recommended implementing joint and several liability as an alternative to introducing caps, but has since reconsidered its attitude toward capping.

David Scarlett, an insurance lawyer with the Sydney firm Hunt & Hunt, said the Tricontinental case will be a catalyst for change. "Peo-

ple no longer think payouts of that magnitude are fanciful."

Mr. Scarlett said capping liability could be advantageous for a plaintiff, because it means certainty of payment.

While the accounting groups favor a single, federal law, state governments are proceeding with their own legislation because of the delay in implementing a federal law, Mr. Harrison noted.

A bill that would cap professionals' liability is currently before the West Australian Parliament and a similar bill is being drafted for the New South Wales government. Both bills would set up a professional standards council to determine appropriate liability caps for individual professions.

Allan Brown, professional indemnity underwriter at C.E. Heath Casualty & General Insurance Ltd. in Sydney, said the Tricontinental payout will drive up accountants' and auditors' liability insurance rates. However, rates for other professions would be unlikely to climb as high, he said.

Accountants, particularly those doing audits, are "a special risk," he said. "It will be more difficult and more expensive for auditors to buy insurance, and capacity for auditors will shrink further."

Additionally, insurers will likely impose higher deductibles on auditors, Mr. Brown predicted.

Mr. Brown, who confirmed that C.E. Heath had "a small net line" on the upper layer of Peat Marwick's 1988 policy, said capping would only be a solution if it were implemented as a multiple of the fee.

L. Frank Earl, managing director of Minet Professional Services Ltd. in Sydney, said the Tricontinental payout would not necessarily affect premiums for smaller accounting firms. Mr. Earl, who is an adviser to the accountants' task force, also predicted that a cap would encourage insurers to return to the higher layers of coverage for which capacity had been reduced recently.

Not everyone agrees that the Tricontinental case will cause accountants' premiums to rise faster than they already have been.

Ray Armstrong, general manager-professional and financial services division of broker Marsh & McLennan Ltd. in Sydney, said there will be no immediate effect on accountants' insurance rates. "Professional indemnity rates are increasing for all professions, and accountants are paying a 15% increase this year. But, for solo practitioners, it is still cheaper than for insurance brokers and lawyers." **BI**

P&I clubs

Continued from page 2
risks. P&I coverage renews Feb. 20, traditionally the date when the Baltic Sea can first be crossed after the winter freeze.

P&I clubs this year continued their drive toward retaining more manageable risks and buying reinsurance coverage only for catastrophic risks.

Individual clubs are now retaining \$4 million per risk, up from \$3 million per risk in 1993 and \$2 million in 1992.

The International Group of P&I Clubs, a reinsurance pool, also increased its limits this year to \$26 million from \$25 million a year ago.

The net effect of these changes is that P&I clubs are now prepared to carry the first \$30 million of any one claim before commercial reinsurance, compared with \$28 million last year.

Despite these changes—and a greater emphasis on loss prevention among club members—shipowners' reinsurance costs still increased an estimated 6%, up the same amount as a year earlier.

The International Group was able to purchase \$1.15 billion of reinsurance this year, though, up from \$1.05 billion a year earlier when capacity in the excess of loss reinsurance market was tighter. The clubs' reinsurance has a separate \$500 million limit for pollution liability claims.

Most clubs have raised the annual surcharge they impose on owners shipping oil to the United States because of tough pollution liability laws that took effect in 1990. Shipowners generally accept the surcharge because the greater liability exposure for pollution losses in U.S. waters compared with other countries is well documented.

The P&I clubs' general rates are calculated by the International Group based on each club's aggregate loss record for the past year. Each club then sets rates for its individual members that, when taken together, average the club rate.

According to figures available on 13 of the major P&I clubs compiled by broker Nelson Hurst Group Ltd. the overall general rate increase for 1994, excluding the cost of reinsurance, is 7.1% on average, down from nearly 16% a year earlier.

Two clubs, United Kingdom Mutual Steam Ship Assurance Assn. (Bermuda) Ltd. and Gard (U.K.) Ltd., actually maintained the same level of rates this year, while the British Marine Mutual Club sought to raise rates 15% increase.

The overall general rate increase for a slightly larger group of P&I clubs was 15.8% in 1993, down from a 34% increase in 1992, 30.1% in 1991 and 17.5% in 1990, according to Nelson Hurst.

The biggest single average hike again came from the BMM club which aimed for 60% in 1992 according to the broker's figures.

The average cumulative increase over the five years on a sample of 13 of the clubs is 174%.

P&I club managers say that the main reason shipowners are now benefiting from rate increases as low as zero is that an expected flood of claims over the last two years, which precipitated earlier rate increases, has simply not materialized.

"We have found that the cumulative effect of the increases has just about overloaded the level of premium... because of the accumulation we are able to go for 0%.

We are not saying that claims have stopped increasing, but we did think they would increase faster than they have done and the accumulated increases put us ahead of the game," said Stephen James, chief executive of the U.K. club, which insures roughly 25% of world shipping liabilities.

The U.K. club's flat rate this year follows increases of 15% in 1993, 50% in 1992 and 1991 and 30% in 1990.

Mr. James, along with most other P&I club managers, believes that the chief reason anticipated losses did not develop was the failure of the world economy to emerge from its prolonged recession last year.

Marine underwriters believe the flurry of shipping activity that usually accompanies an economic recovery has a more significant impact on losses than the effects of poor maintenance and invest-

ment by shipowners, which accounts for poor claims experience during a recession.

"When we set the rates and predicted claims we thought the world economy would pick up much more quickly," said Mr. James.

Richard Webb, assistant director of Gard (U.K.), which also had flat rates this year, told a similar tale.

"I am not saying the claims have necessarily improved for 1992. It has been something of a freak year in the sense that we haven't seen any large claims at the Gard or across the industry," he said. However, while 1993 claims were not up to 1991 levels, "there is still a high level by quantum and number," he added.

"There are certainly fewer claims. The clubs have been asking for substantial increases in past years and this has filtered

through to improved rates," said Dudley Taylor, underwriter at the Standard Steamship Owners' Protection & Indemnity Assn.

The Standard club sought to raise rates 7.5% at renewals, compared with 20% in 1993, 25% in 1992, 50% in 1991 and 25% in 1990.

"There has been a noticeable drop in claims. There was a period at the end of the 1980's and early 1990's when claims escalated and premiums had to keep pace. It is clear now when looking back at the 1992 graph that claims have certainly leveled off," said Phil Mitchell, partner with Tyndal Riley & Co., which manages the Britannia Steamship Insurance Assn.

Britannia sought a 5% rate increase this year, compared with 10% in 1993, 25% in 1992, 20% in 1991 and 12.5% in 1990.

"There is more (reinsurance) capacity available because of the

improved record of the P&I clubs over the last two years. Since the Exxon Valdez incident in 1989, the premiums have increased dramatically and the number and level of claims in the last two years has stabilized," said a spokesman for Lloyd's of London syndicate 79, which is managed by Janson Green Ltd. and is the lead underwriter for the International Group's reinsurance program.

A manager for one of the leading clubs, though, warned against complacency among P&I clubs.

"We are not in a competitive mode now because the industry needed to recover and it is recovering because the rates are now much more likely to reflect the liabilities the members incur, which are still steadily increasing. We are not out of the woods yet... To start cutting rates now would be suicidal," he said. **BI**

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Disasters

Continued from page 2

there are times when it is impossible to go it alone. That's why there are partnerships. And that's why there should be a new public/private partnership when it comes to disaster insurance."

He said his bill has four goals:

- To reduce loss of life and property.
- To help victims resume their lives after disasters.
- To make private insurance more affordable and available.

• To make the financial risks bearable for the insurance industry.

To meet the fourth goal, the bill calls for the establishment of a new federal disaster reinsurance pool. Insurers would prefund the pool's reserves using a risk-based formula and would be able to make claims against the facility if the cost of a disaster exceeded 15% of the insurance industry's surplus. Rep. Mineta said the trigger currently would be about \$25 billion—a loss no single disaster has yet caused.

"If a disaster strikes before the reserves are ready to meet the

'The system that we have in place today is a dirty little lie,' says the Natural Disaster Coalition's Jack Weber.

need, the Treasury (Department) would be authorized to borrow to cover the shortfall—and then charge insurers, with interest, to rebuild the fund so there would be no loss to the taxpayers," he said.

