FEBRUARY 3, 1997

Business Insurance®

Reporting Weekly on Corporate Risk, Employee Benefit and Managed Health Care News / $4

Updates

Archbishop wants exemption from partner benefits mandate

SAN FRANCISCO—Controversy continues to surround San Francisco's domestic partner benefits law.

The Roman Catholic archbishop of San Francisco has sent a letter to Mayor Willie Brown, requesting an exemption from the law for Catholic Charities, a non-profit corporation the Church owns.

In November, San Francisco voted to require businesses contracting with the city to give registered domestic partners benefits equal to those offered to employees' spouses. The ordinance takes effect in June (*BI*, Nov. 11, 1996).

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Costs not covered by work comp ail employers

By MEG FLETCHER

CHICAGO—Medical care providers in Illinois who bill injured workers for costs not covered by workers compensation insurance are causing headaches for employers.

Illinois workers injured on the job can be held liable for some medical treatment fees that nearly every other state considers the employer's sole responsibility.

That is because Illinois is one of very few states that do not ban "balance billing," which allows medical care providers to bill injured workers for payments in excess of the fee reimbursed by the workers comp insurer or self-insurer. A few providers even will sue to collect the balances, driving workers to their own lawyers for help and protection from creditors.

Such action often creates a great deal of tension between injured workers and their employers, who they thought would be covering all medical expenses from worker-selected doctors.

Delaware recently joined the majority of states that long have banned the practice, while Utah allows it to promote managed care in workers comp. Illinois is the only state in which balance billing causes significant problems, one expert says. However, interstate billing problems are emerging in the Pacific Northwest.

"It's at cross-purposes with the tenets of the workers compensation system," said Frederick P. McGarvey, regional vp in Skokie, Ill., with the American Insurance Assn.

Balance billing also thwarts insurers' and employers' efforts to control health care costs, which Illinois does not regulate.

"It undermines an insurer's ability to use managed care utilization review tools that are now available and have been effective" in controlling general health care costs, Mr. McGarvey said.

"In most states, the worker would not pay any portion of his workers compensation medical costs, and the employer would pay only what is reasonable and customary, as determined by the state workers compensation agency," said Douglas F. Stevenson, executive director of the National Council of Self-Insurers in Chicago.

No statistics are available on how many workers are balance-billed or for what amounts, though relatively few providers engage in the practice, and defense attorneys say they work hard to halt collections. Unions, employers and insurers, however, have been lobbying lawmakers jointly for years to ban it (see story, page 37).

The main problem is an individual worker's credit rating can be damaged, at least temporarily, for which they employers and the system are blamed.

"Balance billing can result in additional litigation and add cost by undermining common medical cost containment strategies," researchers from the Workers Compensation Research Institute in Cambridge, Mass., concluded last year in studying the Illinois system (*BI*, Dec. 2, 1996).

However, the Illinois State Medical Society defends

See **Billing** *on page 37*

Public entities hope for group savings

By JUDY GREENWALD

Some public entities will see significant savings and broader liability coverage as a result of the creation of an excess liability insurance purchasing group by a group of government risk pools.

The five pools are participants in the National Public Entity Excess Program, or NAPEX, a multiyear facility offering members up to $21 million in limits, including an optional $10 million excess of $10 million layer, as of Jan. 1. The program is now seeking additional members from other governmental pools as well as single entities.

The NAPEX participants are not the only government entities currently exploring new risk financing options. An informal group of state county associations and risk pools are investigating forming a captive to provide excess liability insurance, while the National Assn. of Counties Financial Services Center announced a partnership with Sedgwick Inc. to develop new risk services for counties (see story, page 34).

Originally, NAPEX participants, who represent more than 450 public agencies, had set out to

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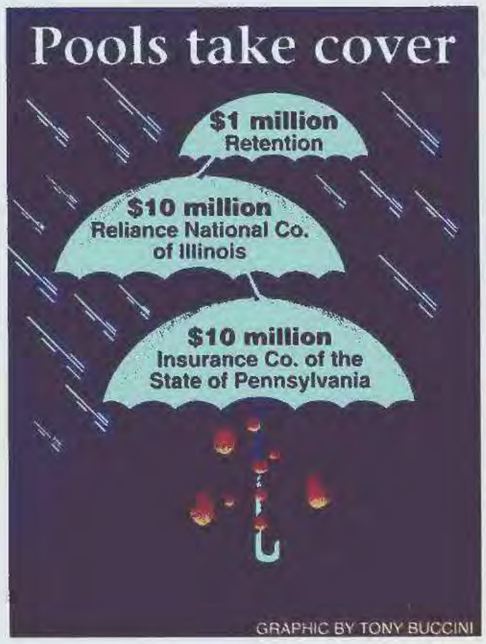

Reference risk adds new angle

Employers can be held liable if third-party harmed: Court

By SALLY ROBERTS

SAN FRANCISCO—Employers that have struggled with the liability exposures from giving employee references now may have the added burden of making sure references do not indirectly harm third parties.

The California Supreme Court ruled last week that a school district could be held liable for providing "misleading" information in a positive recommendation for a former educator who had faced allegations of sexual misconduct. The educator molested a student at his new school.

Attorneys on both sides of the case say it is the first time courts have ruled that employers may be found liable for references provided for a past employee when a third party is the victim of the representation.

The case, *Randi W. vs. Muroc Joint Unified School District*, involves sexual molestation charges brought in 1992 by Randi W., a student at Livingston Middle School in Livingston, Calif., against the school's vice principal, Robert Gadams. Mr. Gadams has since pleaded guilty to a misdemeanor charge of unlawful touching.

The suit alleges Muroc Joint Unified School District and two other school districts did not use reasonable care in recommending Mr. Gadams for employment to a local placement office because they failed to mention prior sexual misconduct complaints against Mr. Gadams.

According to court papers, Muroc Joint Unified School District allegedly had knowledge of disciplinary actions taken against Mr. Gadams regarding sexual

See **Third party** *on page 36*

Riscorp's troubles grow after IPO

By DOUG McLEOD

SARASOTA, Fla.—The term "growing pains" doesn't begin to describe what Riscorp Inc., one of Florida's largest workers compensation insurers, is going through only a year after its initial public offering.

The $128 million IPO was followed last April by a civil racketeering suit against the company by disgruntled former policyholders of one of its insurance units.

As Riscorp's stock price slid from a high of $24.50, Florida insurance regulators in October announced a workers comp rate reduction. Riscorp reported lower-than-expected third-quarter earnings and the company disclosed that a federal grand jury had subpoenaed it in an investigation of political contributions.

The company's stock plummeted to about $4 a share.

The inevitable followed: In the past two months, Riscorp has been peppered with nine shareholder lawsuits charging that the company and its officers falsified Riscorp's financial statements and concealed other information, including large political contributions that triggered the grand jury subpoenas.

The shareholder suits are expected to be consolidated in federal court in Tampa, Fla.

Riscorp has not yet answered the complaints, and a company spokesman declined to comment on the allegations or on details of the grand jury probe.

Riscorp has filed a motion to dismiss the racketeering complaint.

Meanwhile, a company-formed committee is evaluating "strategic alternatives" for its future operations. These could include sale or merger of Riscorp, a joint venture or continued independent operation, the spokesman said.

"They are taking a very serious look at the company, where it needs to go in the future and what it needs

See **Riscorp** *on page 38*

Spotlight on Benefits: Health Care Innovations

Updates

Benefit exemption plea denied

Continued from previous page

The letter from Archbishop William Levada says the new law forces the Catholic organization to recognize relationships contrary to the denomination's beliefs.

Mayor Brown rejected the archbishop's request, saying the organization must comply with the law. The mayor reasoned that Catholic Charities contracts with the city not as a religious organization but as a nonprofit organization.

Even employers wanting to comply are having difficulty. Small businesses cannot buy benefits for domestic partners, said Stephen Cornell, president of the San Francisco Small Business Advisory Commission. Only Kaiser Permanente provides the benefits to companies with fewer than 50 employees, and that comes with restrictions, he said. One way around the new law is for small businesses to stop offering spousal benefits, eliminating the need to provide partner benefits. But "that is sort of throwing out the baby with the bath water," he said.

Last month, another employer balked at the new law. United Airlines, which decided not to provide domestic partner benefits to its San Francisco employees, has received a one-week adjournment of the Board of Supervisors' hearing to discuss the airline's decision (*BI*, Jan. 20). The hearing is scheduled for today.

M&M buys CECAR

PARIS—Marsh & McLennan Cos. Inc. will own the largest broker in France after buying French broker Compagnie Europeenne de Courtage d'Assurances et de Reassurances last week for $200 million.

CECAR will be merged with its rival, M&M subsidiary Faugere & Jutheau S.A., at the end of the year, but it is not certain yet who will head the new combined operation, said Philippe Carle, co-president of CECAR. However, there should be no layoffs, because the two brokerages complement each other, he said.

CECAR has 900 employees in 13 countries, with estimated 1996 revenues of 750 million French francs ($144.5 million), while Faugere & Jutheau has about 500 employees.

Together, the combined operations would have had between 1 billion francs ($192.7 million) and 1.3 billion francs ($250.5 million) in revenues for 1996, making it the largest broker in France, Mr. Carle said.

At least 95% of CECAR revenues derive from retail brokerage. But, even if M&M purchases Minet Group from St. Paul Cos. Inc., it is unlikely that combined retail brokerage revenues, including CECAR, would exceed those of Aon Group Inc. (*BI*, Jan. 27).

CECAR was not for sale until Aon bought Bain Hogg P.L.C. last October, Mr. Carle said. Bain Hogg's owner, Inchcape P.L.C., owned 41% of CECAR, but there was an option for CECAR shareholders to buy back that stake if Bain Hogg was sold.

However, CECAR decided it did not want to become a partner with Aon. "We explored the idea," said Mr. Carle, who says he has a high regard for Aon Chairman and Chief Executive Officer Patrick Ryan. But Marsh & McLennan is much more stable in London and in continental Europe than Aon, which still must absorb its recent acquisitions, Mr. Carle said. CECAR also discussed the two options with its 10 biggest industrial clients, some of which also are shareholders, and the clients already conducted business with Marsh & McLennan in the United States. "When we asked the industrial groups to choose, they chose Marsh & McLennan," he said.

M&M moved to buy a 41% stake in CECAR early in January and closed that deal as well as its move to buy the rest of the company's shares last week. The $200 million sale price covers the entire purchase.

Group broadens patient rights

WASHINGTON—Managed care organizations should make it easier and faster for patients to appeal a denial of treatment and also should cover emergency room care for alarming symptoms that turn out to be not serious, the nation's leading health plan advocacy group says.

In voluntary guidelines for its members, which include virtually all major managed care companies, the American Assn. of Health Plans said last week that patients have the right to know why a treatment was denied and how they can file an appeal, and that a quick appeal should be guaranteed when the patient's health or life is in danger.

The group also set policies on emergency room treatment, broadening recommended coverage from clear-cut emergencies to "those that arise suddenly and require immediate treatment to avoid jeopardy to a patient's life or health" based on symptoms being presented. The guideline, if followed, would be a liberalization of policy for plans that withhold payment for emergency room visits deemed frivolous.

Earlier, the association told member plans that managed care doctors should tell patients more, including how they are paid, and released a suggested code of conduct instructing member plans to provide patients, on request, precertification and other utilization review procedures.

U.S. Lloyd's members win ruling

NEW YORK—In a rare victory for litigating members of Lloyd's of London in the United States, a federal court ruled that the members can go forward with a case against Citibank North America, which held the Lloyd's American Trust Fund.

U.S. District Judge Robert W. Sweet in the U.S. District Court for the Southern District of New York denied Citibank's motion to dismiss the case, which alleges Citibank failed in its fiduciary duty to members and allowed the funds of members on profitable syndicates to be used to subsidize loss-making syndicates.

In his ruling, Judge Sweet said Citibank could not invoke the forum selection clause in members' Lloyd's agreements, where the members agreed to settle disputes with Lloyd's in England. In several other cases involving Lloyd's in the United States, courts have upheld the forum selection clause.

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Core reserving worries Best

By DAVE LENCKUS

OLDWICK, N.J.—Property/casualty insurers and some risk managers could be in for rough times within a year or two if insurers' loss reserving for core lines of business continues to deteriorate, warns an official with insurer rating agency A.M. Best Co.

Reserve shortfalls, which are being triggered by premium inadequacy, could spark rating downgrades, Oldwick, N.J.-based Best warns in a Jan. 20 report. The situation could force some insurers to seek buyers, shut down or harden rates in their most price-sensitive lines, said Eric Simpson, a vp in the agency's property/casualty insurance division.

The lines that insurers probably would harden first are commercial package, general liability and product liability, he said.

Best says the industry's core reserves do not pose a significant problem yet. But, Best says it "is concerned about the growing number of insurers whose reserve deficiencies are disproportionate to those of their peers and to their own capital levels."

Mr. Simpson estimated that 10% to 20% of insurers face "major shortfalls" in their reserves. Overall, fewer insurers, now estimated at 20%, carry reserve redundancies, he said.

"The seeds are being sown for a growing set of companies that will have problems," Mr. Simpson said. "We'll see increasing numbers of companies that will hit the wall this year."

A Standard & Poor's Corp. official said the reserving problem could be even more widespread than industry averages suggest.

Best's study is based on reserve information culled from Schedule P in 2,400 insurers' annual statements.

Those insurers account for about 90% of the industry's loss reserves, according to Best.

Insurers built up reserve redundancies in the early 1990s largely because of unexpected improved loss trends in the workers compensation and personal automobile liability arenas, the rating agency notes.

But, since 1993, insurers have released $15.7 billion of reserve

See **Reserves** *on page 33*

Broker buyouts prompt question: Who's next?

M&A activity rampant in London

By SARAH GODDARD

LONDON—The merger and acquisitions frenzy within the London insurance market shows no sign of abating.

In fact, it took a new twist last week when Angerstein Underwriting Trust P.L.C., one of the large Lloyd's of London investment funds, bought Lloyd's members agent Stace Barr Holdings Ltd.

Speculation abounds on who is going to do what next. Most of the speculation surrounds mergers and acquisitions among the brokers. Aon Corp.'s purchase late last year of London-based Bain Hogg Group P.L.C. (*BI*, Oct. 21, 1996), and Alexander & Alexander Services Inc., which owned London-based Alexander Howden Group Ltd. (*BI*, Dec. 16, 1996), left the market wondering how competing brokers would react.Two recently proposed mergers—Lloyd Thompson Group P.L.C. with JIB Group P.L.C. and Lowndes Lambert Group P.L.C. with Fenchurch Insurance Brokers Ltd.—answered some of those questions. And U.S. broker Marsh & McLennan Cos. Inc.'s interest in the Minet Group answered others (*BI*, Jan. 27).

But an even larger question mark is now hanging over the heads of the rest of the brokering community, particularly London's

See **Mergers** *on page 38*

Congress, others target OPIC

By MARK A. HOFMANN

WASHINGTON—A group of politically odd bedfellows is again targeting the Overseas Private Investment Corp. for extinction.

Nine representatives of the "Stop Corporate Welfare Coalition" last week spoke out against OPIC as one of 12 programs that coalition members believe represent unjustified government subsidies to private corporations. OPIC, among other things, underwrites political risk insurance on 20-year terms for U.S. companies doing business in selected developing countries.

"When we give a subsidy, the benefit to the public ought to exceed the benefit to the company," said House Budget Committee Chairman John Kasich, R-Ohio. If it doesn't, he said, then the subsidy is "corporate welfare."

Another speaker, David Keating, executive vp of the National Taxpayers Union in Washington, said the "terrible 12" had been chosen in part because they were the "most politically vulnerable."

The speakers ranged from political conservatives, such as Rep. Kasich and Mr. Keating, to liberals, such as Ralph Nader and Joan Claybrook, president of Public Citizen.

Although OPIC was only one of 12 government programs in the coalition's self-described "hit list," it got the most hits from coalition members last week.

The House voted to cut off funding for OPIC last September

See **OPIC** *on page 34*

Metal makers sued over quake damage

By ROBERTO CENICEROS

LOS ANGELES—Lawsuits alleging that defective weld metal led to damage in steel-frame buildings from the 1994 Northridge earthquake likely will lead to more questions about who was at fault for the damage.

The complaints against Lincoln Electric Co. and other makers of the metal, filed just before the third anniversary of the Jan. 17, 1994, earthquake, open a potentially thorny and costly issue. After the earthquake, several Los Angeles-area buildings were discovered to have cracks in and around the areas where vertical columns and horizontal beams connect. Just who ultimately will be liable for repairs and retrofitting—which city engineers estimate could cost from $3,000 to $20,000 per connection—has yet to be established.

A possible class-action lawsuit is sure to raise questions beyond the quality of the weld metal, said a senior vp for a large property insurer who asked to remain anonymous because of the pending litigation. Those involved will want to know whether factors such as improper design, construction work quality or the adequacy of building codes played a role in the cracking.

Answers to those questions eventually could involve different insurers, such as those issuing coverage for errors and omission, liability or property.