Insurers are not the only supporters of a federal disaster reinsurance facility, stressed Jack F. Weber, executive director of the Washington-based Natural Disaster Coalition. He noted that the group he heads, which grew out of the property/casualty insurance industry's Earthquake Project, now enjoys the support of numerous other entities, including public interest groups.

He said that there is currently no organized opposition to the Mineta bill or its companion in the Senate, S. 1350, which is sponsored by Sen. Daniel Inouye, D-Hawaii.

"The system that we have in place today is a dirty little lie," acting as if natural disasters never happen, said Mr. Weber. He said that if an earthquake comparable to the San Francisco Earthquake of 1906 occurred now, it would cause about \$80 billion in insured damage. That would leave insurers "flat on their backs" and force the federal government to act, he said.

Raising the issue of disaster response and pointing to a possible federal role represents "one of the few occasions where the insurance industry has really gotten ahead of the curve," said Mr. Weber. **BI**

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Dingell still pushing for federal regulation

WASHINGTON—Federal insurer solvency regulation is not a dead issue, according to its chief congressional backer.

"Sometimes legislation of this type takes a while," Rep. John D. Dingell, D-Mich., told the Council of Insurance Agents & Brokers' annual legislative conference earlier this month.

Rep. Dingell, chairman of the House Energy and Commerce Committee, introduced H.R. 1290 last year.

The bill would require all insurance companies that operate across state lines to meet federal solvency standards, though they could choose to be regulated by either federal or state insurance overseers.

The measure is bitterly opposed by many insurance companies that wish to maintain the current primacy of state regulation guaranteed by the 1945 McCarran-Ferguson Act.

Other insurance companies, pri-

'States cannot and do not' maintain adequate solvency standards, says Rep. John D. Dingell.

marily large, interstate commercial insurers, endorse the Dingell bill's principles if not its particulars.

Producers are similarly divided, with the Council endorsing the Dingell bill, while some other agent groups oppose it.

"States cannot and do not" maintain adequate solvency standards, Rep. Dingell charged. He said that a single national standard such as that called for in his bill would allow insurers to operate on an interstate basis while protecting the interests of their policyholders.

While some supporters of the bill's concepts have urged Rep. Dingell to scale the bill back to subject only foreign insurers and reinsurers to federal regulation, he said any solvency bill will have to accomplish two goals.

One is to ensure sound solvency regulation for all interstate insurance companies. The other is to make sure that foreign insurers and reinsurers aren't granted the advantage of dealing with a single regulator while their U.S. counterparts must continue to deal with multiple state insurance departments.

Rep. Dingell said he will also try to move H.R. 1188, a bill designed to gather information about alleged insurer redlining in inner-city areas, to the House floor. The Anti-Redlining in Insurance Disclosure Act, which is sponsored by Rep. Cardiss Collins, D-Ill., an ally of Rep. Dingell, enjoys the support of most insurer and agent groups.

The insurance industry is concerned that a competing bill, H.R. 1257, would saddle them with unjustified costs, a concern that Rep. Dingell has made clear he shares as well (BI, Sept. 27, 1993; July 19, 1993).

—By Mark A. Hofmann

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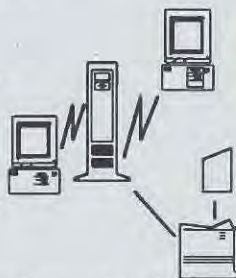
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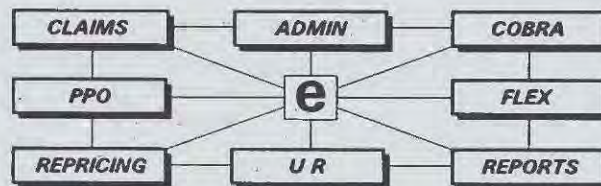
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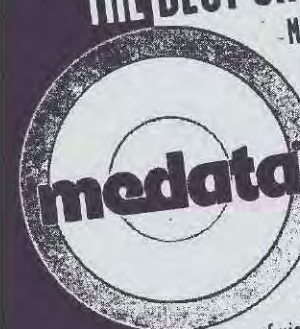
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Bank exec details merger risks

By SARA MARLEY

PHOENIX—While mergers and acquisitions in the banking industry are becoming commonplace, each deal brings unique exposures to the table, a risk managers says.

The consolidation trend within the banking industry most recently featured the \$1.9 billion acquisition of Chicago-based Continental Bank Corp. by San Francisco-based BankAmerica Corp. That agreement late last month was the sixth-largest U.S. bank deal ever, joining nine others valued at more than \$1 billion that have been completed since 1989.

Reggie Dickens, senior vp and risk manager of NationsBank Corp. in Charlotte, N.C., has seen two of the largest consolidations in U.S. banking history firsthand.

Mr. Dickens shared his experiences at last month's 12th Annual National Security and Risk Management Conference sponsored by the American Bankers Assn.

He previously was in charge of mergers and acquisition financial analysis, to which the risk management department reported, at Sovran Financial Corp.

In 1990, Norfolk, Va.-based Sovran merged with Atlanta-based Citizens & Southern Corp. and a year later C&S/Sovran merged with NCNB Corp. to form

NationsBank.

The two mergers were radically different.

The C&S/Sovran deal was to be a "merger of equals," Mr. Dickens recalled. The banks had little overlapping business and planned to maintain dual headquarters after the consolidation, which took place over the course of a year.

"It led to a lot of turf battles," Mr. Dickens said of the effort to maintain the structure of both organizations.

"There is no such thing as a merger of equals. Somebody has to take charge, set the philosophy and the tone," Mr. Dickens commented.

That is closer to what happened when NationsBank was formed in 1991, he said.

"NationsBank was one organization going forward from the start," Mr. Dickens said. "It was one vision, one future, one company."

That merger, the second-largest bank deal ever with a value of \$4.45 billion, was completed in less than five months.

The two mergers also presented different risk management challenges.

When Sovran and C&S merged, there were major differences in the terms and conditions of their bankers blanket bonds, arguably the most important component of a bank's insurance program, Mr. Dickens said.

The banks finally decided to maintain the highest limit and lowest deductible that either organization held. That way, neither bank had to sacrifice any coverage.

The merged bank also had to select a broker. C&S had used seven; Sovran had used only one.

Mr. Dickens recommends a broker selection process for any "substantial merger" in which one partner is at least 50% larger than the other.

The decision should be made in a limited period of time by no more than two or three people.

When NationsBank was formed, ensuring the bank had adequate directors and officers liability coverage was the most important risk management issue, Mr. Dickens said.

Requests for proposals were sent out to only a few brokers that had worked with the banks on Nov. 10 and proposals were returned by Dec. 10. The D&O coverage was placed by the time the merger was completed on Dec. 31, 1991.

NationsBank also had to decide whether to purchase a runoff policy to cover directors and officers who were not remaining with the merged bank, he said.

Finally, there were wide disparities between workers compensation costs at the two organizations that merged to form NationsBank.

At C&S/Sovran, annual paid losses were \$2.2 million. Despite having about the same number of employees, NCNB's losses exceeded \$5 million.

"There was a major difference in how we did things," Mr. Dickens said. At C&S/Sovran, workers comp was considered a risk management and loss control issue, while at NCNB it was maintained in the human resources department.

To bring workers comp losses under control, the bank established uniform claims handling procedures and a claims history data base.

Five of 13 staff members in NationsBank's risk management department work exclusively on workers compensation. Budgeted losses for 1994 are \$5.8 million, down nearly 20% from the merger.

Reasons for the savings are: reforms in Texas, where the bank is a major employer; outsourcing of many temporary workers who were responsible for a disproportionate number of losses; and claims management and loss control, including a safety training video.

Acquisition activity at NationsBank continues. In 1993, it acquired five banks, including Baltimore-based MNC Financial Inc. in a \$1.36 billion deal, the seventh-largest ever.

"Make sure you are speaking

insurance brokers are facing similar challenges to competing in a global business environment to those of their banking clients, J&H's Mr. Olsen said.

"Both are experiencing breathtaking changes in their business," he said. "We have to prove to the world and our customers and clients that we have new ways to serve them."

Risk management needs will increase with the globalization of the economy, he said.

With the North American Free Trade Agreement and the General Agreement on Tariffs and Trade, "major banks will have an international presence. (The agreements) will dramatically increase cross-border banking," Mr. Olsen said.

"We need to develop new products and services to respond to the new demands of our global customers," he said. ■

ABA tackles risk issues

PHOENIX—More than 700 bank risk and security managers, brokers and underwriters escaped the brutal cold, snow and ice of the Midwest and East Coast last month to attend the American Bankers Assn. 12th Annual National Security and Risk Management Conference in Phoenix.

Sessions ranged from "Managing Merger Mania" and updates on the fidelity bond and directors and officers liability insurance marketplaces to sessions on fighting desktop publishing counterfeiting and electronic mail privacy.

Next year's conference will be held Feb. 5-8 at the Marriott Rivercenter in San Antonio, Texas.

For more information, contact the American Bankers Assn., 1120 Connecticut Ave. N.W., Washington, D.C. 20036; 202-663-5000.

the same language," Mr. Dickens advised bank risk managers in the midst of a merger. While he advocates someone taking charge, others should not stay silent.

"If you are being acquired, you did not turn stupid overnight," Mr. Dickens said. "Be flexible. Don't try to do exactly what you did before. Don't try to maintain the status quo."

NationsBank has not suffered any major losses stemming from a merger or acquisition, he said. The bank assigns a "point person" to each acquisition to track risk management concerns.

Also speaking at the session was an executive with Banc One Corp., which has been rapidly acquiring hundreds of small banks and bank holding companies.

"Our goal for every acquisition is a smooth, low-impact transition," said Jack T. Compton, vp of client services at the Columbus, Ohio-based holding company. Although it costs more and causes more disruption initially, Banc One prefers to convert newly acquired banks to Banc One's operating system as quickly as possible, rather than allowing them to operate independently under the Banc One umbrella.

"Bank conversions is one of the most difficult projects a bank can undertake," Mr. Compton said. "Everyone is affected and everything changes." ■

Competition sparks better customer service

By SARA MARLEY

PHOENIX—Insurance companies and brokers are finally waking up to customers' dissatisfaction with the industry.

"In the not-too-distant past, the industry told customers, 'Here's the product. Take it or leave it,'" said Joseph C. Eanes Jr., president and chief executive officer of Baltimore-based Fidelity & Deposit Co. of Maryland. "There was seldom any negotiation with insureds regarding their needs. The industry should have known better."

"There is a tremendous increase in the set of demands from customers," said Dennis H. Chookaszian, chairman and CEO of CNA Insurance Cos. in Chicago. "The insurance industry has been late coming to the realization that customer expectations" should drive a company's internal organization, he acknowledged.

That was the key message the senior executives delivered to risk managers attending last month's 12th Annual National Security and Risk Management Conference in Phoenix, sponsored by the American Bankers Assn.

Policyholders have a negative attitude toward insurance because it only demonstrates its value during calamity and because it is a necessary expense of doing business, often required by law, Mr. Eanes said.

Insurers got lost in a sea of substandard service, price-gouging and insensitivity to customers' needs, he said. Now, those days are over.

"The insurance industry has begun to hear the wake-up call," Mr. Eanes said. "Our customers are more sophisticated buyers. We're getting into a customer-driven environment, but we're not fully there yet."

Competition is the main reason

for the turnaround.

"We are losing a large percentage of our customer base to alternative forms of insurance like self-insurance and captives," Mr. Eanes said.

"Buyers have left the insurance market, probably never to return," agreed David A. Olsen, chairman and CEO of Johnson & Higgins in New York.

Unlike insurers, though, brokers have the advantage of being able to move to alternative markets with their customers, he said. For example, they can manage clients' captives and help them set up finite risk programs.

Failure to meet customers' expectations will adversely affect the insurance industry's bottom line, Mr. Eanes warned.

"We no longer assume we know what's best (for customers); we ask them," he said. "We have to antici-

pate needs rather than merely react."

Specialization will also improve service.

"We have to stop being all things to all people," Mr. Eanes said.

For example, Fidelity & Deposit has set up strategic business units combining teams of underwriters, loss control and systems staff to handle specific segments of the market. Policyholders gain because the team has expertise, he contends.

To improve customer service, people who make decisions have to be brought closer to customers, Mr. Eanes suggested. "We need to break down barriers between functions and 'flatten' the organization."

CNA has also reorganized, placing claims and underwriting under common management, Mr. Chookaszian said.

S&P eyes California loss exposures

NEW YORK—Several small regional insurers may have particularly high exposures to catastrophe losses in California, according to a new report from Standard & Poor's Corp.'s Insurance Rating Services.

National insurers with diversified books of business, though, are expected to pay the brunt of claims from last month's Los Angeles earthquake.

Concentration in geographic areas or lines of business could leave some smaller companies particularly vulnerable to big losses from natural disasters, said S&P, which examined 66 insurers that each wrote more than \$10 million in direct property premiums in California in 1992.

The rating agency gauged a company's vulnerability based on the ratio of an insurer's non-auto property premiums in California to its policyholder surplus. S&P cautioned that its calculations did not account for either a company's reinsurance or its geographic spread of risk. S&P also said that none of the insurers with the 10 highest ratios had reported solvency-threatening quake losses.

Those 10 are: Residence Mutual Insurance Co., with a ratio of 435%; American Sterling Insurance Co., 183%; California Insurance Group, 86%; Civil Service Employees Insurance Co., 85%; Great Pacific Insurance Co., 65%; Oregon Mutual Group, 62%; Associated International Insurance Co., 60%; Farmers Home Mutual Insurance Co., 56%; Century-National Insurance Co., 49%; and RLI Insurance Group, 45%.

"Clearly, there appears to be a smaller margin for error with regard to catastrophe-related property damage among these insurers, compared

with the 10 insurers with the lowest risk ratios," said Alan Levin, S&P managing director.

The biggest quake losses to date have been reported by California's three largest writers of property coverage.

Farmers Group Inc., the state's third-largest property insurer, last week reported earthquake losses of \$600 million on 27,000 claims before reinsurance. About half of Farmers' claims are commercial losses and half personal lines.

State Farm Group, the state's largest property insurer, also expects to pay about \$600 million in losses, while Allstate Insurance Co., the second-largest writer of property cover, estimates about \$350 million quake losses (BI, Feb. 14). Unlike Farmers, neither State Farm nor Allstate has reinsurance coverage for earthquake losses.

Meanwhile, companies in the area affected by the earthquake will have more time to file annual Department of Labor reports on their pension and welfare plans.

No late filing fees will be assessed for reports due between Jan. 15 and March 30 on employers or plan administrators whose principal place of business is in the quake-affected area, the Labor Department said last week. To qualify for the extension, employers must file by March 30 and print LA EARTHQUAKE RELIEF and the name of the county in which they are located in bold, red print on the first page of the report.

—By Joanne Wojcik and Jerry Geisel

Storm

Continued from page 2

expected to produce \$3.5 billion to \$4 billion in insured catastrophe losses (BI, Feb. 14; Feb. 7). The mid-February storm will only add to that toll.

Much of the damage from the mid-February storms was to power distribution systems in Arkansas, Tennessee and Mississippi.

A week after the ice-storm, power was still out in many areas.

It appears most of the downed lines and other damage suffered by the utilities was self-insured.

"We do have a lot of insureds that have power lines down," said Dawn Kirkland, a vp at Willis Corroon of Georgia, which manages Distributors Insurance Corp., a wholly-owned captive of the 160 electricity distributors in the Tennessee Valley Public Power Assn. "But as far as covered property damages, we're not aware of any as yet."

The 160 TVPPA members purchase power generated by the Tennessee Valley Authority and distribute it over a seven-state area to 3 million metered custom-

ers.

The TVA is self-insured for damage to its power lines, transformers and power poles, said a spokeswoman for the power agency. As of Feb. 17, TVA officials had no damage cost estimates.

Memphis Light, Gas & Water, also self-insured, has reported that its storm recovery costs could range up to \$10 million.

Officials of Jackson, Miss.-based Mississippi Power & Light reported extensive damage to their system in northern Mississippi and Arkansas. Some repairs were expected to take weeks. There are still no estimates of the cost of damages suffered by MP&L, and information on what types of damages might be insured was unavailable.

ConAgra Inc., based in Omaha, Neb., suffered minor damages to its poultry operation in Mississippi. The damages stemmed from power outages at the poultry facilities as well as buildings collapsing under the weight of the ice.