"Certainly underwriters will be

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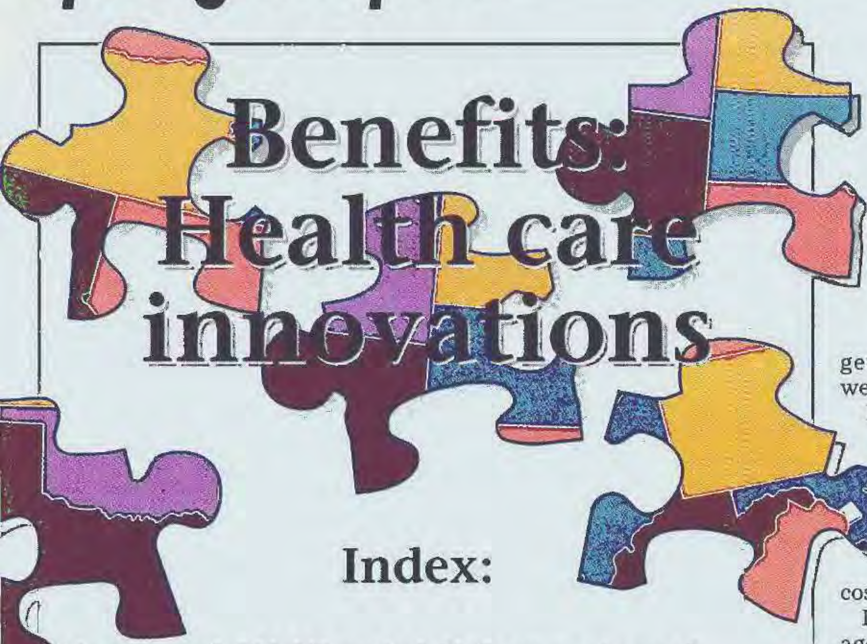
Business Insurance (ISSN 0007-6864) Vol. 31, No. 5, is published weekly by Crain Communications Inc., 740 N. Rush St., Chicago, Ill. 60611-2590. Periodicals postage is paid at Chicago and at additional mailing offices. POSTMASTER: Send address changes to *Business Insurance*, Circulation Department, 965 E. Jefferson Ave., Detroit, Mich. 48207. $4 a copy and $87 a year in U.S. $105 in Canada and Mexico (includes GST). All other countries $205 a year (includes expedited air delivery). Canadian Post International Publications Mail Product (Canadian Distribution) Sales Agreement No. 0293512, GST No. 136760444. Printed in U.S.A.



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Spotlight editor:
Robert Kazel

Health coalitions see growing role

By ROBERT KAZEL

Since before the Stone Age, the specter of a common peril has spurred communities to band together to brandish a common weapon.

But in the 1990s, communities of health care buyers have banded together only sporadically to brandish the common weapon of group purchasing power against the peril of rising health care costs.

In what has become the Managed Care Age, leading companies often have sought cost containment individually through shifting their employees out of indemnity plans into health maintenance organizations, point-of-service plans and preferred provider organizations, not by teaming up with other employers to dampen costs or improve quality.

The utility of health care purchasing alliances, however, may soon become as clear to employers as that of managed care itself.

According to the survey of 3,290 employers released last month by benefit consultant A. Foster Higgins & Co. Inc., health plan rates and costs this year are expected to increase an average of 4% (*BI*, Jan. 20), after remaining stable for the three preceding years, and health coalition executives and analysts expect more employers to take aggressive cost-containment steps. Health maintenance organization executives late last year said they would impose rate hikes of 1% to 6% this year, the first increases since 1994 (*BI*, Dec. 9, 1996).

It is hard to say if the coalition movement is fully prepared to mobilize. Experts say only about half of existing coalitions actually are doing health care purchasing; some are strictly purveying conferences and printing newsletters. Some have a history of cooperation with local providers that may be counterproductive when hard bargaining is required. Furthermore, the majority of employer groups suffer from limited funding and a shortage of staff that may force reliance on sponsors such as pharmaceutical companies—players that normally might be kept an arm's distance away.

The remarkable diversity of coalitions, in fact, makes the term "movement" hard to apply, because most coalitions are focusing strategies on their local markets and only occasionally applying the lessons of alliances in other cities and states. Every coalition is like a biological child, the product of the DNA of established, intertwined relationships between buyers and providers plus its current environment, which may be receptive, indifferent or hostile to direct employer action. And like a child, the primary goals are always survival and growth.

Last fall, an umbrella group of 103 employer health alliances brought its members together for the first time in a conference in Orlando, Fla. The Washington-based National Business Coalition on Health emphasized the ability of local coalitions to press ahead with community-based reforms that would trim health costs and enhance quality without relying on federal government help.

The meeting was designed not to fuse local coalitions into regional or national groups but in effect to teach leaders the basics of buyer/managed care dynamics and to send them home as missionaries. In the process, the conference also provided the opportunity for newer, less confident group leaders to make contact with seasoned veterans.

Employers are ripe for involvement in purchasing coalition activities because of renewed apprehension over prices, said Sean Sullivan, president and chief executive officer of the NBCH. "It should spur further collective action for employers," Mr. Sulli-

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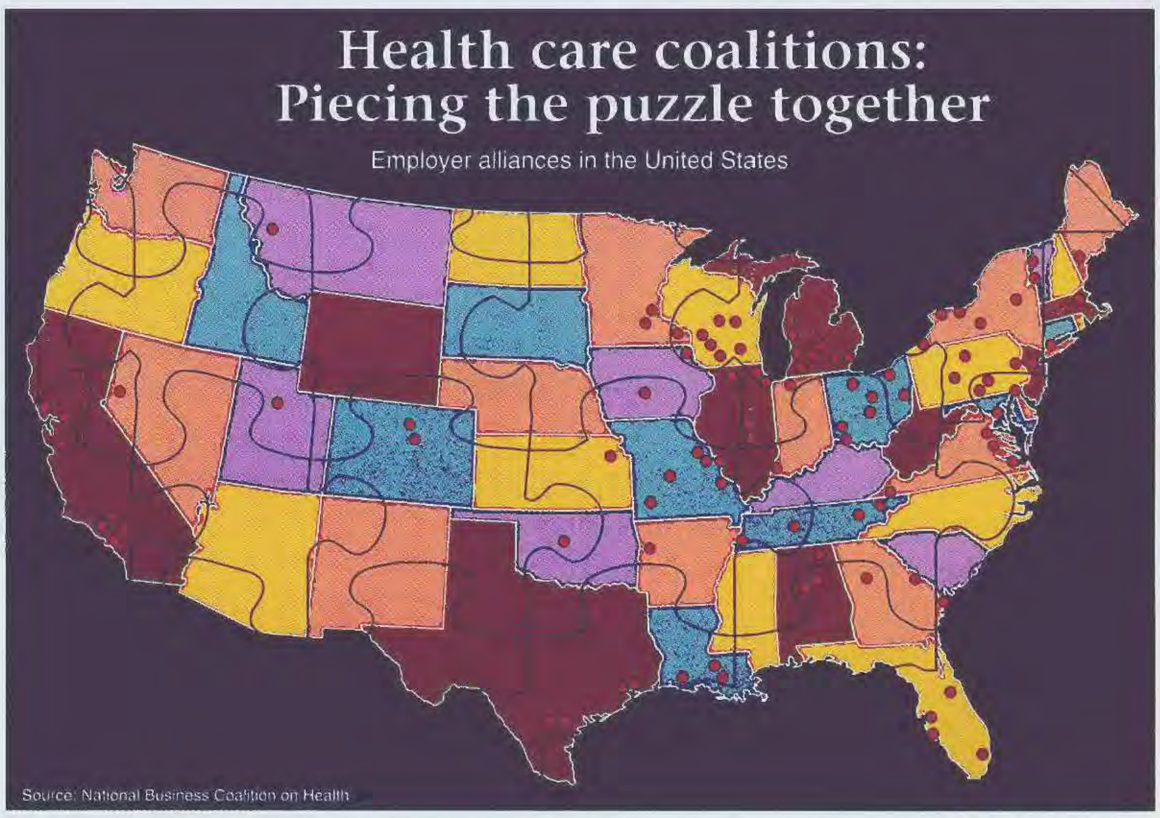


GRAPHIC BY TONY BUCCINI

UR providers evolving to manage utilization, not just review it

By ROBERTO CENICEROS

They don't call themselves utilization review companies anymore.

Many companies that got their start by providing employers with retroactive review of medical bills now are taking a much broader role in managing claims costs. The companies today offer such services as demand management, disease management and provider profiling, as well as time-proven specialties such as case management and operating preferred provider networks.

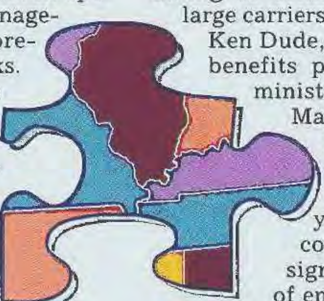
Some companies also are focusing less on contracting directly with employers. As players in the health care delivery system have taken on more risk, utilization management companies are finding that doctors, hospitals and health maintenance organizations want their services. They also are selling their managed care services in the workers compensation arena.

"(Utilization management) is still a robust business for us, and opportunities are still coming our way," said John Weymer, senior vp of group health managed care in Dallas for Intracorp. "The only erosion away from utilization management that we are seeing are those customers who are going to straight HMOs from indemnity. On our book of business, that has been less than 5% a year, and that has held for a number of years."

Employers with traditional indemnity or PPOs still seek Intracorp's utilization management services, Mr. Weymer said.

But there is less demand for stand-alone utilization management services among employers—or in regions, such as California, where managed care enrollment is high. That is because utilization management already is bundled in most managed care plans.

Stand-alone utilization management companies "are probably feeling the pinch because all of the large carriers now are providing comparable or better services," said Tim Beck, principal and health and welfare consultant for Buck Consultants Inc. in Los Angeles. "They certainly haven't gone away, but they are consolidating or selling themselves to large carriers."



Ken Dude, director of group benefits planning and administration for The May Department Stores Co. in St. Louis, said it has been several years since his company has had significant numbers of employees in traditional indemnity health plans requiring a separate utilization review vendor.

"With HMO enrollment and managed care enrollment, we have very, very little direct utilization review," Mr. Dude said. "If we have 50,000 people enrolled in managed care plans, I think at this point we have less than a couple hundred enrolled in any plan that would have direct utilization review services."

While many employers leave utilization and case management to their managed care plans, plenty of self-insured companies still rely on outside vendors to provide additional oversight, according to consultants.

That can sometimes create a double layer of utilization management review, with occasional disagreements between the employer's case manager and the

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Asthma programs benefiting employers with aspirations to reap savings

By JOANNE WOJCIK

Employers that offer asthma disease management programs can breathe easier when paying their health care bills.

The programs, usually offered by health maintenance organizations or drug manufacturers, save health plans money by reducing emergency room visits and hospitalizations for asthma patients.

And the more sophisticated asthma program managers can use employee health claims data to identify asthmatics even before a first attack occurs.

Asthma management programs work because they "empower asthma patients and their doctors with the knowledge and the wherewithal to treat their disease," said Todd Swim, health actuary and capitation practice leader for Buck Consultants Inc. in Chicago. "It's the empowerment that helps them."

And employers with asthma management programs reap savings in other areas of their health plans, because a patient whose asthma is under control is less likely to suffer from other illnesses.

"Asthma has certain synergies with people's overall health," explained Dr. Richard Bernstein, senior medical director in New York for Aetna-U.S. Healthcare.

As a result, "someone with diabetes and asthma will have fewer problems with diabetes if their asthma is under control," he said.

Aetna-U.S. Healthcare reports a 32% drop in direct asthma treatment costs since the HMO began offering asthma disease manage-

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Coalitions

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van said. "Some of them have been asleep for a while."

Mr. Sullivan acknowledged that many of the coalitions in his group have not yet achieved full-fledged health care purchasing initiatives. He estimated only half are doing purchasing of any kind, which may include only carve-out programs such as dental plans for coalition members.

Further, he estimated only a quarter of his membership is doing "broad based" purchasing aimed at negotiating with managed care networks and trimming prices across the board.

Many coalitions do good work with educational programs, he said. Coalitions' education programs run the gamut from how to negotiate with health plans, to implementing corporate wellness programs, to selecting a prescription benefit management program. Still, Mr. Sullivan said, "I just don't believe you can forever be an educational group."

In addition, few coalitions have yet embarked on quality assurance, despite Mr. Sullivan's opinion that effective coalitions must combine cost-cutting measures with quality improvement initiatives. The slow move into the health care quality arena has been partly due to the lack of reliable provider data, but that may change gradually, he said.

For example, this year several member coalitions in NBCH will use measures formulated by the Portland, Ore.-based Foundation for Accountability to help gauge managed care value in conjunction with employers (*BI*, July 1, 1996).

With the help of NBCH and with the example of more active groups as a beacon, some employer health care alliances are dedicating themselves to catching up in the coalition game after years of delay. Perhaps surprisingly, some of these groups are in the nation's largest cities and only now are starting to replicate the success of those in much smaller markets.

The New York Business Group on Health, a 15-year-old coalition that includes 120 businesses in the New York metropolitan area, counts among its ranks such corporate heavy hitters as Time Warner Inc., American Express Co., Revlon Consumer Products Corp. and telecommunications giant NYNEX Corp. Still, the long-term success of the coalition is in doubt unless the alliance moves from relatively low-key educational activities to actual health care purchasing and quality projects, said Laurel Pickering, managing director.

"We're not there yet, and we're just starting to go there," said Ms. Pickering. This year, the coalition is offering its members the chance to contract with a prescription benefit management service. It is the first time the group is offering a product that will provide members hands-on savings.

The reason for the slow emergence of activism by the New York group has a lot to do with how the composition of the group originally was conceived, she said. It was intended to be an all-inclusive forum for just about everyone involved in health care delivery and purchasing, and the board includes not only buyers but also insurers, pharmacy executives and benefit consultants.

Collaboration around the table once was seen as beneficial, "but for the most part it's made things more difficult," Ms. Pickering said.

This isn't to say Ms. Pickering wants the health care heavyweights of the group to exit, because they provide substantial financial backing through dues, donations and sponsorship of conferences. But their prominence in the organization has made NYBGH think twice before planning aggressive actions in joint purchasing, a goal that is only in the planning stages.

How strong should a coalition's ties be to the provider community? It is a difficult question for young and old groups, and the answer will vary depending on the local environment, said Blaine Bos, a principal at Foster Higgins in New York. While a confrontational posture vis-a-vis health plans and hospitals provides some advantages, Mr. Bos said a cooperative mood may work well in most cases.

Despite the weight of its traditions, the New York coalition is making plans for a quality measurement program that will supply employers with information on managed care plan processes and outcomes—data that will then be used to negotiate better care with networks. Providers in the market, Ms. Pickering said, "won't be thrilled with it."

Without more aggressive programs, however, the New York coalition may die because its members will see it as neither saving them money nor improving health care standards in the region, she said.

"I absolutely do get frustrated. I have felt the New York Business Group on Health really has to get it together and tackle this market, band these employers together and fire them up," she said. "You have to make sure you're really providing them value for their money."

The key to making the coalition more powerful will be to pull in more members, she said, which also will have the beneficial effect of bringing in more dues and potentially augmenting the group's three full-time and three part-time staff members.

A coast away, the San Francisco-based Pacific Business Group on Health is planning numerous quality initiatives for 1997 that are close to what Ms. Pickering envisions for the New York market someday. The PBGH has 32 large employers as members, about 18 of which are engaged in a group purchasing program now in its third year, said Catherine Brown, director of PBGH's negotiating alliance.

PBGH has used a statewide Health Plan Employer Data & Information Set and surveys of large medical groups to develop provider report cards and negotiate performance measures for the past three years. Over that time, there has been an overall 14% premium rate reduction among member employers, although the reduction has diminished each year, and last year prices were flat, Ms. Brown said. "I think we've been squeezing the fat out of the market, and we've made a lot of progress to date," she said.

Formed in 1989 by Wells Fargo Bank and Bank of America executives who were frustrated by high health care inflation, PBGH has been a success because its constituent employers put aside their individual differences so the coalition "thinks and acts as a (unified) group," Ms. Brown said. Even though the coalition's members are large, and include such companies as Atlantic Richfield Co., Bechtel Corp., General Electric Co. and Hewlett-Packard Co., all recognize the advantages of group strategy.

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Zurich-American on Umbrella & Excess Coverage:
WHAT GOOD IS STRENGTH WITHOUT FLEXIBILITY?
How does Zurich-American's Power of Partnership exert such extraordinary force in umbrella & excess coverage? For openers, only Zurich-American gives you the strength of up to 50 million dollars in capacity and the flexibility to custom-tailor innovative risk-management solutions. Our speed in delivering prompt turnaround is unbeatable and our extensive regional underwriting and service structure is unmatched. In addition, our high financial rating makes Zurich-American a clear winner in the umbrella & excess arena.
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Spotlight report

Coalitions

Continued from page 4

"You would think they would have the clout to negotiate significant rate reductions on their own," said Ms. Brown. "It's through collaboration that you can achieve the greatest success."

The coalition serves the whole state. Although it does maintain advisory committees of managed care plan medical directors and other providers, it does not allow health care employers on its board. The coalition's increasing emphasis on quality led it last year to create a unique Internet Web site to supply member companies' employees health plan information and managed care report cards.

The PBGH continues to pursue outcomes initiatives in asthma, breast cancer, Caesarean sections, perinatal mortality and coronary artery bypass graft mortality.

The difference in influence between the coalitions in California and New York, and all assertive and slow-moving employer alliances, lies in the desire of local executives to undertake collective action, said Kenneth R. Jacobsen, senior vp and national health practice leader for benefit consultant The Segal Co. in Atlanta.

Mr. Jacobsen, who until recently was president of the Georgia Business Forum on Health, a statewide alliance of business health coalitions, said the history of a corporate community plays a big part in determining present attitudes on joint purchasing or quality initiatives. "It's regional, it's local, it's cultural," said Mr. Jacobsen, arguing that the one common element to all effective coalitions is CEOs in member companies who are strong leaders and willing to act in concert.

Most employers don't act that way instinctively, he said, and the very large employers often think they don't need to join a coalition. The result, he said, is a lot of relatively weak coalitions dotting the map.

But like Mr. Sullivan of the NBCH, Mr. Jacobsen predicted rising managed health care costs could give coalitions marked new appeal.

A study last year by the Washington-based Economic and Social Research Institute found coalitions with purchasing programs often have achieved savings for members, though how long such savings can be sustained is not yet known. But many employers have simply not tried to capture the savings at all and have fallen into a complacency because of the lack of high health care inflation, said Jack A. Meyer, president of the institute and a health economist.

"I do believe costs will rise again," Mr. Meyer said. "I think this sense of euphoria, almost, will dissipate and reality will set in." BI

Groups nationwide show results, set priorities

Here is a look at several active purchasing coalitions located in the United States:

• **The Buyers Health Care Action Group**

Service area: Minneapolis/St. Paul, Minn.