"We've reported a loss to our insurers. We hope we have it under control," said C. Wayne Gano Jr., vp of insurance and loss control at



AP/Wide World Photo

The roof of a United Parcel Service parking facility in Bridgewater, N.J., collapsed Feb. 11 under the weight of heavy snow.

ConAgra. "We think that it might just be contained within our deductible, but we've put our insurers on notice anyway."

Delta Pride Catfish Inc. in Indianola, Miss., may have insured business interruption losses, according to David L. Spencer, vp of sales and marketing for Delta Pride.

"We had some lost business," Mr. Spencer said. "We haven't gotten it totaled up yet. I don't think it was a huge amount."

Delta Pride, a cooperative owned by approximately 150 area catfish farmers, lost power from midday Feb. 10 until the night of Feb. 12. Phone service also was down for a time.

Despite the ice storms, temperatures were never low enough to freeze farmers' catfish ponds, preventing more extensive losses. "We were very fortunate in that respect," Mr. Spencer said.

Farther east, Bradley Wood, director of insurance for Marriott

Corp. in Washington, said several Marriott locations from the Northeast corridor to the mid-Atlantic region suffered minor damages, though little of that was insured.

"Most of those just ended up as minor situations that were underneath insurance deductibles and handled locally," he said. "We didn't have anything major."

The damages were "mostly broken pipes," said Mr. Wood, adding that losses were probably minimized by the "proactive" approach taken by the managers of many Marriott properties eager to avoid losing room nights. They wrapped pipes, turned up the heat and did whatever else was necessary to prevent problems, he said.

In Bridgewater, N.J., part of a facility leased by United Parcel Service of America Inc. collapsed under the weight of heavy snow. The collapse of an employee parking structure caused damage to 39 cars.

"The property loss will be the building owner's to deal with," said Gale Davis, risk manager for UPS in Atlanta. UPS will cover damage to employees' cars under its general liability policy, he added.

For the Record

United HealthCare to buy Florida HMO

MINNEAPOLIS—United HealthCare Corp., one of the nation's largest managed care companies, has signed a definitive agreement to acquire Ramsay-HMO Inc., a Coral Gables, Fla.-based health maintenance organization with 172,000 members.

Minneapolis-based United HealthCare, a diversified managed care organization, has 1.9 million HMO members.

The deal, valued at about \$500 million, calls for United HealthCare to issue approximately 5.9 million shares of common stock in exchange for all outstanding equity ownership and stock options in Ramsay-HMO.

The acquisition is expected to be approved by mid-May, after regulatory and shareholder approval. Ramsay-HMO, which operates primarily staff-model HMOs in the South Florida communities of Miami, Fort Lauderdale and Palm Beach, will become a subsidiary of United HealthCare.

ABA group endorses Superfund proposal

WASHINGTON—The American Bar Assn.'s policymaking body has endorsed a Superfund reform proposal that would abolish retroactive and joint and several liability as a means of paying for environmental cleanup.

The ABA's House of Delegates approved by voice vote the recommendation on Superfund earlier this month during a meeting in Kansas City, said John Easton, an Arlington, Va., attorney and former Vermont attorney general who headed the ABA task force on reform. In addition to reforming the liability provisions of Superfund, the proposal called for financing cleanup through new, though unspecified, broad-based taxes (BI, Jan. 10).

Georgia regulator in flap over campaign

ATLANTA—Published reports suggesting that Georgia Insurance Commissioner Tim Ryles may have violated campaign disclosure laws

last fall are misleading, the commissioner's campaign manager says.

At issue is an October 1993 fund raiser for Mr. Ryles hosted by Phil Hitz, vp of governmental affairs for Fleet Finance Inc.

While the contributions of some of those attending the event were listed in Mr. Ryles' year-end campaign disclosure documents, the cost of the event was not.

The campaign has since been billed for the event and will list the expense in a June campaign disclosure report, said Brent Layton, manager of Mr. Ryles' re-election campaign. "There was a reception, Phil Hitz picked up the reception cost and we have reimbursed him," Mr. Layton said. "It's as simple as that."

"This is one of the few insurance commissioner's offices that is an elected office," Mr. Ryles' campaign manager said. "And we have to raise money."

NCQA to form ratings for U.S. health plans

WASHINGTON—The National Committee for Quality Assurance is developing a report card that consumers can use to compare the performance of 21 different health plans that cover about 9.6 million members.

The report card should be ready by the end of the year, at which time consumers will be able to judge the participating health plans on quality, not just price, according to Janet Corrigan, vp for planning and development at NCQA, a Washington-based firm that accredits managed care plans.

The report card will include a subset of NCQA's HEDIS 2.0 measures, released last November. HEDIS enables health plans to standardize how they specify, calculate and report information on quality, enrollee access and satisfaction, utilization and financial data.

The 21 health plans involved in the project are diverse in model type, size and geographic location. They include managed care plans sponsored by major health insurers, Blue Cross & Blue Shield plans and other large managed care companies like Kaiser Permanente, U.S. Healthcare and Private HealthCare Systems.

HMO, PPO enrollees increasing: AMCRA

WASHINGTON—Enrollment in health maintenance organizations and preferred provider networks continues to grow, according to new figures released by the American Managed Care & Review Assn.

The Washington-based trade group reported a 5.2% increase in HMO enrollment during the first quarter of 1993 to 44.3 million members from 42.1 million at year-end 1992. Nationwide, HMO enrollment represented 16.3% of the population at year-end 1992. Penetration rates for individual states and territories ranged from zero in Alaska to 33% in California and 56.4% in the territory of Guam, according to AMCRA.

PPO enrollment also rose during the first quarter of 1993, up 7.9% to 54.3 million from 50.4 million at the end of December 1992. Overall, PPO enrollment represented 19.5% of the U.S. population.

The number of managed care plans continues to rise as well. As of October 1993, there were 556 HMOs, up from 554 at the end of 1992; PPO numbers grew to 895 from 879 during the same period.

The independent practice association, or IPA, model type continues to dominate the HMO marketplace, comprising 56% of all HMO plans as of October 1993.

Copies of the "1993-94 Managed Health Care Overview" are \$75 for non-AMCRA members; \$50 for AMCRA members. Contact Linda Sutton, AMCRA, 1227 25th St. NW, Washington D.C., 20037.

Information in brief

New York Superintendent of Insurance Salvatore Curiale approved a 5.3% **workers comp rate decrease**, effective April 1. Regulators had approved a 14.4% rate increase that has been in effect since Oct. 1, 1993, but are now reducing rates in light of workers comp reforms adopted late last year (BI, Dec. 20, 1993). . . . The Environmental Protection Agency wants to add 313 substances to its **Toxics Release Inventory**, bringing the number of substances that manufacturers must report releasing to 633. **BI**

Texas may join N.Y. in accreditation loss

By SARA MARLEY and MICHAEL SCHACHNER

The National Assn. of Insurance Commissioners may strip the Texas Insurance Department of its accreditation because the state does not comply with NAIC standards on extraordinary dividends.

At a meeting in Denver next month, the regulators will consider the move, which would make Texas only the second state to lose its accreditation.

Meanwhile, a legislator in New York—which lost its accreditation a year ago—is proposing a bill designed to protect New York insurers from penalties imposed by NAIC-accredited states. His bill would let regulators retaliate against out-of-state insurers.

Under the NAIC standards that may trip up Texas, accredited states must approve insurers' dividend payments to shareholders that exceed the lesser of 10% of surplus or net income. Texas's statute defines extraordinary dividends as those exceeding the greater of 10% of surplus or net income.

Adding to the confusion, Texas's law states "net investment income," rather than simply net income.

Because the Legislature meets in odd-numbered years, Texas cannot change the law until 1995. An effort to make the state's law comply in 1993 failed, an Insurance Department spokesman said.

Insurance Commissioner J. Robert Hunter said he will offer to advise states of any dividend that exceeds the NAIC definition of extraordinary dividend to help maintain accreditation.

Texas requires insurers to report all dividends, not just those it defines as extraordinary.

Mr. Hunter also will object to NAIC's recommendation that accredited states sanction non-accredited states by not accepting their examination reports.

If Texas loses its accreditation, the effect on insurers and consumers will be "negligible," Mr. Hunter said. A Texas statute per-

mits retaliation against any state that sanctions Texas-based insurers.

New York State Sen. Guy Velella is proposing a bill that would similarly permit retaliation in New York.

S.B. 6648, introduced earlier this month to "protect our domestic market from the potential of costly fees and unfair restrictions" imposed by NAIC-accredited states, would give Superintendent of Insurance Salvatore Curiale the authority to impose

'The NAIC... has become a surrogate legislature,' says New York Sen. Guy Velella.

identical sanctions in retribution.

Sen. Velella said the NAIC, which stripped New York of its accreditation last year (BI, March 15, 1993), will soon begin enforcing its accreditation program by placing "serious financial and regulatory burdens" on insurers based in non-accredited states.

"The NAIC, whose members are not elected by anyone in New York, has become a surrogate legislature," said Sen. Velella, who is chairman of the Senate Insurance Committee. "Not only have they demanded that certain legislation be passed, but they have threatened to take punitive action against states that have not done so."

A spokeswoman for Sen. Velella explained that the bill is being introduced as a "preventive measure because the senator is concerned about New York companies suffering from the NAIC's agenda."

New York insurers already operate under a similar retaliatory statute in the event another state imposes additional taxes on New York-based insurers.

The bill will go to the Insurance Committee for debate. **BI**

Rejection

Continued from page 1

mined by our success in implementing the radical proposals in Lloyd's business plan leading to the achievement of good rewards for those investing in the future," he said. "Our commitment is unchanged."

In addition Lloyd's will continue to develop NewCo, which will let members with pre-1986 liabilities exit the market "sympathetically and fairly," according to Mr. Rowland.

Lloyd's also stressed in a statement last week that "its commitment to meeting the valid claims of policyholders remains rock solid."

The strength behind Lloyd's of London, the statement added, now includes capital from corporate members contributing 1.6 billion pounds (\$2.37 billion) to the market's 10.9 billion pounds (\$16.13 billion) in capacity this year.

"This expansion of the capital base will enable Lloyd's to meet the needs of its customers by promoting continuity of cover while providing reasonable rates of return for all Lloyd's members," Lloyd's contends.

The snubbed offer "will have no immediate impact" on the market, according to John Gardner, managing director of Standard & Poor's Corp. in London, which analyzes Lloyd's syndicates. "It just means bad publicity for years and years."

Years of litigation "can't be a good thing because there's now a veil of uncertainty," said Garth Bearman, chief executive of broker Swire Fraser Group.

Nevertheless, buyers remain loyal to Lloyd's, and the new management with new ideas "gives me great hope," Mr. Bearman said.

What Lloyd's needs to do now is make money, said Alan Colls, chairman of the Nicholson Leslie Group, the London-based wholesale and reinsurance arm of Aon Corp.

"Good publicity will return as the profits return," Mr. Colls observed.

"I don't think the (failed offer) will affect the market or trading at all," said Ken Carter, chairman of broker Lloyd Thompson Group P.L.C.

Lloyd's security also will be unaffected, said Mr. Carter.

Policyholders are not questioning Lloyd's of London security now any more than they used to, said Antony Pinsent, deputy chairman of Nicholson Leslie Group and chairman of the Lloyd's Insurance Brokers Committee.

"I'd even suggest that there's additional confidence from policyholders in light of the corporate capital injection," Mr. Pinsent said.

"At this point in time we don't have a concern with Lloyd's security," said Alan Fleming, director general of the Assn. of Insurance & Risk Managers in Industry & Commerce.

Judith Tornese, vp-risk management with Transamerica Corp. in San Francisco, said she will continue to buy insurance from Lloyd's, including directors and officers liability insurance and fidelity coverage.

She said she believes Lloyd's currently is no worse off than other property/casualty insurance companies.

Some policyholders in the United States, though, are questioning Lloyd's ability to pay the

full amount of pre-1986 claims that would be run off via NewCo, according to a syndicate analyst says.

"I've told them that they shouldn't expect 100 cents on the dollar," but should negotiate payments as best they can, the analyst explained. "Lloyd's has overmar-

settle claims now, then that's a commercial decision," said S&P's Mr. Gardner, adding that all insurance companies attempt to make deals to settle claims.

"That doesn't put a question mark over Lloyd's security... I can't see Lloyd's not paying claims, but I can see them negoti-

The snubbed offer 'will have no immediate impact' on the market, says John Gardner, managing director of Standard & Poor's Corp. in London, which analyzes Lloyd's syndicates. 'It just means bad publicity for years and years.'

keted its security in the past, saying it will pay 100% of all valid claims... We've said that if NewCo comes off, it's highly unlikely that all policyholders will be paid 100 cents on the dollar. But that's not a bad thing."

Several observers, though, downplayed the significance of commutations currently under consideration by officials at NewCo.

"If any syndicate feels it can

ating claims. It's done all the time," Mr. Gardner said.

Policyholders shouldn't be concerned about commutations by NewCo, agreed Nicholson Leslie Mr. Colls.

"Commutations can be attractive" and are only done when each side agrees to a sum, Mr. Colls said.

Meg Fletcher and Adrian Ladbury contributed to this report.

Lloyd's names preparing to have their day in court

By ADRIAN LADBURY

Battle lines are being drawn this week for litigation involving 30 members action groups that are suing to recover billions of pounds in losses from more than 80 members and managing agents.

Justice Peter Cresswell, who is overseeing Lloyd's litigation in the High Court following the promotion of Justice Saville to the Court of Appeal, begins a series of closed meetings today with plaintiffs' and defendants' lawyers to try to streamline the large case load.

The judge is concerned that the actions that make it to court first could "strip the pool" of members agents' errors and omissions coverage available to pay claims, said Peter Driscoll, a partner at Elborne Mitchell who represents members agents.

The first issue to be decided in each case is whether the members agent is liable for underwriters' alleged negligence, explained Mr. Driscoll. If the agent is found liable, then the court must decide the amount of damages to be awarded. The entire process could take years.

Justice Cresswell's timetable likely will be affected by whether the House of Lords agrees to hear an appeal of a U.K. Court of Appeal ruling that held members agents contractually liable for the negligence of managing agents (BI, Dec. 20, 1993).

If the House of Lords were to overturn the decision on appeal, more than 1 billion pounds (\$1.48 billion) of E&O coverage held by members agents may not be available to meet any damages.

Events moved fast last week following the failed settlement offer.

The day after the vote, broker JIB Group P.L.C. moved to liquidate its members agent subsidiary Christand & Others Underwriting Agencies Ltd.

Christand has not been active since JIB discovered the extent of potential liabilities facing the agency arising from its names' underwriting losses. JIB acquired the firm—then called Nelson Hurst & Marsh Agencies Ltd.—from Citicorp Insurance Services

in 1990. JIB was only awaiting the outcome of the settlement vote to decide what to do with its ill-fated acquisition.

"The company faced old and active litigation and we were awaiting the outcome of the settlement. There was every chance that if the settlement had succeeded, subject to our names accepting the settlement, we may not have put in the liquidators," said Nick Cosh, finance director of JIB.

JIB has transferred Christand's more than 200 active members to another subsidiary, Jardine (Lloyd's) Underwriting Agents Ltd.

Other members agents expressed confidence about their chances of survival.

"I am not concerned about the solvency of our members agency. I would have preferred it if the offer had been accepted and gone ahead but as it hasn't, we will just have to wait and see and, if need be, our E&O underwriters will respond," said Anthony Smithson, managing director of Murray Lawrence Members Agency Ltd.

Despite the offer's rejection, some members action groups seem prepared to continue negotiations with agent's E&O underwriters, whether the agents are still in business or not.

And the Feltrim Names Assn. plans to continue talks with Lloyd's itself.

"We were confident that our members would hold firm in rejecting the offer... We now look forward to sitting down with Lloyd's to discuss the terms of a just and acceptable settlement of our grievances," said Colin Hook, chairman of the Feltrim Names Assn. "There is always room for maneuver. I said this all along and my position has not changed."

"There is a chance of an out-of-court settlement but it probably won't materialize until we are in court and it will not involve Lloyd's. The next thing is to get into the courts and if it looks like it's going our way I'm sure they'll make an offer," said Sarah Gibb, secretary of the Gooda Walker Action Group, which will be the first case to go to trial, set for April 26. **BI**

Updates

Temp agency charged in fraud

Continued from page 2

leged illegal activities through an audit and notified the Florida Department of Insurance. A yearlong investigation by the department, the U.S. Postal Inspection Service and the Statewide Prosecutor's Office in Orlando uncovered the scheme.