Membership: 38 employers.

Accomplishments: Contracted with HealthPartners, a Minneapolis-based managed care company, to create a PPO program for more than 250,000 covered lives. Most of HealthPartners' administrative fee was based on performance standards set by the coalition. Began laying the groundwork for direct contracting to implement the present "care system" approach this year.

Priorities: Monitoring first year of new "care system" approach to health care, under which the BHCAG reorganized local primary care physicians, specialists and hospitals into umbrella groups that compete for members based on the health care coverage offered. Employees are allowed to select among higher- and lower-cost groups, which function as PPOs (*BI*, Dec. 23/30, 1996).

Other goals: Work with a health coalition in Sioux Falls, S.D., to reform its care system model; expand in 1998 to include all of North Dakota, South Dakota, Minnesota and Wisconsin.

• **The Alliance**

Service Area: Madison, Wis.

Membership: 700 employers.

Accomplishments: Negotiated provider networks with hospitals and clinics on a discounted, fee-for-service basis. Buyers have saved about 15% a year on average.

Priorities: Integrating quality measures in purchasing decisions; sending out patient satisfaction surveys.

Other goals: Find ways for employers to better use and understand technical data gathered by the Alliance; launch a smoking control initiative; and develop clinical outcomes measures in key diagnostic areas.

• **Chicago Business Group on Health**

Service area: Chicago area.

Membership: 70 employers.

Accomplishments: Started Employers Purchasing Initiatives for Quality—EPIQual—to buy health services directly from hospitals, doctors and other providers; created the Quality Improvement Council to study clinical topics, such as cardiac care and Caesarean sections, and the Chicago Health Plan Value Project, an in-depth study of seven managed care networks.

Priorities: Involve unions and big public sector employers in the coalition's area.

Other goals: Act as a facilitator of information and research tool in a market that is highly fragmented and hard to integrate.

• **The Colorado Health Care Purchasing Alliance**

Service area: Colorado.

Membership: 150 employers.

Accomplishments: Started the Cooperative for Health Insurance Purchasing, or CHIP, program in 1995, under which small employers are able to offer their employees the choice of four managed care networks providing different levels of coverage; employees choose the plan while employers choose coverage level. Quality report cards kept on each network with financial penalties imposed for failure to meet established performance standards or attain high satisfaction ratings.

Priorities: Increase membership size, build Cooperative for Health Insurance Purchasing, boost clout.

• **Health Care Payers Coalition of New Jersey**

Service area: New Jersey.

Membership: 55 employers.

Accomplishments: Direct contracting program with 60 of 90 hospitals in state. Hospitals must pass quality screening before negotiating with the coalition.

Priorities: Get more health care data from providers; set up a "quality institute" through which payers, consumers and providers can discuss health issues.

Other goals: Set clear priorities, be realistic about potential new programs based on funding availability.

—By Robert Kazel

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Opinions

Managed care, heal thyself

We were hardly surprised when a group of Republican and Democratic state legislators last month proposed a model bill to restrain what they described as "managed care excesses."

As we reported, the measure—intended for adoption by state legislatures around the country—would guarantee patients their choice of providers so long as they pay an additional fee; allow the patient to pick a specialist as a primary care physician; prohibit so-called gag clauses; and require plans to disclose limits on coverage for experimental treatment and to provide written justification of denials (*BI*, Jan. 20).

This proposal isn't the only example of what we would call managed care bashing. In New York, for example, Gov. George Pataki and leaders of the state legislature have agreed to jointly back legislation that would allow patients and their physicians—not insurers—to decide how long they need to remain in the hospital after mastectomies.

We fully expect these proposals to be only the first of a wave of anti-managed care measures.

Indeed, managed care bashing got its start last year when Congress passed legislation—effective next year—that will require health care plans to provide 48 hours of inpatient coverage after a normal delivery and 96 hours after a Caesarean section.

It would be overly simple to say that the managed care industry has no one to blame but itself for the beating it is taking now.

Many employees still resent the loss of the freedom they once had to pick any provider as their physician. And many providers, unquestionably, have had difficulty adjusting to a health care system where their leverage to charge the fees they want has been severely eroded by the power of managed care groups, especially health maintenance organizations.

Having said that, the managed care industry, through its own practices, has set itself up as a juicy target for attack.

Kicking mothers and their newborns out of the hospital one day after delivery, which HMOs took the lead in doing, has no defense. Nor can baring physicians from discussing with patients alternative treatments be defended.

Similarly, how can one defend any health care plan that would force—or even encourage, as some HMOs apparently were doing—women to leave the hospital immediately after a mastectomy.

When outrageous practices occur, there will indeed be a

backlash against those practices. The trouble, though, with a backlash is that legislators—to cure what they see as a problem—often end up taking far more action than is necessary.

The shame of all this is that it is so unnecessary. Sometimes, we wonder if the managed care industry has lost sight of what it is all about.

We see managed care as providing the optimal level of care at reasonable prices. That means, for example, all necessary services should be provided and length of stays in hospitals geared to what is needed to best assure rapid recovery.

Practices like "drive-through" deliveries and gag rules seem to us not only an abuse of power, but also anti-managed care. Providers should, in fact, be encouraged to discuss treatment options with their patients, while too-rapid discharges from hospitals are likely to lead to medical complications and ultimately higher costs.

The managed care industry still has time to get its act in order. But if it fails to do that, legislators will be only too happy to do it for them. Given that legislative interference in the health care arena often does more harm than good, we hope the industry, through self-policing, doesn't let that happen.

Letters

Of robbery, risk and common sense

To the editor: Your editorial on Jan. 13, "Court unties business' hands," supporting the "business break" given to KFC by the California Supreme Court poorly considered the risk-control features present when an armed robber comes into a business.

The latest research and most major businesses clearly support the idea that employees must comply with the demands for money by an armed robber (for example, see American Assn. of Convenience Stores' exhaustive survey in 1993). Indeed, the Southland Corp. recently fired one of its top employees when he failed to follow company policy by confronting an armed criminal—and publicized the termination.

Besides the data, common sense tells us that the business whose store clerk violates company policy and ordinary prudence which harms a customer should bear the responsibility for the cost of harm. The common law of negligence asks no more, but was sadly denied by the California Supreme Court in *Brown vs. KFC*.

In spite of the foreseeability of harm in this situation, and the frequency of crime, you imply that businesses are unfairly treated if held responsible.

Such disproportionate favoritism generally fails to convince high courts because the long-term societal benefit is best served by placing responsibility on those responsible. In this case, it would be the robber, and KFC and its employee. If any one of us reading this were a customer in a similar situation, we would expect the clerk to comply, wouldn't we?

Next time, a consultation would be warranted with a loss-control specialist, such as James McIntyre, who wrote in your Perspective section (BI, July 29, 1996) that "easy steps can prevent crimes"—step No. 10: "Educate your staff."

Ron Morgan
Attorney and loss control consultant
Albuquerque, N.M

States moving to restrict managed care

To the editor: Dennis Nirtaut's 1997 preview of benefits issues (*BI*, Jan. 13) highlighted a subject that should be of great concern to employee benefits managers: the growing involvement of state legislatures in regulating and restricting managed care.

Managed care has successfully reined in the double-digit increases in costs of employee health benefits that businesses grappled with during the last decade. Now that accomplishment is threatened by legislation which, in the guise of "patient protection," would actually impose sweeping regulations on managed care. These proposed layers of regulation, combined with limits on how plans could establish networks and negotiate reimbursement rates, will directly impact HMOs' ability to hold down premium costs.

We will need the active and vocal support of American businesses—specifically, benefits managers who know and can discuss the benefits of a managed care approach—in fighting harmful legislative activity that does not enhance quality of care and only serves to increase our operating costs. HMOs have successfully made health care coverage more affordable for businesses and employees. Businesses that want this to continue should support managed care in both the national and state legislative arenas.

Bob Burger
Executive Director
Illinois Assn. of HMOs
Chicago

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Business Insurance is published by Crain Communications Inc.

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Published weekly at 740 Rush St., Chicago, Ill. 60611-2590, Fax 312-280-3174, E-Mail 76735.3045@CompuServe.com, Cable CRAINCOM. Offices: 220 E. 42nd St., New York, N.Y. 10017-5806, Fax 212-210-0704, CRAIN COM NYK; Suite 114, 8950 N. Central Expressway, Dallas, Texas 75231; Fax 214-696-1936; Suite 814, National Press Building Washington, D.C. 20045-1801, Fax 202-638-3155; 6500 Wilshire Blvd., Suite 2300 Los Angeles, Calif. 90048-4947, Fax 213-655-8157; 967 Bermuda Court, Sunnyvale, Calif. 94086-6750, Fax 408-774-1155; New Garden House, 78 Hatton Garden, London EC1N 8JQ England, Fax 171-457-1440; 8157 N. Torrey Way, Tucson, Ariz. 85743, Fax 520-579-3476. $4 a copy and $87 a year in U.S. $105 in Canada and Mexico (includes GST). All other countries $205 a year (includes expedited air delivery). DAVE KELLEY, circulation manager. Four weeks' notice required for change of address. Send subscription correspondence to Circulation Department, Business Insurance, 965 E. Jefferson Ave., Detroit, Mich., 48207-3185, or phone 800-678-9595 or 313-446-0450, Fax 313-446-6777. Microfilm copies are available from University Microfilms, 300 Zeeb Road, Ann Arbor, Mich. 48013. Microfiche copies available: Bell & Howell, Micro Photo Division, Old Mansfield Road, Wooster, Ohio 44691. Portions of the editorial content of this issue are available for reprint or reproduction in other media. For information and rates to reproduce in general circulation media, contact: JOSEPH P. HANLEY, Crain News Service, 220 E. 42nd St., New York, N.Y. 10017-5806, 212-254-0890. For reprints or reprint permission contact: KAREN BROWN TUCKER, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611-2590, 312-649-5319, Fax 312-280-3174.

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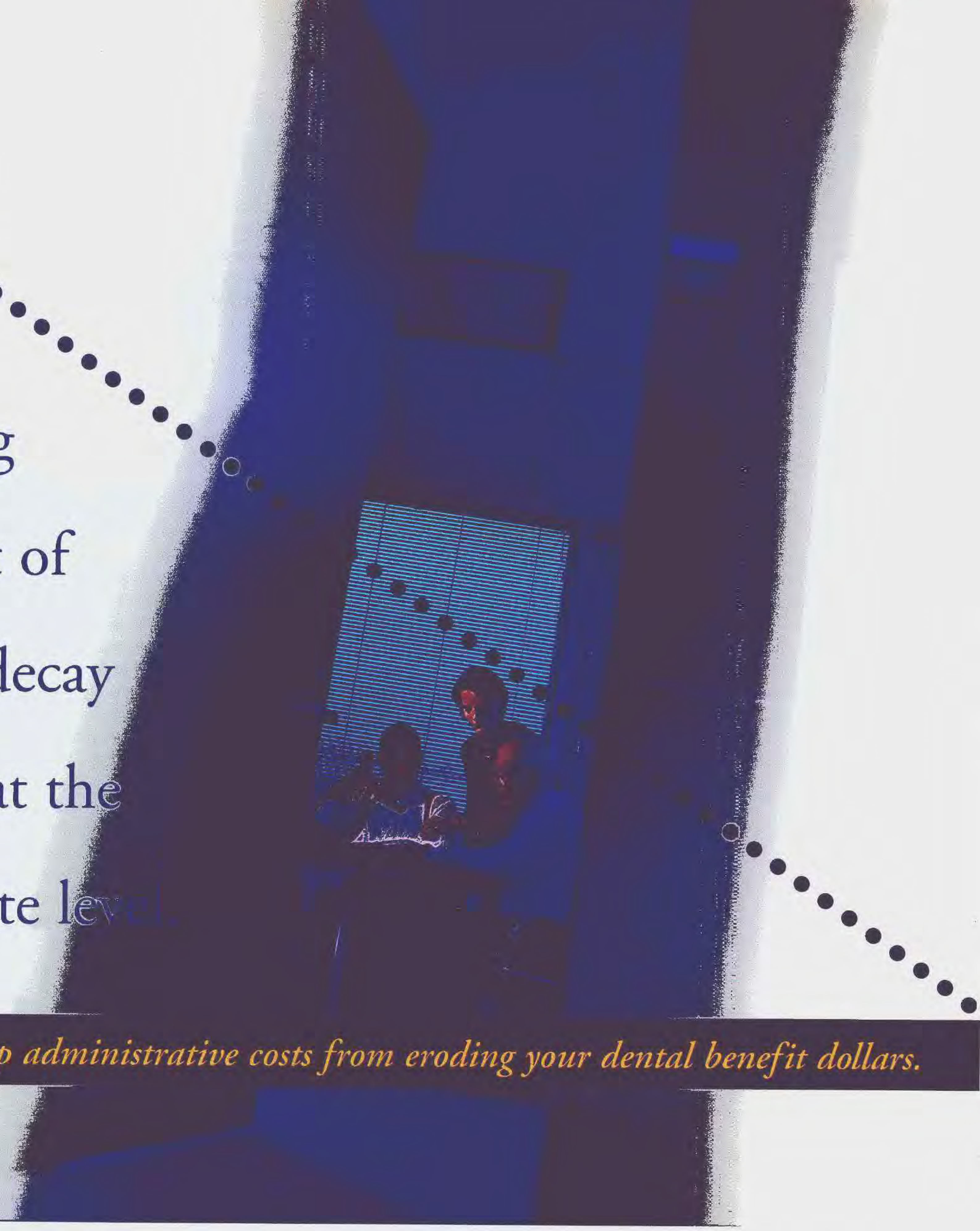

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HMO establishes alternative care network

By DEBORAH SHALOWITZ COWANS

Although one regional health maintenance organization is now offering employers a network of alternative medicine providers, other managed care groups are unlikely to follow suit.

Furthermore, employers interested those alternative providers will pay more to provide coverage for their services.

Norwalk, Conn.-based Oxford Health Plans Inc. on Jan. 1 began offering employers in New York, New Jersey and Connecticut a health insurance plan rider to buy insured coverage for a network of alternative medicine providers. These include chiropractors, acupuncturists and—in Connecticut only—naturopaths.

Naturopaths are not licensed in New York and New Jersey.

Oxford declined to say how many employers have bought the alternative medicine rider.

"Our move into alternative medicine is based on both our own philosophies and on a recognition of what our members want," said Dr. Hassan Rifaat, Oxford's manager of alternative medicine. In a survey the HMO recently conducted, one-third of members said they used an alternative medicine provider in the past two years, he said.

Oxford is the nation's 10th-largest general service HMO, based on about 1.2 million employees and dependents in employer groups as of June 30, 1996 (*BI,* Dec. 27, 1996). The organization markets its health plans to employers in New York, New Jersey, Pennsylvania, Connecticut and New Hampshire.

The alternative medicine rider adds 2% to 3% to annual premiums for groups of 50 or more and 6% to premiums for groups of less than 50 people, according to Kerry MacKenzie, service manager of Oxford's alternative medicine department.

If an employer buys the alternative medicine rider, members of that group can visit an Oxford-certified chiropractor, acupuncturist and in Connecticut a naturopath without a referral from an HMO physician. The member would pay a copayment of $10 to $20 for each visit, depending on the level of subsidized coverage the employer bought, Ms. MacKenzie said. The copayment is generally comparable to those made for visits to conventional medical specialists.

'Our move . . . is based on both our own philosophies and on a recognition of what our members want," says Dr. Hassan Rifaat.

Oxford has credentialed 800 alternative medicine providers who are listed in a directory. They include chiropractors, acupuncturists, naturopaths, massage therapists, registered dietitians, clinical nutritionists and yoga instructors.

There are no insured benefits for yoga, massage therapy, dietitians and nutritionists.

All alternative medicine providers in the Oxford network must meet certain criteria, including:

- Being licensed in the state in which they practice, if licensing for the therapy exists.
- Having graduated from a fully accredited college.
- Demonstrating two years of continuous clinical experience.
- Pursuing continuing education credits.
- Carrying proper malpractice insurance.

Oxford HMO members who do not receive employer-sponsored alternative medicine coverage and those using services not covered by an employer-purchased health plan rider will pay a specially negotiated rate for alternative medicine services that is "generally lower than what someone would pay" outside of the network, Ms. MacKenzie said.

Employers interested in buying the alternative medicine rider clearly would be increasing their costs—something most employers do not want to do, commented Mary Case, a principal at The Kwasha Lipton Group in Fort Lee, N.J.

The fact that Oxford is charging employers an additional premium for alternative medicine coverage indicates that "either they believe it will

See **Oxford** *on next page*

A definitive look at alternative medicine

Here is how Oxford Health Plans Inc. defines the alternative medicine practices it offers:

Acupuncture originated in China more than 5,000 years ago. It is based on the belief that good health depends on a balanced flow of *qi*—vital life energy. According to acupuncture theory, *qi* circulates in the body along 12 major pathways, each of which is linked to specific internal organs and organ systems. When special needles are inserted into acupoints just under the skin, they help correct and balance the flow of energy and consequently relieve pain and restore health.

Chiropractic practitioners adjust the spine and joints, often to relieve back pain and other kinds of chronic pain. According to chiropractic theory, these adjustments also can influence the body's nervous system and natural defense mechanisms to improve general health.

Massage therapy seeks to reduce muscle tension, which contributes to muscle fatigue and pain by compressing nerve fibers in the muscle. Prolonged muscle contraction interferes with the elimination of chemical wastes in the muscles and surrounding tissues and can cause frequent nerve and muscle pain.

Naturopathy incorporates a variety of alternative medicine methods based on a patient's individual needs. These alternative medicine methods can include: diet and clinical nutrition; homeopathy, which are remedies based on natural substances from plants, animals and minerals; acupuncture; herbal medicine; hydrotherapy; therapeutic exercise; spinal and soft-tissue manipulation; physical therapies involving electric current, ultrasound and light therapy; therapeutic counseling; and pharmacology. Naturopathic theory is based on six principles: the healing power of nature; treat the cause rather than the effect; first, do no harm; treat the whole person; the physician is a teacher; prevention is the best cure.