"If contractors want to do business with a temporary agency, I urge them to make sure the agency has proper insurance coverage for its employees," said Insurance Commissioner Tom Gallagher.

Three indicted on kickbacks

CHICAGO—A federal grand jury has indicted a union business agent and two health care claims administrators on four counts, including conspiracy and money laundering, in a scheme involving kickbacks of \$36,890.

William W. Li and Chitoki Tokunaga, officers of Health Administrators Inc., a Chicago-based dental claims administrator, were charged with paying kickbacks to Danny C. Hogan, a business agent for General Service Employees Union Local 73, a unit of the Service Employees International Union.

According to the indictment, issued in December, Messrs. Li and Tokunaga paid Mr. Hogan a kickback every month worth about 10% of the monthly premium payments owed to Health Administrators from Local 73's trust fund. The kickbacks were concealed by drafting checks to a third party and were paid to influence Mr. Hogan's actions and decisions regarding Health Administrators' services to the union's Cook County and federal employee members, the indictment says.

If convicted on all counts, Messrs. Li and Hogan face a maximum penalty of 28 years in prison and a \$500,000 fine. Mr. Tokunaga faces a maximum penalty of five years in prison and a \$250,000 fine if convicted.

Briefly noted

American International Group Inc. recently announced several senior management changes among its international property/casualty units. Brian Duperreault, who was the president of American International Underwriters, has been promoted to chairman and CEO, while Evan Greenberg, former CEO of AIG Cos. in Japan and Korea, has returned to the United States to become AIU's president and chief operating officer. Meanwhile, Ronald J. Anderson has been named president and CEO of AIG Cos. in Japan and Korea... **The Christian Coalition**, a conservative Christian group, is launching a \$1.4 million advertising campaign against the Clinton health care plan, which it calls "a bureaucratic, Byzantine, European-style syndicalist nightmare that has no precursor in the American experience"... **Bermuda-based GTE Reinsurance Co. Ltd.** has paid the rehabilitator of **Mutual Fire, Marine & Inland Insurance Co.** \$19.7 million to settle future obligations under disputed reinsurance treaties. GTE Re last year separately paid \$25.2 million to settle past obligations under the treaties (BI, Nov. 29, 1993)... **ACE Ltd.** is offering **satellite insurance** with limits of up to \$25 million per launch. The policy will cover physical damage to satellites during ground transportation, launch into orbit and initial operations. ACE may also write separate annual coverage for a satellite's continued operation. The insurer will retain the full \$25 million per risk without reinsurance... **Kaiser Permanente of Northern California** is rolling back a 1994 rate increase to 2% from 6% and issuing rebates to most customers. Kaiser executives said the rebates are for competitive reasons, noting that plan membership has not grown in the past two years. The HMO said reduced operational costs allow it to slash the planned increase... A Polk County, Fla., jury last week ruled in favor of E.I. du Pont de Nemours & Co. Inc. in an \$8 million product liability lawsuit brought by two blueberry growers who claimed the company's **Benlate DF fungicide** damaged their crops. DuPont still faces hundreds of lawsuits related to alleged Benlate damage (BI, June 21, 1993)... Deputy Insurance Commissioner Jack Ehnes has been appointed **Colorado insurance commissioner**, replacing Joanne Hill, who resigned from the post in December 1993 after four years. Mr. Ehnes, 42, served as deputy commissioner for two years after leaving his 10-year position as director of the finance and benefits division of the state personnel department... Assemblyman Burt Margolin and Sen. Art Torres, both from Los Angeles, are vying for the Democratic nomination for **California insurance commissioner**. Current commissioner John Garamendi is running for governor... **Woodland Hills, Calif.-based Health Net Inc.** and **Qual-Med Inc. of Pueblo, Colo.**, have officially merged and now operate under the name **Health Systems International Inc.** with about 1.4 million members... As part of its ongoing property and casualty restructuring plan, **The Home Insurance Co.** will transfer accounts generating between \$100,000 and \$1 million in annual premiums to 16 field offices from 27 offices. The Home is seeking to reduce expenses by \$100 million annually by 1996... **Lance Tane**, a partner at Fort Lee, N.J.-based benefit consultant Kwasha Lipton and one of the early leading designers of flexible benefit plans, left the firm this month to pursue other interests... **Michael Barrett** has left Alexander & Alexander for **Minet Group P.L.C.**, where he will become chief operating officer of London-based Minet International Retail. Mr. Barrett was chief executive of A&A's mainland European and Middle Eastern Operations and a member of its Global Retail Board... **Chubb Corp.** estimates that its net combined losses from the Los Angeles earthquake and the January storms in the East and Midwest will total \$125 million... **The Group Health Assn. of America** is proposing new federal financial standards for health maintenance organizations that would require initial net worth of \$1.5 million... A Minnesota law mandating that a \$402 million surplus in the state **workers compensation reinsurance fund** be paid to employers is unconstitutional, a judge has ruled.

Settlement

Continued from page 1

Corning, a joint venture of Dow Chemical Co. and Corning Inc. in Midland, Mich.

But insurers have not paid all claims from the implants, which were voluntarily taken off the market in 1992 following a Food and Drug Administration moratorium, and all three manufacturers are now suing for coverage.

It is too early to tell which insurers will have the largest exposure since the courts must first determine the appropriate coverage trigger and which policies are most likely to respond.

Many of the same insurers are named in all three suits. Among them are Hartford Accident & Indemnity Co.; First State Insurance Co.; Allianz Insurance Co.; Northbrook Insurance Co.; American Re-Insurance Co.; California Union Insurance Co.; Employers Insurance of Wausau; Federal Insurance Co. Inc.; a Chubb Corp. unit; Home Insurance Co.; units of American International Group Inc.; CIGNA Corp. units; Prudential Reinsurance Co.; Lloyd's of London underwriters and other, unspecified London market entities.

Bristol-Myers has coverage suits pending in Texas and New York, while Dow Corning is suing in Michigan after an earlier suit filed in California was dismissed (*BI*, Oct. 4, 1993; July 12, 1993). Meanwhile, Deerfield, Ill.-based Baxter filed a bad faith suit against its insurers in Los Angeles Superior Court two weeks ago.

The tentative agreement was originally put on the negotiating table last September after the lawsuits were consolidated in federal court in Birmingham, Ala., under U.S. District Judge Sam J. Pointer (*BI*, Sept. 13, 1993).

At that time, the judge approved a \$25.8 million global settlement of claims against another implant maker, Mentor Corp.

Mentor is the only company still producing the products, but only for use in controlled clinical studies (*BI*, Aug. 23, 1993). The Santa Barbara, Calif., firm is seeking coverage from 11 liability insurers in a 1992 suit filed in state court in Alameda County, Calif.

While the plaintiffs' attorneys involved in the settlement talks have reported that Mentor's settlement will be rolled into the larger \$4.75 billion global settlement fund, Mentor attorney William Griffin of Brobeck, Phleger & Harrison in San Francisco says that is unlikely.

"Mentor is settled out," he said. Mentor's settlement, he pointed out, lets women opt out only up front. But the global proposal would let them opt out later as well.

Women who initially choose to participate but whose settlements are reduced from what they would have expected to receive based on initial estimates will have two later opportunities to opt out, Mr. Jenkins acknowledged.

"If the amount is ratcheted down from what they would have expected to receive," because more people than expected participate, claimants can opt out.

Also, if a woman's condition worsens over time or she doesn't make a claim until several years from now, she can opt out if her recovery is limited by previous payouts from the fund.

However, in this second opt-out period, women first must submit to mediation and, if that fails, they cannot seek punitive damages at trial, Mr. Jenkins said.

Plaintiffs' attorney Elizabeth Cabraser, who helped negotiate the tentative settlement, said she would like to include Mentor's money in the fund since it is designed to resolve all implant claims at one time.

Dow Corning's Mr. Jenkins said he also would like Mentor to participate because the settlement could ultimately increase recoveries for Mentor claimants.

"Mentor's is a limited fund" mandated by the court because the claims pending against the company threatened its solvency, he said. "A lot of their implant recipients would get a better chance of recovering if they participate."

Meanwhile, the negotiating committee—made up of five plaintiffs' lawyers and an outside counsel for each of the three major implant makers—claims to be attempting to negotiate with Minnesota Mining & Manufacturing Corp. of St. Paul and General Electric Corp. of Stamford, Conn.

Both companies, though, say they are not involved in any discussions.

While neither company manufactured the implants, 3M acquired breast implant liabilities through its ownership of McGhan Medical Corp. from 1977 to 1984, and GE sold raw silicone to implant makers from 1972 to 1976.

Neither GE nor 3M are suing their liability insurers for coverage.

All three of the major defendants in the litigation say they are confident they will obtain coverage to offset the cost of the settlement, even though they are sparring with insurers in various courtrooms around the country.

"Although the company is currently engaged in coverage litigation with certain of its insurers, the company believes that it will recover at least \$1 billion of insurance and that ultimately it will obtain substantial additional amounts of insurance," Bristol-Meyer said a statement.

In anticipation of its contribution to the settlement, Dow Corning recorded a pretax charge of \$640 million (\$415 million aftertax) for the fourth quarter of 1993 as its best estimate of its potential liability "net of expected insurance recovery," the company reported.

And Baxter anticipates that insurers will pay \$426 million of its \$556 million contribution.

Baxter never made or marketed breast implants. Its liability stems from implants made from 1974 to 1984 by Heyer Schulte, a former division of American Hospital Supply Corp. American sold the product line to Mentor in March 1984 but retained liability for products manufactured before the divestiture. Baxter acquired American Hospital Supply in 1986.

All the relevant liability insurers have been kept informed of the talks, though so far none has offered to kick into the pot, sources close to the negotiations say.

But some insurers have established reserves for implant claims, said Alan Levin, managing director of Standard & Poor's Corp. in New York. He declined to identify those insurers.

Excess liability insurers ACE Ltd. and X.L. Insurance Co. Ltd. both confirm that they have established reserves for implant claims.

X.L. has been "working closely" with the companies in the global settlement talks, said Gavin Arton, vp and investor relations officer. "We have said publicly that we have established sizable reserves," he said. "We expect to be substantially reserved for all known losses by year end."

Industry analysts say that the most-exposed insurers may not have reserved properly. "I believe there is still considerable exposure that's not yet been made public," said David Seifer, vp at Donaldson, Lufkin & Jenrette in New York. "I just don't believe they are anywhere near properly reserved."

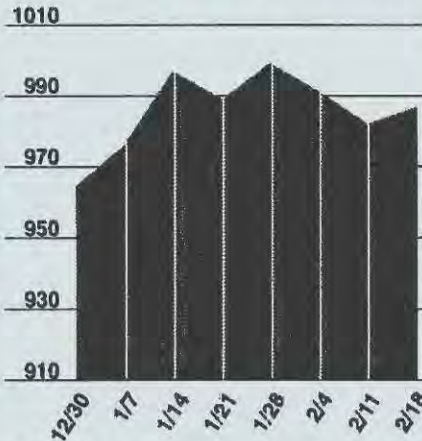
Resolving the coverage disputes quickly would certainly be in everyone's best interest, Dow Corning's Mr. Jenkins observed. "These legal costs are only adding to the ultimate cost of a settlement."

Part of the reason insurers have been reluctant to pay is the uncertainty of implant liabilities, he said. "But I think the progress we've made is encouraging."

Indeed, if the case can be wrapped up soon, it will be the quickest resolution of a large toxic tort bodily injury case ever, according to Mark Rosenberg, a partner with Sullivan & Cromwell in New York and chairman of an American Bar Assn. panel on toxic torts.

The parties hope to submit a settlement agreement for court approval in March. **BI**

BI Insurance Index



Base = 100 on Dec. 29, 1978
Source: Nordby International Inc.

Insurance stocks rose last week, as the *Business Insurance Index* gained 4.4 points to 986.8 Feb. 18 from 982.4 on Feb. 11. Advancing issues for the week were led by PacificCare Health Systems, up 12.1%; Wellpoint Health Networks, up 10.2%; and National Re Corp., up 7.3%. Declining issues for the week followed: Reliance Group Holdings, down 14.6%; US Facilities Corp., down 9.5%; and Navigators Group, down 8.5%. The most active issue was U.S. Healthcare, 7.2 million shares traded. The *BI* index rose 0.4%; the Dow Jones 30 Industrials lost 0.2%; the NYSE Composite fell 0.5%; and the Standard & Poor's 500 fell 0.6%.

British Issues

Feb. 17 Companies	Price pence	P/E	Div. pence	Yield %	1 week High-Low
Comm Union	648	21.6	30.6	4.7	648-640
Geni Accident	693	4.2	34.4	5.0	693-660
Gdn Royal Exch	240	4.5	8.4	3.9	242-233
Royal	319	2.7	8.8	2.7	321-314
Sun Alliance	386	24.3	18.1	4.7	394-385

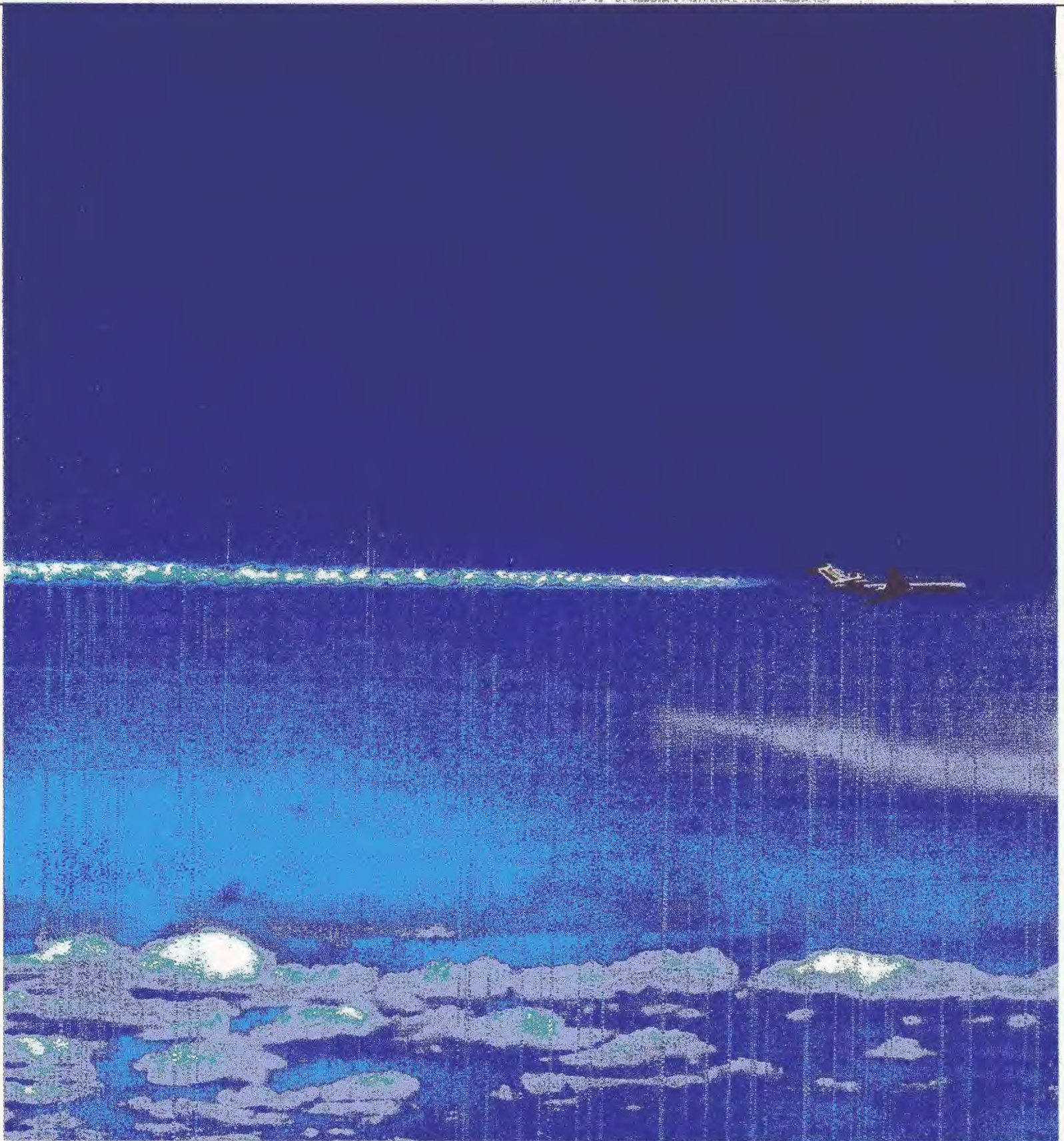
Brokers	Price pence	P/E	Div. pence	Yield %	1 week High-Low
Bradstock	152	17.1	6.9	4.5	153-152
CE Health	423	16.3	20.5	4.8	433-423
Hogg Group	144	24.0	7.1	4.8	144-135
JIB Group	184	15.0	9.5	5.2	185-184
Lloyd Thmpson	291	13.3	8.4	2.9	292-291
Lowndes Lmbt	458	14.3	18.8	4.1	462-45E
PWS Holdings	80	1.7	5.0	6.2	80-77
Sedgwick Grp	182	20.2	7.5	4.1	185-182
Steel Bri Jones	116	N/A	11.3	9.7	116-116
Willis Coroon	213	23.2	8.3	3.9	219-209