Yoga seeks to integrate physical, mental and spiritual energies through different physical postures, breathing exercises and meditation.

—By Deborah Shalowitz Cowans

Oxford

Continued from previous page

increase costs or they're not going to take the risk that it'll be a cost-neutral thing," Ms. Case said. "You don't see them sticking their neck out and taking the risk cost-wise."

"I don't think too many employers are going to buy" the alternative medicine rider because companies do not want to raise their costs, agreed Tom Ferguson, a consultant at William M. Mercer Inc. in Stamford, Conn.

While Oxford is the first HMO to offer a network of alternative medicine providers, several other HMOs cover chiropractic services, and some also cover acupuncture.

Kaiser Permanente, the nation's largest HMO, covers chiropractic benefits in eight states.

In most cases, a member must be referred to a chiropractor by a Kaiser physician. However, some Kaiser plans offer a health plan rider employers can purchase, allowing members to go directly to a chiropractor who is a member of the American Chiropractic Network without a referral from a Kaiser physician.

Kaiser recently opened a chronic pain treatment clinic in Vallejo, Calif., that offers several alternative medicine therapies, including acupuncture, acupressure, massage, nutritional counseling and relaxation techniques. Treatments like herbal medicine, biofeedback and hypnotherapy will be added in the future, according to a spokesman. The HMO covers all of these if a physician in the pain management program recommends them, said Dr. Mark Souza, an internist and acupuncturist who coordinates the HMO's physician interest group in alternative medicine for Kaiser's Northern California region in Walnut Creek, Calif.

Members are referred to the pain management program by their primary physicians.

Kaiser Permanente Northern California also covers acupuncture as a treatment for chronic pain for members not near the Vallejo clinic.

The Prudential Health Care Group in Roseland, N.J., covers various alternative medical therapies, including chiropractic, biofeedback, naturopathy and acupuncture for chronic pain, a spokesman said.

Members are referred to an alternative therapy practitioner by their primary care physician, he said. All alternative medicine providers must be licensed by the state in which they practice if such licensing is available.

"We do not formally track utilization of alternative therapies," he said. Anecdotally, though, there has been "no demand either on the employer side or the member side" for alternative therapies. Therefore, there is "no reason to set up a network."

"A lot of people are watching Oxford to see what success they have with this and what difficulties they have," said a spokesman for Humana Inc. in Louisville, Ky. Humana covers chiropractic services for its HMO members and has no plans to cover additional alternative therapies, the spokesman said. BI

Asthma

Continued from page 3

ment four years ago in all of its plans.

In addition, Aetna-U.S. Healthcare has seen the number of asthma patients' hospital days decline by about 35%, hospital admissions are down 34%, and emergency room visits have fallen 26%.

Through its asthma management program, Boston-based Harvard Community Health Plan has seen the hospital admission rate drop by 25% for pediatric asthmatics and by 10% for adults.

Hospitalization and emergency room visits by Cincinnati-area patients enrolled in Anthem Blue Cross & Blue Shield's asthma management program dropped 44%, according to a two-year study by the Health Outcomes Institute of Bloomington, Minn. The HMO's asthma care program began in Dayton and Cincinnati and will be expanded to plans in Indiana, Kentucky and the rest of Ohio this year.

An asthma management program launched by Sears, Roebuck & Co. won high marks from employees.

Sears introduced its program in April 1995 in cooperation with Northbrook, Ill.-based Caremark International Inc. As of last summer, out of 6,000 employees identified as asthma sufferers, 1,100 have signed up to participate in the asthma program (*BI*, July 29, 1996).

Surveys of participating Sears employees have shown a 32% drop in disease symptoms and a 39% increase in activity among asthma sufferers. And, about 99% of the participating employees reported they are satisfied with the program, the company said.

Many HMOs offer asthma management programs because they give considerable bang for the buck, in some cases a 10-to-1 return on investment.

Asthma "is something that affects a large percentage of the population," said Dr. Bernstein. "Among chronic diseases, it's the most common."

For example, "we're tracking 60 different chronic illnesses, and asthma represents 7.4% of our membership," he said.

Asthma also is easier to control than some other conditions, such as hypertension, explained Buck's Mr. Swim. While people with asthma can monitor themselves and seek early intervention, people with hypertension often have no warning that they are about to have a stroke, he said.

"There are three critical factors necessary for disease management to work," Mr. Swim explained.

"First, it has to be one of the bigger-ticket items; second, it has to be a well-defined disease that can be isolated," Mr. Swim explained. "And third, it has to be a disease that you can help people control."

Asthma management programs also work in providing physicians with the most up-to-date treatment information from the National Institute of Health, these experts say.

"Doctors respond to education," which is the theme of asthma disease management, Dr. Bernstein said.

For example, like most HMOs, Aetna-U.S. Healthcare provides the physicians the names of patients with asthma or with the potential to develop asthma. The names are culled from data on member demographics, emergency room visits, hospitalizations and prescription drug use.

"We can target a letter to each primary care physician that gives them *by name* specific patients (in their practice) whose treatment they should re-evaluate," he illustrated.

And, to protect patient privacy, "we have very strict confidentiality guidelines," he said.

He also pointed out that the information isn't necessarily new information; it's just assembled in one place to show doctors the correlations.

For an asthma disease management program to be successful, "you have to know who has asthma," he said.

And even if an employer is willing to wade through the claims data provided by an insurer or third-party administrator, "they'll have to have a broad net to catch it," he said.

For example, 12 diagnostic codes contain the word "asthma," and there are at least 35 synonyms for it.

So a child diagnosed with "acute bronchialitis" may in fact suffer from asthma, Dr. Bernstein explained.

"Or say someone's been admitted with pneumonia, which could be a complication of asthma," he added.

"So we really need multiple data sources and algorithms to figure out who really has it," he said.

HMOs do not charge employers additional fees for asthma disease management because their focus is on wellness, Mr. Swim explained.

By contrast, a drug company may charge employers a fee for each employee enrolled in its program.

Another advantage to an HMO-run asthma management program is its independence, experts pointed out.

However, some drug makers, such as Wilmington, Del.-based Zeneca Pharmaceuticals Inc., have spun off independent disease management companies. Stuart Disease Management Services Inc. in Wilmington, Zeneca's spinoff, markets asthma management services to HMOs and is considering offering its services to large employers, a spokeswoman said.

SDMS provides consulting; information management services to analyze claims data and identify potential asthma patients, identify asthma treatment costs and treatment strategies; and education and intervention services to patients and doctors.

While Zeneca makes Accolade, an asthma drug, its program does not require its use.

Still, Dr. Bernstein said he thinks HMOs are better equipped to manage diseases like asthma because of their ability to collect information throughout each patient encounter.

For example, an HMO can assemble data on office visits, diagnostic tests, pharmacy use and hospital admissions or emergency room use to make correlations that can lead to more accurate diagnosis, he said.

HMOs also are more likely than insurers or employers to communicate directly with doctors about treatment protocols, he pointed out. "We're giving them information to help them make the best decision about treatment, and then we give them the support they may not have available."

For example, at Aetna-U.S. Healthcare, HMO nurses regularly call asthma patients to make sure they are following their doctors' advice.

The doctors participating in Aetna U.S. Healthcare's asthma disease management program are especially appreciative of this added service.

"They do things independently of me," said Dr. Bernard Schayes, a Manhattan primary care doctor. "An asthma nurse will follow patients and do some of the work that gets lost in a busy practice."

And because of the monthly reports on patients, "when all is said and done, I know who goes to the ER and who doesn't," he said.

And that's how Dr. Schayes knows the asthma management program is working: "Ten years ago in my practice, we used to hospitalize two to three asthma patients a month in the wintertime," he recounted. Now, "in the last two to three years I can't recall hospitalizing anyone."

Aetna-U.S. Healthcare also provides its asthma patient members with access to home medical equipment such as peak flow meters that help measure their breathing.

"This helps alert them to an attack even before symptoms begin," Dr. Bernstein explained. "We also give a book to everybody that explains in layman's terms how to use home self-management." BI

Utilization

Continued from page 3

managed care plan's, Mr. Beck said.

"I don't want to suggest this is a large problem," he added. "But it does present itself every once in a while. You will get some conflicts in what appropriate treatment is."

But while many employers leave utilization management to their health insurers, they may not always be getting as good a product as when they contracted for the service directly, one consultant said.

"I think it's easier today for an organization to be weak in one area and get by with it, whereas when everything was unbundled the employer was likely to go with whoever was strongest in each specific area," said John C. Garner of Garner Consulting Services in Pasadena, Calif. "But now somebody can come along and offer you a great rate and a great network and you might not pay much attention to how well they do the utilization management."

The quality of utilization management would become an issue only if employees complained about it, said Mr. Dude of May Department Stores. May contracts with 89 HMOs and has had no complaints, he said.

For their part, utilization and case management companies continue to sharpen their focus.

In the past, they generally concentrated on high-cost catastrophic illnesses requiring hospitalization or home health care. But the trend now is to also focus on helping people stay healthy before catastrophic hospitalization is needed, said Dr. Mark Bloomberg, chief medical officer for Private Healthcare Systems Inc., a Waltham, Mass.-based PPO and utilization management company.

For example, practices such as medication compliance—which ensure patients are taking maintenance medicine, such as for high blood pressure, as prescribed—reduce the need for more acute care attention, Dr. Bloomberg said. But illnesses that can be costly and lead to hospitalization, such as diabetes and heart disease, still receive the most attention from case managers, he added.

Generally, there is a lower threshold for case management involvement, said Chris Galanos, vp of group health managed care for Intracorp in Itasca, Ill. Several years ago, an average case might require 18 or 20 hours of Intracorp's interaction with the claimant. "Now, there are a lot of cases we work on which are very short-term, which may require two to four hours," he said.

Home infusion therapy and chemotherapy for oncology cases are among areas where case management is playing a bigger role, in part because the medical profession has found good outcomes are possible with case managers' intervention.

Providers also have found case management essential for their bottom line.

The medical community had a distaste for utilization review, said Marlene Travis, president and chief operating officer for Health Risk Management Inc. in Minneapolis. But as health care providers have taken on more financial risk, such as through capitated managed care arrangements, they have grown more interested in practices that save money by improving people's health.

"They tend to be more interested in figuring out how can we (treat people) from a best practices standpoint, which is somewhat different from the way insurance companies would have looked at it," she said. "Insurance companies think of things more from a financial standpoint."

As a result, the medical community has pushed the refinement of utilization management toward a focus on quality outcomes, believing that will save money, Ms. Travis said.

Utilization management companies also are looking to educate the consumer and offer demand management services in the form of 24-hour toll-free hot lines staffed by nurses.

"We are now moving in a very direct way toward the patient side of the equation, or the demand side of the equation," said Intracorp's Mr. Weymer. "That is a very significant trend in the industry."

Demand management programs generally aim to reduce health care expenses through increased education and by helping individuals to practice healthy habits and to participate more in health care decisions.

In that sense, many utilization management companies are striving to become traffic cops, helping employees navigate integrated health services. Using toll-free numbers, utilization management companies can direct employees to counseling, the appropriate hospital or doctors and other services.

In some cases, that can mean reduced costs by sending employees to the right care in the early stages of an illness or answering questions over the phone rather than scheduling a doctor visit. Consumers also can be directed to "centers of excellence" that exclusively specialize in such areas as asthma or cardiovascular care

"A lot of that can be done by using guidelines and other modalities at the fingertips of a nurse, Ms. Travis said. "There is more and more of a trend for managing the entire benefit plan from one central location."

That includes the integration of claims and network management for one-stop shopping driven by treatment guidelines, Ms. Travis said.

But the jury is still out on who makes the most appropriate supplier of demand management services, some observers said.

Several utilization management companies say they are more likely to offer demand management services provided by specialty companies rather than operate that part of the business themselves.

"We are looking toward demand management and nurse triage," said Dr. Bloomberg. "But I think there we would be better to joint-venture with someone who does that already."

"Many of us are hooking up with demand management companies," said Vicki Merrill, senior vp of operations for Irvine, Calif.-based Beech Street Corp., which provides utilization management through its PPO network.

"Beech Street actually invested in National Health Enhancement Services, and we are building programs to integrate our delivery model and medical management and case management with their capabilities," Ms. Merrill said. Phoenix-based NHES specializes in health information and technology, including demand management services.

Provider profiling is another area where utilization management companies foresee a use for their expertise. "Eventually, companies like ours that handle cases (before, during and after treatment is rendered) have the best shot at provider profiling or offering report cards so consumers can make better choices," Ms. Merrill said. "I think that is the next step."

Part of that next step is already here. The companies are providing information to help claimants determine what type of doctor to see, how long a doctor has been in business, what languages they speak and what hospitals they are associated with.

But more detailed information, such as on their success rate with specific surgeries or how many they have performed, is not yet available, though Ms. Merrill said she expects it eventually will be. BI

Directory of UR providers and case managers

10 largest general utilization management companies

Based on total acute care inpatient admissions reviewed in 1996

Company	Total acute care inpatient admissions reviewed	Total	Full-time staff Physicians	RNs	Physicians on retainer
Private Healthcare Systems	681,839	428	26	161	0
Intracorp	486,318	3,485	72	810	438
National Health Services Inc.	312,083	140	4	100	10
United HealthCare Corp.	200,135[1,2]	NA	157	600	92
IPRO	180,000	200	13	100	600
Cost Care Inc.	165,654	576	26	217	NA
ENCOMPASS Health Management Systems	183,500	199	3	110	334
CareAdvantage Health Systems	140,000	130	12	60	124
QMC 3 Inc.	130,000	1,600	10	1,490	20
CAPP CARE	102,000	50	3	20	8

[1] Estimate [2] Does not include network-based UR services NA=Not available
Source: *BI* survey

A

ACORN Behavioral Health Care Management Corp.

134 N. Narberth Ave., Narberth, Pa. 19072-2299; 610-664-8350; fax: 610-664-8373

Utilization Review/Case Management

1996 revenues

Total gross revenue $6,000,000
UR revenue $3,000,000
Case mgmt. revenue $2,500,000
UR/case mgmt. direct to employers 90%
Other services 10%

Staff

Total UR/case management employees 10
UR/case mgmt. employees on retainer 6

Clients

Total 290
Corporate/institutional employer clients 290

Covered lives/reviewed admissions

Employee benefit plan lives served 475,049

UR/case mgmt. services since: 1975.
URAC certified.
Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, onsite and telephone case management, patient education, free prescreening, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, referrals to alternative settings, written reports.
Occasional services: Retrospective review.
Medical services reviewed/managed: Psychiatric/substance abuse.
Compensation: $1.39 to $7.99 per employee per month.
Officers: Mel S. Goldsmith, president/CEO; Dorothy Harrison, executive vp-operations; Mel Wondolowski, senior vp-corporate relations/marketing/sales.
Contact: Mel Wondolowski, 800-223-7050 ext. 8307.

ADMAR Corp.'s HealthWatch

1551 N. Tustin Ave., Suite 300, Santa Ana, Calif. 92705; 714-953-9600; fax: 714-953-6309

Utilization Review/Case Management

1996 revenues

Total gross revenue $16,743,000
UR revenue $1,250,000
Case mgmt. revenue $91,000

Staff

Total UR/case management employees 21
Professionals 21
UR/case mgmt. employees on retainer 100

Clients

Total 56
Corporate/institutional employer clients 17

Covered lives/reviewed admissions

Employee benefit plan lives served 238,526
Acute care inpatient admissions reviewed 31,966
Diverted for outpatient treatment 1.2%

UR/case mgmt. services since: 1978.
Parent: The Principal Financial Group.
Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, onsite and telephone case management, review of lab work, free prescreening, retrospective review, second surgical opinion, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, referrals to alternative settings, written reports, high-risk maternity management.
Occasional services: Patient education.
Medical services reviewed/managed: Group health, chiropractic, rehabilitation, psychiatric/substance abuse, pediatric.
Compensation: $1.30 to $3.40 per employee per month; $200 per case (case management); $110 to $150 per hour.
Officers: Richard Toral, chairman/CEO; Virginia Pascual, chief administrative officer; Ed Evans, CFO; Joseph Briand, vp-sales/marketing; P.J. Kehoe, vp-information services.
Contact: Joseph Briand, 714-953-9600 ext. 286.

Continued on page 16

Methodology change in listings

The methodology for this directory of utilization and case management providers differs from previous directories of these companies.

For the first time, to be listed *Business Insurance* required companies to report gross revenues. Companies were also asked to report the percentage of revenues attributable to three sources: utilization review and/or case management services provided directly to employers; utilization review and/or case management services to insurance companies, managed care providers and TPAs; and other services.

In requiring gross revenues to be reported, *BI* is striving to give its readers more complete information on the companies listed. It also provides an alternative basis on which to rank the companies in future directories.

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AIG

WORLD LEADERS IN INSURANCE AND FINANCIAL SERVICES

American International Group, Inc., Dept. A, 70 Pine Street, New York, NY 10270

Continued from page 14

ADVO-CARE

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

Case Management

1996 revenues	
Total gross revenue	$40,000
Case mgmt. revenue	$40,000
Case mgmt. direct to employers	25%
Svcs. to managed care/insurance providers	75%
Staff	
Total case management employees	1
Professionals	1
Clients	
Total	6

UR/case mgmt. services since: 1993.

Frequent services: Discharge planning, onsite and telephone case management, referrals to alternative settings, written reports.

Occasional services: Preadmission certification, concurrent hospital treatment review, length of stay determination, review of lab work, patient education, retrospective review, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services.

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

Compensation: Per hour, $60 to $75.

Contact: Sharon Peterson.

Alicare Medical Management

730 Broadway, New York, N.Y. 10003-9511; 212-539-5287; fax: 212-473-1354

Utilization Review/Case Management

1996 revenues	
Total gross revenue	$3,208,000
UR revenue	$1,719,000
Case mgmt. revenue	$395,000
UR/case mgmt. direct to employers	56%
Svcs. to managed care/insurance providers	10%
Other services	34%
Staff	
Total UR/case management employees	56
Professionals	40
Clients	
Total	120
Covered lives/reviewed admissions	
Employee benefit plan lives served	200,000
Acute care inpatient admissions reviewed	18,876
Diverted for outpatient treatment	8%

UR/case mgmt. services since: 1985.

Parent: ALICO Services Corp.

URAC certified.

Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, telephone case management, retrospective review, second surgical opinion, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, referrals to alternative settings, written reports, 24-hour nurse helpline, network referral, automated health information library, 24-hour utilization review (primary or back-up only).

Occasional services: Onsite case management, review of lab work, patient education.

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

Branch offices: Salem, N.H.

Compensation: Per employee per month; per case; per hour.

Officers: Claire Levitt, president; Annette Duclos-Watson, vp/COO.

Contact: Kathy Oliver, sales executive, 212-539-5721.

American Claims Evaluation Inc.

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

Utilization Review/Case Management

1996 revenues	
Total gross revenue	$5,240,000
UR/case mgmt. revenue	$5,240,000
UR/case mgmt. direct to employers	31.5%
Svcs. to managed care/insurance providers	68.5%
Staff	
Total UR/case management employees	40
Clients	
Total	350
Corporate/institutional employer clients	175

UR/case mgmt. services since: 1982.

Frequent services: Hospital bill audits, vocational rehabilitation services, DRG validation, RN directed negotiations, provider discounts.

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

Branch offices: Dallas; Moses Lake and Spokane, Wash.

Compensation: Per case; per hour; contingency as a percent of savings.

Officers: Gary Gelman, president/CEO; Gary J. Knauer, CFO/treasurer; Bonnie Jackson, vp-operations; Steve Renz, president-RPM.

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A guide to using this directory

The annual *Business Insurance* directory of utilization review/case management service providers lists companies that offer utilization review and/or case management 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 hospital treatment review, length of stay determination, discharge planning, case management, retrospective review and second surgical opinions.

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

Listings begin with the company name and address. Financial/statistical information includes: total **1996 gross revenues**, followed by the actual dollar amount of revenues generated by utilization review and/or case management services.

Listed next is the percentage of revenues attributable to three sources: utilization review and/or case management services provided directly to employers; utilization review and/or case management services to insurance companies, managed care providers and TPAs; and other services.

Staff information lists total staff assigned to utilization review and/or case management, including a breakout of 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/case management clients**; **covered lives**, including employee benefit plan and workers compensation lives served; total **acute care hospital admissions reviewed** and the percent of proposed admissions/cases diverted for outpatient care. All figures provided are for 1996.

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

Specific utilization review and case management services the company provides are described under **frequent and occasional services**. Next, the types of **medical services reviewed/cases managed** are provided.

Branch offices are other locations performing utilization review, followed by **compensation**, the method used to bill for services. 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 listings, *BI* is unable to verify all information.

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American Health

921 E. Wind Drive, Suite 104, Columbus, Ohio 43081; 614-818-3222; fax: 614-818-3223

Utilization Review/Case Management

1996 revenues

Total gross revenue*	$8,000,000
UR/case mgmt. direct to employers	15%
Svcs. to managed care/insurance providers	85%

Staff

Total UR/case management employees	80
UR/case mgmt. employees on retainer	23

Clients

Total	1,000

Covered lives/reviewed admissions

Employee benefit plan lives served	1,000,000

UR/case mgmt. services since: 1985.

Parent: American Health Holding Inc.

Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, telephone case management, review of lab work, second surgical opinion, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, written reports, 24-hour health counseling.

Occasional services: Onsite case management, referrals to alternative settings.

Medical services reviewed/managed: Group health, chiropractic, rehabilitation, psychiatric/substance abuse, pediatric.

Branch offices: Indianapolis; Columbus, Ohio; Pittsburgh.

Compensation: $0.85 to $1.65 per employee per month; $80 to $95 per hour.

Officers: Ivan Gilbert, chairman; Michael Reidelbach, president; Joan Yochel, vp; Merry Korn, vp-marketing.

Contact: Merry Korn.

* *Estimate.*

Associates for Health Care Inc.

18650 W. Corporate Drive, Suite 310, Brookfield, Wis. 53045-6344; 414-879-0100; fax: 414-879-0876

Utilization Review/Case Management

1996 revenues

Total gross revenue	$6,000,000
UR/case mgmt. revenue	$2,000,000
UR/case mgmt. direct to employers	15%
Svcs. to managed care/insurance providers	15%
Other services	70%

Staff

Total UR/case management employees	12
Professionals	12

Clients

Total	75,417
Corporate/institutional employer clients	316

Covered lives/reviewed admissions

Employee benefit plan lives served	190,000
Workers compensation lives served	15,000
Acute care inpatient admissions reviewed	25,244
Diverted for outpatient treatment	11%

UR/case mgmt. services since: 1984.

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

Occasional services: Onsite case management, review of lab work, patient education, retrospective review, referrals to alternative settings.

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

Compensation: $1.75 to $2 per employee per month.

Officers: Richard L. Blomquist, chairman/treasurer; David P. Dobias, senior vp; Gary Wroblewski, vp-PPO development; Vickie Chaltas, vp-payer relations; Dirk W. Carson, vp-marketing.

B

Behavioral Healthcare Options Inc.

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

Utilization Review/Case Management

1996 revenues

Total gross revenue	$5,617,649
UR/case mgmt. direct to employers	11%
Svcs. to managed care/insurance providers	89%

Staff

Total UR/case management employees	17
Professionals	12
UR/case mgmt. employees on retainer	5

Clients

Total	9
Corporate/institutional employer clients	5

Covered lives/reviewed admissions

Employee benefit plan lives served	319,000
Acute care inpatient admissions reviewed	766
Diverted for outpatient treatment	26%

UR/case mgmt. services since: 1991.

Parent: Sierra Health Services Inc.

URAC certified.

Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, telephone case management, free prescreening, retrospective review, outpatient service predetermination, outpatient psychiatric and substance abuse services, referrals to alternative settings, written reports.

Occasional services: Discharge planning, onsite case management, review of lab work, patient education, hospital bill audits.

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

Branch offices: San Juan, Puerto Rico.

Compensation: $1 to $1.50 per employee per month.

Officers: Michael R. Adams, president/COO; J. Alexander McCosh, director-clinical services; Kathy Boehning, manager-utilization management.

Contact: Daniel J. Slichko, manager-business development.

Benefit Administrators of America Inc.

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

Utilization Review/Case Management

1996 revenues

Total gross revenue*	$10,800,000
UR/case mgmt. direct to employers	15%
Svcs. to managed care/insurance providers	2%
Other services	83%

Staff

Total UR/case management employees	67
UR/case mgmt. employees on retainer	121

Clients

Total	88

Covered lives/reviewed admissions

Employee benefit plan lives served	114,000

UR/case mgmt. services since: 1982.

Parent: IASD Health Services Corp.

URAC certified.

Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, telephone case management, second surgical opinion, hospital bill audits, outpatient service predetermination, referrals to alternative settings.

Occasional services: Onsite case management, retrospective review, outpatient psychiatric and substance abuse services, written reports, prenatal screening.

Medical services reviewed/managed: Group health, chiropractic, rehabilitation, psychiatric/substance abuse, pediatric.

Branch offices: Sioux City, Iowa.

Compensation: Per employee per month; per case; per hour.

Officers: George P. Wilson, chief marketing officer; Paula Ryan, director-marketing; Sally Wood, vp-government/private administration; Carla Bates, financial services.

Contact: Sandra McNeal, 515-246-4874.

* *Estimate.*

Bradman/Unipsych Cos.

7777 Davie Road Extension, Suite 302, Hollywood, Fla. 33024; 954-704-8686; fax: 954-704-8677

Utilization Review/Case Management

1996 revenues

UR/case mgmt. revenue	$600,000
UR/case mgmt. direct to employers	30%
Svcs. to managed care/insurance providers	20%
Other services	50%

Staff

Total UR/case management employees	10
UR/case mgmt. employees on retainer	192

Clients

Total	50

Covered lives/reviewed admissions

Employee benefit plan lives served	250,000

UR/case mgmt. services since: 1986.

Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, onsite and telephone case management, patient education, retrospective review, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, referrals to alternative settings, written reports.

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

Branch offices: Florida, Georgia.

Compensation: Per employee per month; per hour.

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

Contact: Leo Bradman.

Continued on next page

An explanation of the methodology used in this directory is on page 16.

Continued from previous page

C

CCMI Associates Inc.

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

Case Management

1996 revenues	
Total gross revenue*	$1,500,000
Case mgmt. direct to employers	5%
Svcs. to managed care/insurance providers	85%
Other services	10%

Staff	
Total case management employees	5
Professionals	5
UR/case mgmt. employees on retainer	1

Clients	
Total	25
Corporate/institutional employer clients	5

Covered lives/reviewed admissions	
Acute care inpatient admissions reviewed	NA
Diverted for outpatient treatment	90%

Case mgmt. services since: 1989.

Frequent services: Concurrent hospital treatment review, discharge planning, onsite case management, review of lab work, patient education, free prescreening, referrals to alternative settings, written reports, identification of resources, provision of family/client support.

Occasional services: Preadmission certification, length of stay determination, telephone case management, second surgical opinion, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services.

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

Branch offices: Portland, Maine; Wakefield, Mass.

Compensation: $65 per hour.

Contact: Sandra L. Lowery, president/CEO.

* *Estimate.*

CNR Health Inc.

2514 S. 102 St., Milwaukee, Wis. 53227-2132; 800-654-5160 or 414-327-5197; fax: 414-327-0886

Utilization Review/Case Management

1996 revenues	
Total gross revenue	$16,342,333
UR/case mgmt. revenue	$11,555,969
UR/case mgmt. direct to employers	33%
Svcs. to managed care/insurance providers	38%
Other services	29%

Staff	
Total UR/case management employees	41
Professionals	41

Clients	
Total	65
Corporate/institutional employer clients	54

Covered lives/reviewed admissions	
Employee benefit plan lives served	740,100

UR/case mgmt. services since: 1988.

Parent: United Wisconsin Services Inc. (joint venture partnership).

URAC certified.

Frequent services: Preadmission certification; concurrent hospital treatment review; length of stay determination; discharge planning; onsite and telephone case management; review of lab work; patient education; retrospective review; second surgical opinion; outpatient service predetermination; outpatient psychiatric and substance abuse services; referrals to alternative settings; written reports.

Occasional services: Hospital bill audits.

Medical services reviewed/managed: Group health, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability, prenatal, home care; physical, speech and occupational therapy; targeted outpatient diagnostic procedures (MRIs).

Branch offices: Midland, Mich.; Houston and Lake Jackson, Texas.

Compensation: Per employee per month; per case; per hour.

Officers: Ralph Cavaiani, president; Dianne Kiehl, executive vp; Louise Murphy, vp-southwest region; Pete Levine, national medical director-southwest region; Dr. Barry Blackwell, national medical director-northern region.

Contact: Northern region: Elizabeth Ferris, business development director, 800-654-5160. Southern region: Shirley Cortez, senior sales consultant, 800-554-6171.

CRA Managed Care Inc.

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

Utilization Review/Case Management

1996 revenues	
Total gross revenue	$190,750,000
UR revenue	$67,450,000
Case mgmt. revenue	$121,300,000
UR/case mgmt. direct to employers	11%
Svcs. to managed care/insurance providers	88%
Other services	1%

Staff	
Total UR/case management employees	2,750
Professionals	1,300
UR/case mgmt. employees on retainer	50

Clients	
Total	1,258

UR/case mgmt. services since: 1978.

URAC certified.

Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, onsite and telephone case management, retrospective review, second surgical opinion, hospital bill audits, outpatient service predetermination, referrals to alternative settings, written reports.

Occasional services: Review of lab work, patient education, free prescreening, outpatient psychiatric and substance abuse services.

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

Branch offices: 115 field locations; 62 cost-containment locations.

Officers: Donald J. Larson, president/CEO; Joseph F. Pesce, CFO/treasurer/senior vp-finance/administration; John A. McCarthy Jr., senior vp-corporate development; Peter R. Gates, senior vp-marketing/sales; Anne E. Kirby, vp-marketing/product development.

Contact: Anne E. Kirby.

Cannon Cochran Management Services Inc. dba MSI compSolutions

2 E. Main St., Towne Centre Building, Danville, Ill. 61832; 217-446-1089; fax: 217-443-0927

Utilization Review/Case Management

1996 revenues	
Total gross revenue	$25,631,000
UR revenue	$450,000
Case mgmt. revenue	$18,500
UR/case mgmt. direct to employers	0.9%
Svcs. to managed care/insurance providers	0.1%
Other services	99%

Staff	
Total UR/case management employees	6
Professionals	6
UR/case mgmt. employees on retainer	6

Clients	
Total	900

Covered lives/reviewed admissions	
Employee benefit plan lives served	14,000
Workers compensation lives served	120,000

UR/case mgmt. services since: 1995.

Parent: Cannon Cochran Management Services Inc.

Frequent services: Concurrent hospital treatment review, length of stay determination, discharge planning, outpatient service predetermination, referrals to alternative settings.

Occasional services: Preadmission certification, onsite and telephone case management, review of lab work, patient education, free prescreening, retrospective review, second surgical opinion, hospital bill audits, outpatient psychiatric and substance abuse services, written reports.

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

Branch offices: Margate, Fla.; Atlanta; Oakbrook, Ill.; Des Moines, Iowa; Metairie, La.; Kansas City and St. Louis, Mo.

Officers: Robert L. Cowgill, chairman/CEO; Gary J. Schirmer, vice chairman; Stephen W. Ferguson, president/COO; G. Bryan Thomas, Steven L. Luebbert, executive vps.

Contact: Annie Mariage, 800-252-5059 ext. 200.

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CAPP CARE

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

Utilization Review/Case Management	
1996 revenues	
Total gross revenue	$30,000,000
UR revenue	$9,000,000
Case mgmt. revenue	$2,500,000
UR/case mgmt. direct to employers	20%
Svcs. to managed care/insurance providers	20%
Other services	60%
Staff	
Total UR/case management employees	50
Professionals	38
UR/case mgmt. employees on retainer	8
Clients	
Total	260
Covered lives/reviewed admissions	
Employee benefit plan lives served	1,400,000
Acute care inpatient admissions reviewed	102,000
Diverted for outpatient treatment	18%

UR/case mgmt. services since: 1982.
URAC certified.

Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, telephone case management, review of lab work, patient education, second surgical opinion, outpatient service predetermination, outpatient psychiatric and substance abuse services, referrals to alternative settings, written reports.

Occasional services: Onsite case management, retrospective review.

Medical services reviewed/managed: Group health, chiropractic, rehabilitation, psychiatric/substance abuse, pediatric.

Compensation: $1.75 to $3.60 per employee per month; $115 per hour (case management); $1.40 per employee per month (UR pre-certification).

Officers: Ed Zalta, chairman; Mike Henry, president/CEO; Nouri Zalta, executive vp/COO; Greg Hamblin, CFO; Roberta Holtzman, senior vp-operations; Frank Stevens, senior vp-PPO/provider affairs; Rick Hardeman, vp-customer service; Karen Linden, vp-information technology.

Contact: Jeanine Scalero, marketing communications coordinator, 714-251-2200 ext. 7409.

CareAdvantage Health Systems Inc.

485-C Route 1 South, Iselin, N.J. 08830-3037; 908-602-7000; fax: 908-602-7027

Utilization Review/Case Management	
1996 revenues	
Total gross revenue	$16,000,000
UR revenue	$13,000,000
Case mgmt. revenue	$3,000,000
UR/case mgmt. direct to employers	5%
Svcs. to managed care/insurance providers	95%
Staff	
Total UR/case management employees	130
UR/case mgmt. employees on retainer	124
Clients	
Total	6
Corporate/institutional employer clients	1
Covered lives/reviewed admissions	
Employee benefit plan lives served	2,100,000
Acute care inpatient admissions reviewed	140,000

UR/case mgmt. services since: 1994.
Parent: CareAdvantage Inc.
URAC certified.

Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, telephone case management, review of lab work, retrospective review, outpatient service predetermination, referrals to alternative settings.

Occasional services: Onsite case management, patient education, second surgical opinion, written reports.

Medical services reviewed/managed: Group health, chiropractic, rehabilitation, pediatric.

Compensation: Per employee per month; per case; percent of savings.

Officers: Thomas Riley, CEO-CareAdvantage Inc.; Dr. Robert Ailes, CEO-CareAdvantage Health Systems Inc.; Richard Strobel, CFO; Dr Stephan Deutsch, chief medical officer.

Contact: Dr. Robert J. Ailes, 908-602-7005.

Case Management Choices Inc.

4237 Salisbury Road, Suite 207, Jacksonville, Fla. 32216; 800-227-3317 or 904-279-0077; fax: 904-279-0082

Utilization Review/Case Management	
1996 revenues	
Total gross revenue	$260,000
UR revenue	$65,000
Case mgmt. revenue	$195,000
UR/case mgmt. direct to employers	85%
Svcs. to managed care/insurance providers	15%
Staff	
Total UR/case management employees	10
Covered lives/reviewed admissions	
Workers compensation lives served	35,000

UR/case mgmt. services since: 1990.

Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, onsite and telephone case management, second surgical opinion, outpatient service predetermination, referrals to alternative settings, written reports.

Occasional services: Retrospective review, hospital bill audits, outpatient psychiatric and substance abuse services.

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

Compensation: Per employee per month; per case; per hour.

Officers: Michael N. Kowlsen, president; Tina M. Kowlsen, vp.

Catastrophic & Rehabilitation Management Inc.

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

Case Management	
1996 revenues	
Total gross revenue	$260,000
Case mgmt. revenue	$120,000
UR/case mgmt. direct to employers	28%
Svcs. to managed care/insurance providers	18%
Other services	54%
Staff	
Total UR/case management employees	3
Professionals	3
Covered lives/reviewed admissions	
Workers compensation lives served	70

UR/case mgmt. services since: 1991.