Source: Philip Olsen, London * 1993 figure; others estimated

BI Industry Stock Report

FEB. 14, 1994 THROUGH FEB. 18, 1994

BROKERS	Price	Weekly % change	Year to date % change	Annual		Vol. (000)	\$ Div.	% Yield	P/E	Book value	Mkt./Bk. value	Price	Weekly % change	Year to date % change	Annual		Vol. (000)	\$ Div.	% Yield	P/E	Book value	Mkt./Bk. value	
				High	Low										High	Low							
ACE Ltd.	NYS	28.25	0.00	-7.38	36.00	25.50	639	0.40	1.42	5	28.74	0.98	27.75	4.23	-7.50	32.75	21.16	191	0.28	10.1	18	5.71	4.81
Acceptance Insurance Cos.	NYS	12.75	-2.86	9.68	15.63	9.75	19	0.00	0.00	14	9.65	1.32	30.25	1.68	3.86	43.75	27.50	270	0.16	6.53	13	19.24	1.57
AEGON N.V.	NYS	54.75	5.29	0.00	58.50	43.25	61	1.22	2.23	11	34.71	1.58	29.25	7.34	-4.49	39.63	27.13	114	0.16	6.55	9	16.89	1.72
Aetna Life & Casualty	NYS	63.63	1.39	5.60	66.25	43.38	2111	2.76	4.34	-12	71.84	0.89	21.50	-8.51	-38.57	39.00	20.50	16	0.00	0.03	12	16.93	1.21
Allied Group Inc.	OTC	25.00	-0.99	0.00	32.75	21.34	511	0.52	2.08	7	10.45	2.39	7.88	-0.79	3.28	8.44	6.25	19	0.00	0.03	3	6.84	1.12
Allmerica Prop. & Casualty	NYS	19.25	-1.28	-10.64	22.16	17.50	126	0.16	0.83	5	56.97	0.34	28.13	-6.64	-13.46	38.75	26.50	787	0.80	2.84	11	23.97	1.12
Allstate Corp.	NYS	26.25	-1.41	-11.76	34.25	26.25	2659	0.72	2.74	9	18.43	1.42	63.75	0.39	-0.39	72.00	57.63	84	2.84	4.43	13	47.63	1.32
American General	NYS	26.50	-0.47	-7.02	36.50	25.50	3601	1.16	4.38	23	22.09	1.20	23.88	5.52	6.11	27.63	21.50	701	0.44	1.84	8	23.57	1.01
American Heritage Life Ins.	NYS	18.88	1.34	1.32	28.34	17.25	33	0.60	3.18	12	12.42	1.52	32.38	-1.89	4.86	37.50	28.63	70	0.72	2.22	9	25.56	1.27
American Indemnity/Fin	OTC	13.50	-3.57	3.85	16.25	7.75	13	0.12	0.89	5	16.18	0.83	24.88	5.85	-9.55	38.25	22.00	755	0.28	1.13	8	19.99	1.24
American International	NYS	88.50	-0.42	0.43	100.25	73.41	2241	0.40	0.45	15	45.25	1.96	30.63	-1.21	-3.16	31.88	25.63	235	1.04	3.40	-11	26.38	1.14
American Re Corp.	NYS	28.50	-4.80	0.88	40.25	25.75	68	0.00	0.00	13	14.80	1.93	14.25	1.79	4.59	16.00	13.25	27	0.28	1.36	12	16.38	0.86
Aon Corp.	NYS	49.50	4.21	2.59	58.50	48.00	382	1.80	-3.64	12	33.10	1.50	5.88	-14.55	-24.19	10.38	5.75	5196	0.32	5.45	6	4.22	1.39
Argonaut Group	OTC	30.63	1.24	0.41	35.50	25.75	189	1.00	3.27	9	27.65	1.11	24.63	0.00	-7.94	26.63	23.25	29	0.56	2.27	10	32.37	1.07
AVEMCO Corp.	NYS	15.75	-0.79	-16.00	25.50	15.50	232	0.44	2.79	12	8.13	1.94	83.38	2.62	-7.10	98.00	75.00	684	3.00	3.52	8	57.32	1.44
Baldwin & Lyons Inc.	OTC	15.75	0.00	5.88	16.25	11.16	1	0.20	1.27	10	12.59	1.25	57.88	2.43	5.95	66.75	51.88	444	1.80	3.11	11	41.56	1.39
Berkley W.R. Corp.	OTC	36.25	2.11	10.69	48.50	32.00	559	0.40	1.10	13	28.12	1.29	11.63	-4.12	-7.92	20.75	11.50	33	0.32	2.7E	8	6.0E	0.72
Berkshire Hathaway Inc.	NYS	15375.00	-3.91	-5.82	17800.00	11800.00	1	0.00	0.00	40	8115.28	1.89	1.44	4.58	-17.83	2.00	0.31	156	0.00	0.00	-1	1.9C	0.76
Chubb Corp.	NYS	76.25	0.49	-3.02	96.38	75.13	2279	1.72	2.26	20	46.59	1.64	1.44	4.58	-17.83	2.00	0.31	156	0.00	0.00	-1	1.9C	0.76
CIGNA Corp.	NYS	66.50	-0.19	5.14	70.50	56.50	817	3.04	4.57	20	78.23	0.85	1.44	4.58	-17.83	2.00	0.31	156	0.00	0.00	-1	1.9C	0.76
CNA Financial Corp.	NYS	77.50	-0.32	-1.59	100.63	74.25	99	0.00	0.00	-6	77.92	0.99	1.44	4.58	-17.83	2.00	0.31	156	0.00	0.00	-1	1.9C	0.76
Continental Corp.	NYS	26.63	-0.47	-3.62	34.63	24.38	678	1.00	3.76	9	38.99	0.68	11.63	-4.12	-7.92	20.75	11.50	33	0.32	2.7E	8	6.0E	0.72
EXEL Ltd.	NYS	43.63	2.05	-3.06	52.63	41.88	1279	1.20	2.75	6	33.81	1.29	38.50	5.48	6.94	41.00	34.75	0	1.08	2.11	21	23.96	1.33
Fremont General Corp.	NYS	23.63	1.07	-2.07	28.75	21.00	73	0.72	3.05	8	23.40	1.01	41.50	0.61	-2.35	46.75	39.00	328	1.40	3.27	19	33.90	1.07
Frontier Insurance Group	NYS	44.13	4.13	0.57	50.00	36.72	85	0.60	1.36	14	16.33	2.70	53.25	2.90	1.43	60.13	47.75	389	0.80	1.53	13	21.55	1.93
Gainsco Inc.	ASE	9.88	5.33	9.72	17.47	8.25	290	0.04	0.41	13	3.49	2.83	14.50	-3.33	-4.13	19.63	12.38	1120	0.20	1.33	16	10.63	1.37
General RE Corp.	NYS	108.00	0.70	1.65	133.38	102.50	1289	1.92	1.78	13	55.54	1.94	16.75	0.00	1.52	19.00	15.50	81	0.24	1.43	-6	26.22	0.66
Guaranty National Corp.	NYS	15.00	0.84	-14.29	24.75	13.75	200	0.48	3.20	10	11.81	1.27	38.88	-2.20	0.32	45.75	35.75	392	1.24	3.12	11	4.73	0.93
Harleysville Group	OTC	25.25	-3.81	-11.40	31.50	22.83	44	0.64	2.53	13	18.35	1.38	24.38										



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