Frequent services: Concurrent hospital treatment review, discharge planning, onsite and telephone case management, review of lab work, patient education, second surgical opinion, referrals to alternative settings, written reports.

Occasional services: Preadmission certification, length of stay determination, retrospective review, hospital bill audits, outpatient service predetermination.

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

Compensation: Per hour, $70 to $130.

Contact: Charlotte Stein.

Community Care Network (CCN)*

5251 Viewridge Court, San Diego, Calif. 92123; 619-278-2273; fax: 619-278-8621

Utilization Review/Case Management	
1996 revenues	
Total gross revenue	$91,771,000
UR revenue	$1,100,000
Case mgmt. revenue	$1,700,000
UR/case mgmt. direct to employers	1%
Svcs. to managed care/insurance providers	2%
Other services	97%
Staff	
Total UR/case management employees	105
Professionals	67
UR/case mgmt. employees on retainer	162
Clients	
Total	3,971
Corporate/institutional employer clients	2,778
Covered lives/reviewed admissions	
Employee benefit plan lives served	1,759,523
Workers compensation lives served	13,000,000
Acute care inpatient admissions reviewed	14,854
Diverted for outpatient treatment	5.3%

UR/case mgmt. services since: 1984.
Parent: Value Health Inc.
URAC certified.

Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, telephone case management, retrospective review, outpatient service predetermination, outpatient psychiatric and substance abuse services, referrals to alternative settings, written reports.

Occasional services: Hospital bill audits.

Medical services reviewed/managed: Group health, dental (southern California only), chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability, pediatric.

Branch offices: Phoenix; Long Beach, Calif.; Gulfport and Jackson, Miss.

Compensation: $1.10 to $1.50 per employee per month; $96 to $105 per hour.

Officers: James E. Buncher, president/CEO; Debra Cerre-Ruedisili, senior vp/COO; Shannon Johnston, senior vp/chief administrative officer; Patrick Sullivan, senior vp/chief marketing officer; Dr. Eugene Helsel, medical director.

Contact: Patrick Sullivan.

** Community Care Network (CCN) and MedView are wholly owned subsidiaries of Value Health Inc. Please refer to MedView's listing for additional information.*

ComPsych Behavioral Health

NBC Tower, 24th Floor, Chicago, Ill. 60611; 312-595-4000; fax: 312-595-4029

Utilization Review/Case Management	
1996 revenues	
Total gross revenue*	$50,000,000
UR revenue*	$10,000,000
Case mgmt. revenue*	$10,000,000
UR/case mgmt. direct to employers	20%
Svcs. to managed care/insurance providers	20%
Other services	60%

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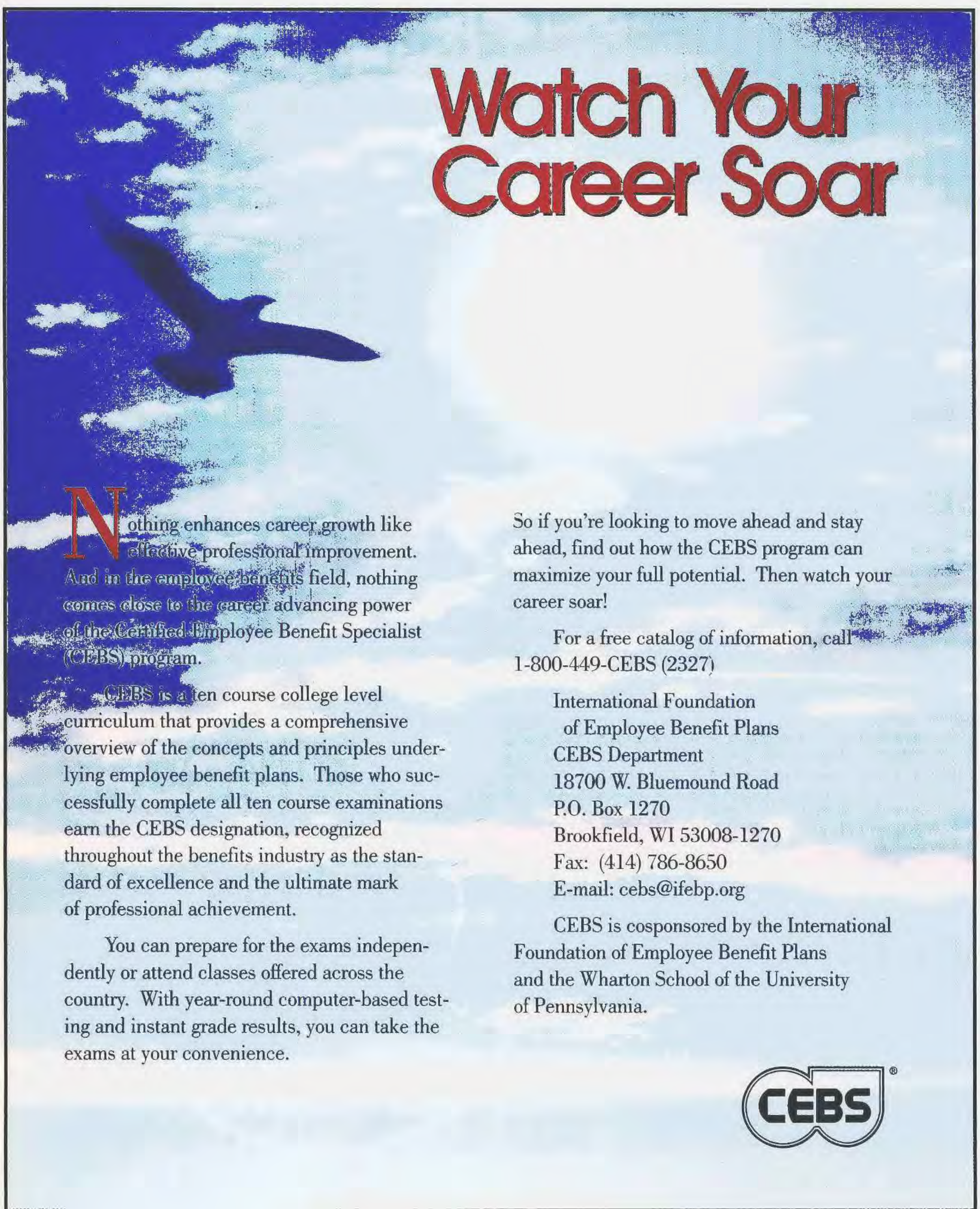
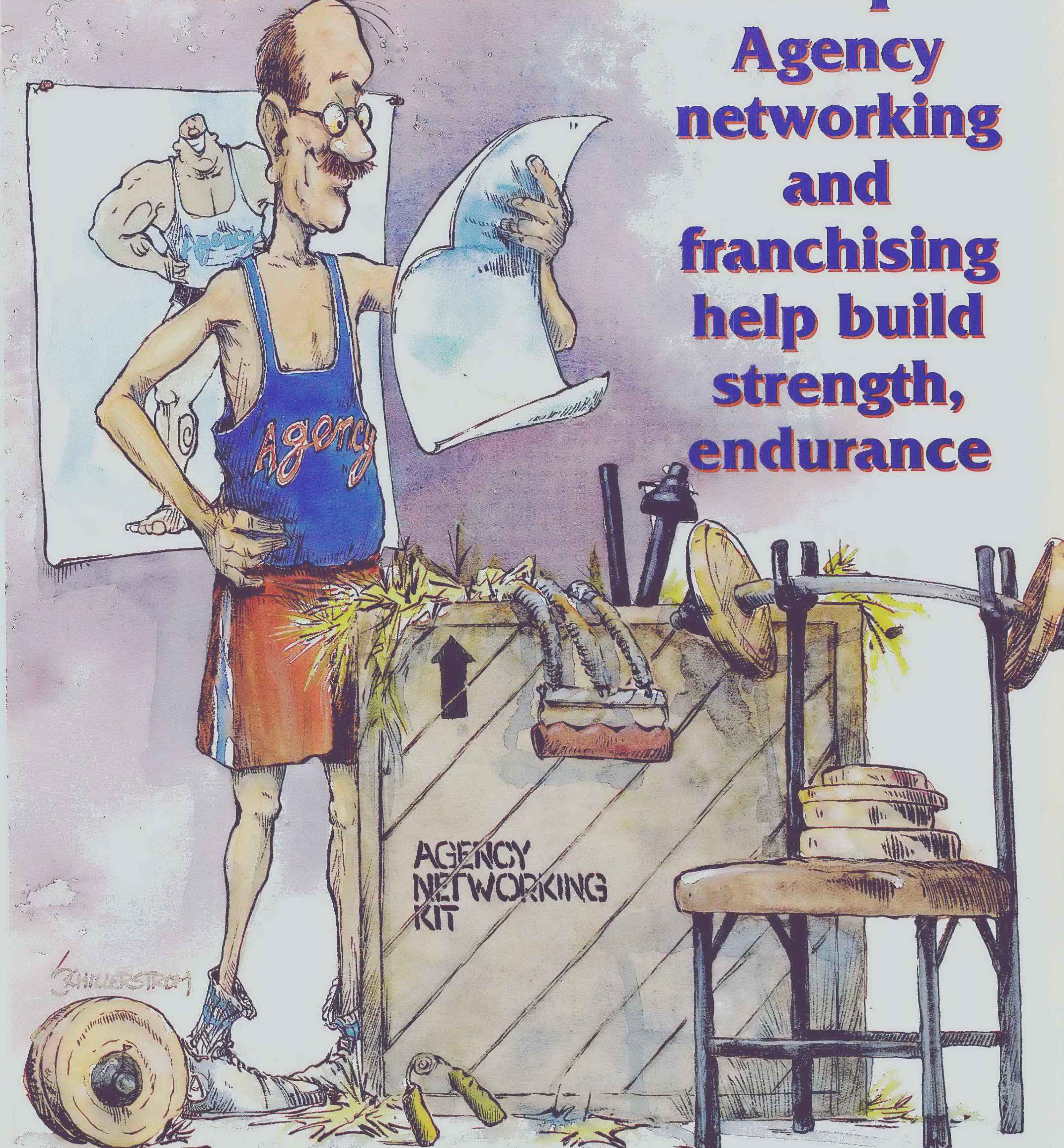


Agent/Broker Topics

A monthly editorial section sent exclusively to agents and brokers

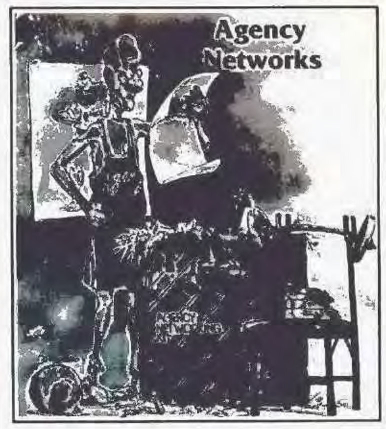
The future takes shape

Agency networking and franchising help build strength, endurance



ISU offers members growth, demands conformity

By ROBERTO CENICEROS



For smaller and midsize agencies, networking can help them obtain new business, but one franchise company says it offers agencies something more: salvation.

But an ISU franchise is only for the faithful willing to adopt its systems and procedures for every aspect of agency management. There are ISU job descriptions, filing methods and instructions for writing and implementing a business plan.

Even producer agreements and telephone answering must be handled according to "St. ISU," says Thomas Ryan Jr., chief executive officer of the San Francisco-based company that has 67 member agencies in 100 offices in the United States.

"You have to have almost a religious fervor for changing your systems and doing it the ISU way," Mr. Ryan says. "Our manuals we jokingly call the gospel according to ISU."

The ISU in the company name, ISU International, stands for Insurance Services Unlimited, Mr. Ryan explains.

The company's function is to help its franchisees deliver superior products on a consistent basis.

ISU manuals contain about 700 pages on how to operate an agency, and agencies can participate only if they are willing to adopt the ISU way.

"We are only awarding the franchise to those independent agents who have the sensitivity to realize they have to change in order to survive in today's hostile environment," he says. "You don't get a McDonald's franchise if you tell McDonald's, 'I don't want to make French fries the way you tell me to make them.' We don't award a franchise unless (agents) have investigated the way we do business and have come to the company store to look at the financials of the prototype agency."

The faithful say ISU has helped their agencies grow rather than lose ground to declining commissions, decreasing insurer appointments and customers demanding more value.

"I have seen the light," says Paul May, who has been an agent for more than 30 years and is president of ISU/The Paul May Agency in Bloomington, Ind. "When we started with ISU (about five years ago), we were doing about $5.5 million in premium volume with 18 employees. Now we are doing $11 million with 13 employees."

In 1995, ISU agencies as a group earned $129.4 million in revenues. If revenues from the individual ISU member agencies were combined, ISU would be the 12th-largest broker of U.S. business in *Business Insurance*'s annual ranking.

But other agents say they left ISU because the returns didn't justify the franchise fees paid.

Some, such as Thomas C. Ricci Jr. and Stephen Ricci of Ricci Associates in St. Louis, say ISU was short in providing network opportunities and access to specialty programs they thought they would gain by joining ISU.

Critics say those types of shortcomings led many agencies to leave ISU a few years ago.

ISU did have about 500 franchisees in the mid-1980s, Mr. Ryan says. But ISU has since perfected its systems and procedures and now requires everyone to run their agencies similarly. In the past, there were no requirements.

When ISU began requiring uniformity, several core members thought it best to cut loose agencies that did not follow ISU edicts, such as one that agents turn over all account servicing to specially trained service representatives.

"We cut back and cut back and cut back," Mr. Ryan says.

There also have been learning experiences, such as an ISU employee who was let go because the salesperson promised agents more than ISU would deliver.

Additionally, in the early 1980s ISU created insurance programs for associations because agents requested more opportunities to place program business.

But Mr. Ryan said ISU scrapped the programs after results failed to meet expectations because agents did not participate.

ISU has moved away from designing programs to helping agencies that want to put them together.

ISU changed to focus on reorganizing agencies and then assisting them to start their own commercial group programs.

"We find the agents who develop their own program, with

See **ISU** *on page 20D*

You just wrote your sixth microbrewery. Now you're thinking trade group. Who can you trust to do it right?

http://www.the-fund.com

Fireman's Fund

ISU

Continued from page 20B

our help, exploit that and sell that program effectively," Mr. Ryan says.

An agency association official praised ISU's leadership in helping agents.

"Tommy (Ryan) is a well-known, highly experienced insurance executive," says Lee Lewis, technical director for the San Francisco-based Insurance Agents & Brokers of the West. Many IBA West members own ISU agencies and find the association beneficial, he adds.

Mr. Ryan's son, T.J. Ryan III, president of ISU, was sworn in Jan. 15 as an IBA board member. "If we had any doubts about ISU's reputation, Mr. Ryan III would not serve on the board," Mr. Lewis says.

Even agents who have left ISU say ISU's methods can help agencies. Members also can benefit by advertising their participation in ISU, showing they are part of something larger than just a small independent agency, they say.

"For somebody who isn't organized management-wise, they do have programs that can help you," says Lisa Murray, vp of Feingold & Feingold Insurance Agency Inc. in Worcester, Mass. The Feingold agency joined ISU in 1984 and left in 1995.

The Feingold agency cut its ties to ISU when one Feingold brother sold his share of the agency. That brother had been holding out hope that ISU would help increase profitability. But that never happened, Ms. Murray says.

"We just didn't feel (ISU was) doing that much for us," she says. But the Feingold agency didn't follow ISU's procedures, Ms. Murray admits.

"Because we are independent agents, we didn't want to be a McDonald's, she says. "We want to do our own thing."

The ISU way only works for agents who embrace change, insists Mr. May, whose agency serves as a model for ISU systems.

"I can say real simply that if it didn't work for them, they didn't use it," he says of ISU's critics. "I have used it. It is not something you can buy and put on autopilot. You have to take their ideas and implement them. You have to believe in their mind-set and get it in your head so you think that way. A lot of guys have bought into this thing but never got the vision. It is like they bought a McDonald's restaurant but didn't use the recipe."

When The Paul May Agency joined ISU, the franchise company's employees visited his agency and studied the efficiency of a file system he had recently developed.

ISU pointed out that the system was costing Mr. May's agency 32% in productivity because his employees had to wait in line, causing a logjam to use the system.

"People would stand and wait and then they would start to talk to each other and put the customer on hold or have to call them back," Mr. May says.

ISU eventually helped him redesign his office, create new workstations and develop a paperless system for transactional filing, he says. The changes have paid off in productivity as well as profitability.

There also has been help in customer servicing and obtaining new accounts.

"They have got us a lot of markets we didn't have before," Mr. May says of ISU. "Not only have they helped us access markets through the (ISU) network, but they have helped us get our own contracts. We now have two national accounts that we would never have had before."

One of those accounts is a large jet ski association based in California that brings in $3 million in premium. The business previously was placed by one of the so-called alphabet brokers. Belonging to ISU allowed Mr. May's agency to market itself as a national operation, he says.

ISU helped Mr. May put together the underwriting submission and place it on a surplus lines basis in California. That is an example of how ISU now helps its agents obtain program business, Mr. May points out.

Soon all ISU agencies will be connected to each other through an Intranet. Currently, ISU members help each other place program business.

Developing the jet ski program led to placing similar coverage for a large motorcycle association, Mr. May adds.

"Those two things have purely developed out of being in the ISU mind-set," Mr. May says. Those accounts developed from following ISU's philosophy, a cornerstone of which is that producers bring in new business and leave customer service to trained representatives.

He recommends ISU to other agents.

"I don't know how you can survive in the next 10 years if you are not affiliated with something like that," he says. "I would hate to think of trying to survive the next 10 years like we used to."

The average agency looking to join ISU today earns about $1 million in commissions and has about 15 employees, Mr. Ryan says. To become an ISU franchisee, agents pay a franchise fee of $15,000 and an additional monthly charge based on the number of employees in the agency. The number of employees determines how much ISU training and consulting work is necessary, Mr. Ryan says.

Additionally, ISU becomes a partner in the agency's growth, collecting a 4% royalty on all annual revenues above the amount the agency earned before joining ISU. In return, ISU employees help install its systems, from computers to customer service practices. They also train agency employees so they know how to provide the consistency and reliability customers seek, Mr. Ryan explains.

Other outlets, such as agency networks, cannot provide similar benefits because they don't require agents to follow the proven path, Mr. Ryan argues.

"A good franchise, unlike a network, will decide, study and test the very best way to sell a policy, to service a policy to negotiate with an insurance company, whatever the situation might be," he said. "Networks don't get down to telling the individual members: 'Everybody has got to do it this way. You are supposed to answer the phones this way. You keep your computer systems operating this way, all of your notes and your transaction filing has to be done in this way, and all of the notes are abbreviated in this fashion and everybody is doing it the same way.' That is what a franchise does."

ISU addresses a basic flaw in the traditional independent agency system, Mr. Ryan says. The flaw is a stubborn belief by producers that only they can service their accounts.

"That is so structurally and so fundamentally flawed that it is spelling the doom of the independent agency system," Mr. Ryan believes.

The ISU way is for producers to focus on selling and bringing in the revenue while client service representatives, who earn less, are specially trained to service accounts.

"The job description for the producer clearly says they may not service accounts," Mr. Ryan says. "We will have independent agents call us and say they are interested in our franchise and when we sit down and explain what we are all about, you can see kind of a glassy mist come over the eyes of the principals when we tell them they can no longer service their accounts. They say, 'That is what we do,' and I say to them, 'You are among the highest-paid customer service reps in the business.'"

ISU even has reinvented the way accounts are serviced, Mr. Ryan says. Instead of dividing clients alphabetically among service representatives, customers are serviced according to standard industrial codes.

That often leads the customer service managers to learn more about the client's industry than producers typically learn.

"You begin to wean producers away from this crazy idea that they are the only authority, that they are the smartest person in the office and they are the only ones who can answer the client's question," Mr. Ryan says. BI

Sharing common problems and success stories enables top agencies to do even better

By ROBERTO CENICEROS

Networking among agencies needn't be a formal way to exchange information.

For example, principals from 15 or so respected agencies have held low-profile meetings for the past three years to tackle common challenges and share experience on successes.

The conversations often turn to the type of information that agents generally keep to themselves.

But there are no competitors among the informal network of peers who take turns hosting their gatherings. Membership is by invitation only, and none of their sales regions overlaps, reducing the possibility of giving ideas to competitors. Members generally come from agencies in the central United States.

"We share intimate details about our situations, and you can't do that with a competitor from the same marketing area that you are from," explained R.C. Riley, president and chief executive officer of Peel & Holland Inc. in Benton, Ky. "We have a high level of respect for each other, and I think that is very important for any idea-sharing group."

Others familiar with them say they are among the most successful, aggressive and innovative agency owners in their region. Their network is one factor that sets them apart, helping them reach beyond the support offered by state and national associations to overcome common roadblocks that can stymie agency growth.

The group was the idea of a few members, Mr. Riley said. Those few then began inviting people they knew in the industry.

Each agency in the network has 20 to 50 employees and earns annual revenues of $2 million to $5 million, Mr. Riley said. Members come from six states. The group does not have an official name and members do not pay dues, he added. They pay their own expenses to get to their meetings, where the emphasis is on sharing information about sales materials, brainstorming and problem-solving, rather than a formal network for placing business, Mr. Riley said.

The group meets about four times a year, Mr. Riley said, getting together for dinner and the meeting the next day.

"We always come away stimulated because we see what other people are doing, he said. "I always come away with a great idea that might work for me, and I hope I give someone else an idea that will work for them."

Occasionally, guest speakers are invited to address special situations, Mr. Riley said. For example, one recent speaker was Richard Womack, an independent consultant and former agent in Birmingham, Ala., who specializes in finding, recruiting and keeping new agents, a problem plaguing agencies of all sizes.

"He spent the day talking to us, giving us ideas and sharing with us his successes," Mr. Riley explained. "We came away from there with a lot of great ideas. Dick did that in Toronto at the Independent (Insurance) Agents of America conference (in October 1996). But then we brought him on in and focused him just on our small group."

Mr. Womack said he thinks most agencies "don't have a clue" about recruiting and keeping the best sales talent.

"The sad thing is, there are only seven people of every hundred on this earth who can sell, and everybody wants the same seven kids, whether it be Xerox or whether it be the local Joe Smith Insurance Agency," he said.

He also thinks agencies suffer from complacency because their owners pull in enough revenue to maintain a comfortable lifestyle, he said. But they are not in a sound position to retire because they are not recruiting or retaining people who can successfully manage their agencies in their absence.

"Most are laboring in the vineyard and really don't know what to do about it," Mr. Womack said in an interview.

"The agents obviously don't know what to do about it because they don't know how to recruit, and if they get one, they don't know what to do with them. And if they get one that is good, they leave because they won't give them any ownership," he said.

Mr. Womack's advice was helpful, Mr. Riley said. "He shared some wonderful ideas with us in our last meeting and

See **Networking** *on next page*

Networking

Continued from previous page

stimulated our thought process," Mr. Riley said.

"Virtually every member of our group would hire today the right young person if we could identify them. We think our futures individually are going to hinge on the ability to have good salespeople in the field," he said.

As for other agents wanting to start their own informal networking group like the one Mr. Riley participates in, he suggests associating only with peers who are tops in their field and spread out geographically so they are not competitors. The formula can work even for small agencies, he said.

"You have to have one or two people get together and say, 'This is what we want to do' and then begin to range out to several areas of the United States and say, 'OK, I know a great agent here who is creative and aggressive and will speak very candidly and is innovative.' Then issue an invitation to them," he said. "You don't want to ask just anyone to become a member. It has to be someone who can contribute. All members need to be able to contribute and have above-average agencies." BI

Future differs for commercial and personal lines agents: Study

By MICHAEL PRINCE

Independent insurance agents specializing in commercial lines will thrive, while those focusing on personal lines may face extinction, a study states.

The study, conducted by Hartford, Conn.-based analysts Conning & Co. from a survey of 85 insurance agencies throughout the country indicates that while more personal lines insurance will be sold directly to the public, agents' services will still be needed for commercial lines business. These 85 agencies represent those "top-notchers" based on recommendations of agency associations, consulting firms, insurers or Conning's own contact with them, that responded to the survey.

The number of agencies that derive 85% or more of their revenue from commercial lines will more than double in the next 10 years, the study states.

"Since the services rendered by the independent agent/broker continue to be more valued in the distribution of this more complex business—compared to personal lines—this group continues to control the majority of commercial insurance," the study says.

Commercial agencies' size also benefits them. Bigger agencies have advantages in the future, "because they tend to be the larger, higher-capitalized agencies, they are better positioned to focus on new sales, tend to be more strategically minded and can better utilize technology" than independent agencies dominated by personal lines.

In contrast, for the past 20 years, agency writers' share of the personal lines business has steadily declined. "From a 53% share of personal lines premium in 1972, agency writers controlled only one-third of the market (33.1%) by 1995. Conversely, direct writers now write 66.9% of all personal lines premium, up from 47% in 1972," according to the study, released last month. Surveyed agents expect this decline to continue.

Also, the number of independent agencies depending on personal lines for at least half their revenue is expected to decline. The study estimates the number of such agencies will decline 31% in the next 10 years.

The Internet is one factor contributing to the agents' decline. Although the study states insurance sales through banks or the Internet are a small segment of the property/casualty market, that could change in the future.

"If either distribution channel takes hold, particularly in personal lines, it will have a profound impact on the way independent agents do business," the study states. "We believe the Internet's golden ring in insurance ultimately will be marketing and selling directly to the consumer, particularly in personal lines."

The study projects that by the year 2000, sales of homeowners and auto insurance through the Internet will reach $2.4 billion in premiums, 2% of the market. Growth is expected because Internet sales will have 23% lower distribution costs compared to agency writers and 5% savings over direct writers.

The inevitable result of this shift is the elimination of agents for personal lines, with insurers selling directly to customers. "In the long run I don't see how it will involve the agent," said Nancy Carini, assistant vp at Conning and author of the study. "I don't see what added value the independent agent will have in that electronic process."

Direct response will continue to increase in popularity as its lower costs save policyholders money.

"With a (10 to 15 percentage) point expense advantage over other distribution systems, many insurers are exploring the direct response option," the study states.

"As a result, we continue to expect this method of distribution

See **Study** *on next page*

Strategies for success

Top-performing agencies rank the following as most important to their business success:

Target Marketing	Service
Aggressive sales	Aggressive producers
Cross-selling	Reputation
Insurer relations	Automation
Customer relations	Telemarketing

Source: Conning & Co.

Study

Continued from previous page

to rise in prominence in the future."

Satisfying their customers' needs compels insurers to direct servicing, Ms. Carini said. "The young are used to being provided with service quickly and efficiently," she said, as well as being more comfortable with electronic commerce.

"All insurers are looking at their distribution and realize their customers should be driving their means of distribution rather than the agents," she said.

The long-term result of these two trends is an insurance world where commercial insurance is purchased through an agent and personal insurance is purchased directly from insurers, Ms. Carini said. This also will blur the line between insurers historically classified as direct writers or agency writers. In the future insurers will be both, selling commercial lines through agents and personal lines directly.

This highlights another conclusion of the study: Insurers are using multiple channels to sell their products.

"Multiple channels of distribution is becoming the norm rather than an exception," Ms. Carini said. "One insurer is not relying on only one way of distributing its product."

'Multiple channels of distribution is becoming the norm rather than an exception. One insurer is not relying on only one way of distributing its product,' says Nancy Carini.

Despite their expected growth, commercially focused independent agencies must evolve to prosper.

"To stay in the game, an agent must take the time to look ahead and assess what the playing field will be like in the 21st century," the study states. "The 85 top-notch agents we surveyed do have a vision of tomorrow, and that vision most definitely involves change."

Of the strategies mentioned by the surveyed agencies to increase sales, targeted marketing was considered the most fruitful. To do this successfully, however, requires close cooperation between the agency and the insurer, something that has eluded most agencies to date. Also, the study states that increased customer service is the best way to retain existing clients and enhance the agency's reputation.

One weakness the survey noted with agencies in general is poor training of the sales force.

Those that make the necessary changes will be positioned to succeed like successful direct response writers of personal lines.

"By strengthening their marketing awareness—reputation in the community—and emphasizing excellent customer service, these top-notch agencies are managing their books of business much like direct response writers, whose primary strategies for top performance come from the economic advantages of both strong brand identity and increased retention," the study states.

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Copies of the study are available for $495 from Conning & Co., CityPlace II, 185 Asylum St., Hartford, Conn. 06103; 860-520-1521.

PIA prohibits consolidations with other organizations

State organizations of the National Assn. of Professional Insurance Agents no longer will be allowed to consolidate with other agent organizations.

The Executive Committee of the Alexandria, Va.-based PIA voted last month to halt those consolidations.

"We feel that the best interests of America's professional insurance agents are best served by a strong and autonomous PIA," national PIA President Michael Grace of Baton Rouge, La., said in a statement.

State organizations that already have consolidated with the approval of the Board of Directors will continue in good standing, but no more consolidations are acceptable, Mr. Grace said.

"Competition breeds excellence," Mr. Grace said. "No organization should have a monopoly on professional agents."

PIA affiliates in some states have consolidated with affiliates of other industry groups in recent years, the PIA said.

"We will continue to collaborate with any and all insurance organizations when it makes sense and serves the best interests of our members," Mr. Grace said.

The PIA in the past has discussed merging with the Alexandria, Va-based Independent Insurance Agents of America, but the PIA ended those talks in 1992, citing a lack of common goals. The groups differed primarily in their view of the role direct writer agents would play in the consolidated organization, then-IIAA President R.C. Riley said.

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Issue of February 3

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Business Insurance

FREE LITERATURE FOR READERS

Issue Date: FEBRUARY 3, 1997
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Circle the numbers below that correspond to the companies listed on our Advertiser Index for the **February 3, 1997** issue. Cards with more than 20 items circled will not be processed. This card expires **March 31, 1997**.

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
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136	137	138	139	140	141	142	143	144	145	146	147	148	149	150

All questions must be answered to process inquiries.
PLEASE CHECK ONE ITEM FOR EACH CATEGORY:

1. My organization is best described as:
A ❑ Mfg/Svcs F ❑ Ins Agent K ❑ Adj/Apprs
B ❑ Association G ❑ Ins Broker L ❑ TPA
C ❑ Union H ❑ Ins/Reins Co M ❑ Health care Inst
D ❑ Government I ❑ Consultant
E ❑ Educational Inst J ❑ Actry/Attorney N ❑ Other______

2. Number of employees:
1 ❑ 150 or less 2 ❑ 151 - 499 3 ❑ 500 - 999
4 ❑ 1,000 - 4,999 5 ❑ 5,000 or more 6 ❑ Unknown

3. My title is best defined as:
A ❑ Administrative Mgt D ❑ Benefits Mgt
B ❑ Financial Mgt E ❑ Loss Prevention Mgt
C ❑ Risk Mgt F ❑ Other______

4. My purchasing involvement for the requested products is to:
1 ❑ recommend only 2 ❑ specify 3 ❑ approve

5. Do you now receive a personally addressed copy of *Business Insurance*?
A ❑ Yes B ❑ No, so please send subscription info

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Continued from previous page

Staff	
Total UR/case management employees	29
Clients	
Total	18
Corporate/institutional employer clients	12
Covered lives/reviewed admissions	
Employee benefit plan lives served	1,200,000
Acute care inpatient admissions reviewed	2,400
Diverted for outpatient treatment	75%

UR/case mgmt. services since: 1989.

Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, telephone case management, outpatient service predetermination, outpatient psychiatric and substance abuse services, referrals to alternative settings, employee assistance services.

Occasional services: Discharge planning, onsite case management, patient education, retrospective review, written reports.

Medical services reviewed/managed: Psychiatric/substance abuse.

Compensation: $0.75 to $15 per employee per month; $250 to $1,250 per case; $75 to $150 per hour.

Officers: Dr. Richard A. Chaifeta, CEO; David S. Levine, senior vp; Dr. Ewa Antonowicz, clinical director; Adam Gottskind, counsel; Bob Jacobson, CFO.

Contact: Ed Foss, 312-595-4021.

* *Estimate.*

CorVel Corp.

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

Utilization Review/Case Management

1996 revenues	
Total gross revenue	$118,000,000
UR revenue	$9,500,000
Case mgmt. revenue	$61,000,000
UR/case mgmt. direct to employers	14%
Svcs. to managed care/insurance providers	45%
Other services	41%
Staff	
Total UR/case management employees	997
Professionals	840
UR/case mgmt. employees on retainer	180
Clients	
Total	450
Corporate/institutional employer clients	65
Covered lives/reviewed admissions	
Workers compensation lives served	6,100,000
Acute care inpatient admissions reviewed	33,860
Diverted for outpatient treatment	4%

UR/case mgmt. services since: 1975.

URAC certified.

Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, onsite and telephone case management, retrospective review, second surgical opinion, hospital bill audits, outpatient service predetermination, referrals to alternative settings, written reports, concurrent outpatient UR, integration of all UR services with case management and bill audit services.

Occasional services: Outpatient psychiatric and substance abuse services.

Medical services reviewed/managed: Group health, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability, pediatric, auto, first- and third-party liability claims, physical therapy, prescription, physical medicine.

Branch offices: 150 locations nationwide.

Compensation: UR: $1.25 to $1.40 per employee per month; $110 to $150 per case. Case management: $70 to $73 per hour.

Officers: Gordon Clemons, president; Lou Silverman, vp-operations; Daniel Davis, vp-marketing; Richard Schweppe, CFO; Don McFarlane, vp-information technology.

Contact: Daniel Davis, 215-953-5060.

Cost Care Inc.

660 Newport Center Drive, Suite 600, Newport Beach, Calif. 92660; 800-451-0000 or 714-729-4500; fax: 714-729-4668

Utilization Review/Case Management

1996 revenues	
Total gross revenue	$46,000,000
UR revenue	$28,000,000
Case mgmt. revenue	$17,000,000
UR/case mgmt. direct to employers	85%
Svcs. to managed care/insurance providers	12%
Other services	3%
Staff	
Total UR/case management employees	576
Professionals	341
Clients	
Total	782
Corporate/institutional employer clients	383
Covered lives/reviewed admissions	
Employee benefit plan lives served	2,937,101
Acute care inpatient admissions reviewed	165,654

UR/case mgmt. services since: 1981.

Parent*: John Hancock Mutual Life Insurance Co.

URAC certified.

Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, telephone case management, review of lab work, patient education, retrospective review, second surgical opinion, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, referrals to alternative settings.

Occasional services: Onsite case management, written reports, disease state management.

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

Branch offices: Huntington Beach, Calif.; Atlanta; Chicago; Boston; Jackson, Miss.

Compensation: Per employee per month; per case; per hour.

Officers: Robert A. Vohs, president/CEO; Cheryl Y. Perkins, senior vp-operations; Dena Parker, vp-finance; Randy Schwartz, vp-operations; Dr. Robert Crocker, medical director.

Contact: Scott Schilling, national sales director, 800-762-4528 or 770-319-8101.

* *Cost Care Inc. is expected to be acquired by Unicare on January 31, 1997.*

Crawford & Co.

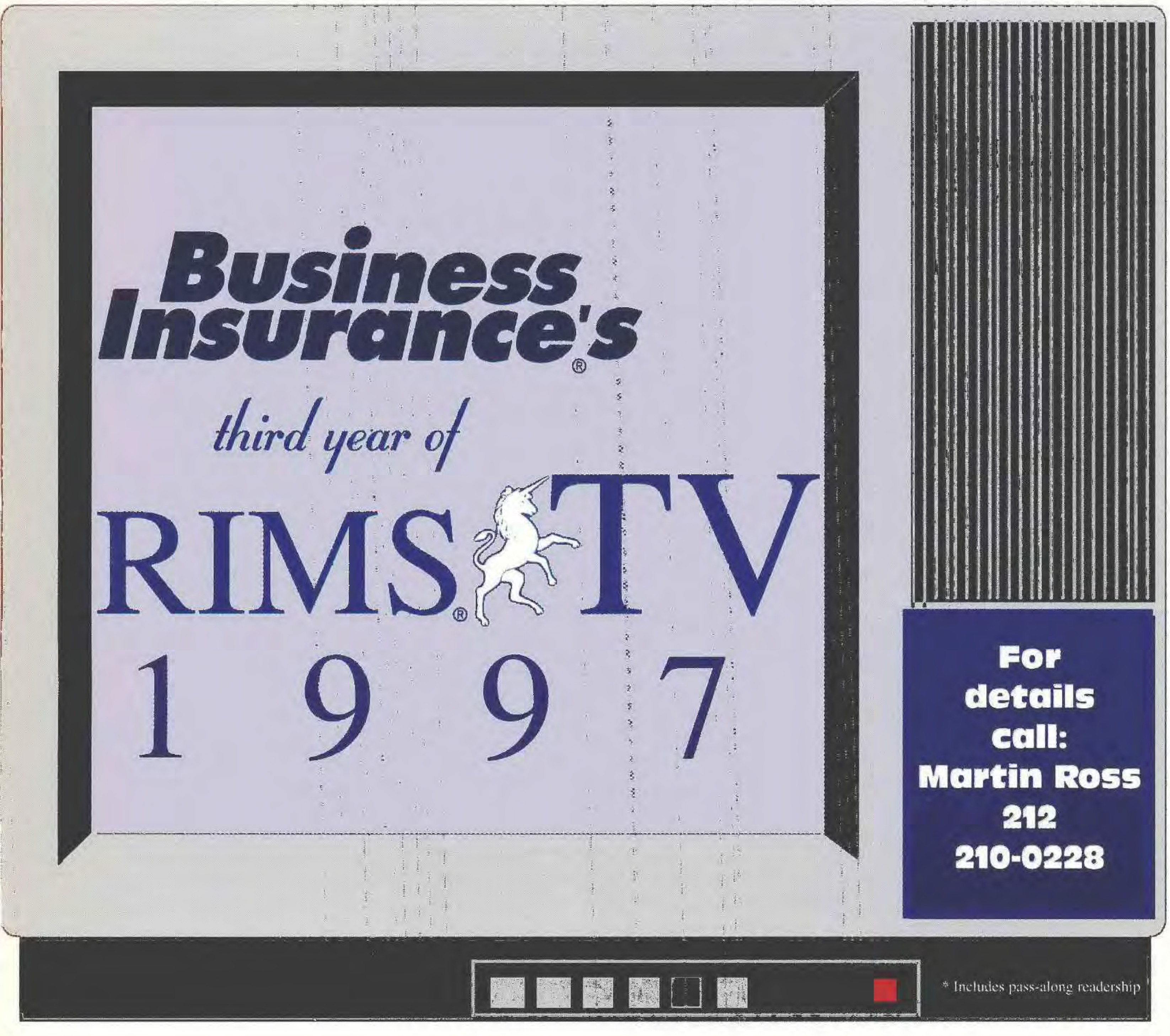
5620 Glenridge Drive, Atlanta, Ga. 30342; 404-256-0830; fax: 404-847-4028

Utilization Review/Case Management

1996 revenues	
Total gross revenue	$633,625,000
UR revenue	$20,095,000
Case mgmt. revenue	$86,276,000
UR/case mgmt. direct to employers	13%

Continued on page 23

This Spring at RIMS in Atlanta everyone will be watching...



Since 1995, *BI's* expanded news coverage of the Risk and Insurance Management Society's Annual Conference & Exhibition has included televised conference reporting.

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Continued from page 21

Svcs. to managed care/insurance providers	6%
Other services	81%
Staff	
Total UR/case management employees	65
Clients	
Total	1,500
Corporate/institutional employer clients	1,021
Covered lives/reviewed admissions	
Employee benefit plan lives served	422,762
Acute care inpatient admissions reviewed	19,144
Diverted for outpatient treatment	0.1%

Services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, onsite and telephone case management, review of lab work, patient education, free prescreening, retrospective review, second surgical opinion, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, referrals to alternative settings, written reports.

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

Officers: D.A. Smith, chairman/CEO; J.R. Bryant, president/COO-risk management; A.L. Meyers, president/COO-claims; G.L. Box, president-international; D.R. Chapman, executive vp.

Contact: Dick Calhoun, assistant vp-sales.

E

E.M. Associates Inc.

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

Utilization Review/Case Management	
1996 revenues	
Total gross revenue	$1,200,000
UR/case mgmt. direct to employers	30%
Svcs. to managed care/insurance providers	30%
Other services	40%
Staff	
Total UR/case management employees	20
Professionals	11
UR/case mgmt. employees on retainer	22
Clients	
Total	45
Covered lives/reviewed admissions	
Employee benefit plan lives served	5,000
Workers compensation lives served	800
Acute care inpatient admissions reviewed	1,000
Diverted for outpatient treatment	5%

UR/case mgmt. services since: 1987.

Services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, onsite and telephone case management, review of lab work, patient education, retrospective review, second surgical opinion, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, referrals to alternative settings, written reports.

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

Branch offices: Buffalo, Rochester and Syracuse, N.Y.

Compensation: $1.75 to $3 per employee per month; $65 to $150 per hour.

Officers: K. Ernst, president; H. Holland, vp-professional services; S. Outman, vp-operations; S. Miller, vp-quality/development.

Contact: K. Ernst.

E-V Benefits Management Inc.

1900 E. Dublin-Granville Road, Columbus, Ohio 43229; 614-895-4000; fax: 614-895-4995

Utilization Review/Case Management	
1996 revenues	
Total gross revenue	$2,069,138
UR/case management revenue	$157,239
UR/case mgmt. direct to employers	8%
Other services	92%
Staff	
Total UR/case management employees	3
Professionals	2
UR/case mgmt. employees on retainer	5
Clients	
Corporate/institutional employer clients	15
Covered lives/reviewed admissions	
Employee benefit plan lives served	7,400
Acute care inpatient admissions reviewed	1,500
Diverted for outpatient treatment	2%

UR/case mgmt. services since: 1992.

Services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, telephone case management, retrospective review, second surgical opinion, outpatient service predetermination, referrals to alternative settings.

Medical services reviewed/managed: Group health, dental, chiropractic, rehabilitation, psychiatric/substance abuse, pediatric.

Compensation: $1.25 to $3.50 per employee per month; $75 to $100 per hour.

Officers: Jim Eggert, chairman/CEO; Gary Van Azsdale, president/COO; Gregory Nickell, vp.

Ellis & Associates Inc.

745 McClintock Drive, Suite 200, Burr Ridge, Ill. 60521; 630-887-4747; fax: 630-887-4077

Case Management	
1996 revenues	
Total gross revenue	$4,200,000
Case mgmt. revenue	$3,360,000
UR/case mgmt. direct to employers	20%
Svcs. to managed care/insurance providers	60%
Other services	20%
Staff	
Total UR/case management employees	32
Clients	
Total	236
Corporate/institutional employer clients	35

UR/case mgmt. services since: 1979.

Parent: Ellis Enterprises.

Frequent services: Onsite and telephone case management, hospital bill audits.

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

Branch offices: Chicago and Peoria, Ill.; Indianapolis; St. Louis; Appleton and Milwaukee, Wis.

Compensation: $70 to $85 per hour.

Officers: Cindy R. Ellis, president.

Employee Benefit Management Services Inc.

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

Utilization Review/Case Management	
1996 revenues	
Total gross revenue	$4,272,000
UR revenue	$343,469
Case mgmt. revenue	$42,852
UR/case mgmt. direct to employers	8%
Svcs. to managed care/insurance providers	1%
Other services	91%
Staff	
Total UR/case management employees	5
Professionals	5
UR/case mgmt. employees on retainer	1
Clients	
Total	97
Covered lives/reviewed admissions	
Employee benefit plan lives served	42,000
Acute care inpatient admissions reviewed	2,362
Diverted for outpatient treatment	0.08%

UR/case mgmt. services since: 1989.

Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, telephone case management, outpatient service predetermination, referrals to alternative settings, written reports.

Occasional services: Onsite case management, review of lab work, patient education, retrospective review, second surgical opinion, outpatient psychiatric and substance abuse services.

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

Compensation: $2 to $2.50 per employee per month; $100 per hour.

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

Contact: Frederick H. (Rick) Larson.

ENCOMPASS Health Management Systems

6000 Westown Parkway, Suite 350E, West Des Moines, Iowa 50266-7771; 515-223-2857; fax: 515-222-2407

Utilization Review/Case Management	
1996 revenues	
Total gross revenue	$25,000,000
UR revenue	$10,500,000
Case mgmt. revenue	$6,500,000
UR/case mgmt. direct to employers	60%
Svcs. to managed care/insurance providers	8%
Other services	32%
Staff	
Total UR/case management employees	199
Professionals	133
UR/case mgmt. employees on retainer	334
Clients	
Total	186
Corporate/institutional employer clients	177
Covered lives/reviewed admissions	
Employee benefit plan lives served	4,200,000
Workers compensation lives served	1,500,000
Acute care inpatient admissions reviewed	183,500
Diverted for outpatient treatment	12%

UR/case mgmt. services since: 1975.

Parent: Iowa Foundation for Medical Care.

URAC certified.

Frequent services: Preadmission certification, concurrent hospital treatment review, discharge planning, telephone case management, patient education, free prescreening, retrospective review, second surgical opinion, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, referrals to alternative settings, written reports, high risk maternity review.

Occasional services: Length of stay determination, review of lab work.

Medical services reviewed/managed: Group health, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability, pediatric, home health, skilled nursing facility, intensive care facilities.

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

Compensation: $1.65 to $2.25 per employee per month; per case; $85 to $150 per hour.

Officers: Kathy R. Fliehler, vp; Michael Larson, national sales director; Elodie Opstad, director-provider services; Sheri Ivey, director-utilization management; Jeffrey D. Stahl, medical director.

Contact: Kathy R. Fliehler.

F

FPM Behavioral Health Inc.

1276 Minnesota Ave., Winter Park, Fla. 32789; 407-647-6153; fax: 407-647-0668

Utilization Review/Case Management	
1996 revenues	
Total gross revenue	$21,600,000
UR/case mgmt. revenue	$17,300,000
UR/case mgmt. direct to employers	45%
Svcs. to managed care/insurance providers	35%
Other services	20%
Staff	
Total UR/case management employees	8.5
Professionals	8.5
Clients	
Total	33
Corporate/institutional employer clients	18
Covered lives/reviewed admissions	
Employee benefit plan lives served	181,100
Acute care inpatient admissions reviewed	2,865
Diverted for outpatient treatment	20%

UR/case mgmt. services since: 1987.

Parent: Ramsay Managed Care Inc.

Frequent services: Concurrent hospital treatment review, length of stay determination, discharge planning, telephone case management, outpatient service predetermination, outpatient psychiatric and substance abuse services, referrals to alternative settings.

Occasional services: Preadmission certification, onsite case management, review of lab work, patient education, retrospective review.

Medical services reviewed/managed: Psychiatric/substance abuse.

Branch offices: Phoenix; Miami; Honolulu; Charlotte, N.C.; San Antonio, Texas; Morgantown, W.Va.

Compensation: Per employee per month; per case.

Officers: Dr. Martin Lazoritz, president/CEO; I. Paul Mandelkern, senior vp; Gordon Steinhauer, senior vp-operations; Dr. Robert W. Pollack, medical director; Philip Symon, vp-finance.

Contact: I. Paul Mandelkern.

FARA Healthcare Management

2360 Fifth Ave., Mandeville, La. 70471; 504-624-8383; fax: 504-624-8489

Utilization Review/Case Management	
1996 revenues	
Total gross revenue	$12,000,000
UR revenue	$600,000
Case mgmt. revenue	$1,000,000
UR/case mgmt. direct to employers	5%
Svcs. to managed care/insurance providers	8%
Other services	87%
Staff	
Total UR/case management employees	12
Professionals	12
UR/case mgmt. employees on retainer	1
Clients	
Total	245
Corporate/institutional employer clients	45
Covered lives/reviewed admissions	
Employee benefit plan lives served	4,000
Workers compensation lives served	90,000
Acute care inpatient admissions reviewed	125
Diverted for outpatient treatment	1%

UR/case mgmt. services since: 1992.

Parent: F.A. Richard & Associates Inc.

Frequent services: Preadmission certification, length of stay determination, onsite and telephone case management, second surgical opinion, outpatient service predetermination.

Occasional services: Concurrent hospital treatment review, discharge planning, review of lab work, retrospective review, hospital bill audits, outpatient psychiatric and substance abuse services, referrals to alternative settings, written reports.

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

Branch offices: Boca Raton, Fla.; Atlanta; Baton Rouge, Lafayette, Metairie, Monroe, New Orleans and Shreveport, La.; Beaumont, Corpus Christi, Dallas and Houston, Texas; Norfolk, Va.

Compensation: $1.50 to $3 per employee per month; $98 to $105 per case; $69 to $85 per hour.

Officers: Francis A. Richard, CEO; Todd Richard, president; Reed A. Bell, senior vp.

Contact: Reed A. Bell.

First Health Review

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

Utilization Review/Case Management	
1996 revenues	
Total gross revenue	$215,000,000
UR revenue	$20,000,000
Case mgmt. revenue	$2,900,000
UR/case mgmt. direct to employers	11%
Other services	89%
Staff	
Total UR/case management employees	270
Professionals	158
UR/case mgmt. employees on retainer	170
Clients	
Total	1,160
Corporate/institutional employer clients	1,160
Covered lives/reviewed admissions	
Employee benefit plan lives served	1,700,000
Acute care inpatient admissions reviewed	52,217
Diverted for outpatient treatment	19%

UR/case mgmt. services since: 1987.

Parent: First Health Strategies.

URAC certified.

Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, telephone case management, review of lab work, patient education, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, referrals to alternative settings, written reports, skilled nursing facility management, home health care management, home hospice management, high-risk maternity management.

Occasional services: Retrospective review, second surgical opinion.

Medical services reviewed/managed: Group health, dental, chiropractic, rehabilitation, psychiatric/substance abuse, pediatric, podiatric, maternity.

Branch offices: Atlanta; Pittsburgh; Houston; Milwaukee.

Compensation: Per employee per month.

Officers: Don Dahlin, president/CEO; George Dreisbach, COO; David Money, chief legal officer; Tim Foley, general manager.

Contact: Matthew Young, director-corporate marketing/communications.

Future Diagnostics Inc.

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

Utilization Review	
1996 revenues	
Total gross revenue	$9,000,000
UR/case mgmt. direct to employers	5%
Svcs. to managed care/insurance providers	15%
Other services	80%
Staff	
Total UR/case management employees	6
Professionals	6
UR/case mgmt. employees on retainer	3
Covered lives/reviewed admissions	
Employee benefit plan lives served	1,000,000

UR services since: 1993.

Frequent services: Outpatient radiology; precertification for diagnostic imaging and other radiological procedures; data management reports, including physician profiling, category of illness and utilization as exam.

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

Compensation: Fee for service, capitated.

Officers: Jaana Cohan, president; Gerald Graber, vp; Bronwyn Hand, director-operations; Joan Lang, vp-contracts; Helen White, director-UR; Dr. Michael Krane, medical director.

Contact: Joan Lang, 800-659-0200 ext. 103.

G

GENEX Services Inc.

440 E. Swedesford Road, Suite 3050, Wayne, Pa. 19087; 610-964-5100; fax: 610-964-1919

Utilization Review/Case Management	
1996 revenues	
Total gross revenue	$89,700,000
UR revenue	$6,200,000
Case mgmt. revenue	$64,500,000
UR/case mgmt. direct to employers	7%
Svcs. to managed care/insurance providers	72%
Other services	21%
Staff	
Total UR/case management employees	1,040
Professionals	831
UR/case mgmt. employees on retainer	107
Clients	
Total	850
Corporate/institutional employer clients	150
Covered lives/reviewed admissions	
Employee benefit plan lives served	19,300
Workers compensation lives served	35,548
Acute care inpatient admissions reviewed	7,310
Diverted for outpatient treatment	4%

Parent: First Data Corp.

URAC certified.

Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, onsite and telephone case management, patient education, outpatient service predetermination, referrals to alternative settings, written reports, workers compensation vocational case management services, disability management.

Occasional services: Review of lab work, free prescreening, retrospective review, second surgical opinion, hospital bill audits, outpatient psychiatric and substance abuse services.

Medical services reviewed/managed: Group health, dental, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability, pediatric, peer review, IME, short- and long-term disability, social security, high risk maternity.

Branch offices: 130 locations nationwide.

Officers: Peter Madeja, president/CEO; Edward McBurnie, senior vp-sales/marketing; Delphia Frisch, senior vp-operations; Marie Beppel, vp-human resources; Jeff Pierce, vp-information systems; Lawrence Palmer, CFO.

Contact: Betsy Robinson, director-integrated services.

Green Spring Health Services Inc.

5565 Sterrett Place, Suite 500, Columbia, Md. 21044; 800-458-2740; fax: 410-740-8573

Utilization Review/Case Management	
1996 revenues	
Total gross revenue	$301,000,000
UR revenue	$65,800,000
Case mgmt. revenue	$225,000,000
UR/case mgmt. direct to employers	7.2%
Svcs. to managed care/insurance providers	89.4%
Other services	3.4%
Staff	
Total UR/case management employees	99
Professionals	63
UR/case mgmt. employees on retainer	160
Clients	
Total	52
Corporate/institutional employer clients	30
Covered lives/reviewed admissions	
Employee benefit plan lives served	13,721,000
Acute care inpatient admissions reviewed	44,908

UR/case mgmt. services since: 1989.

Parent: Magellan Health Services Inc.

URAC certified.

Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, telephone case management, review of lab work, patient education, outpatient service predetermination, outpatient psychiatric and substance abuse services, referrals to alternative settings.

Occasional services: Onsite case management, free prescreening, retrospective review, hospital bill audits, written reports.

Medical services reviewed/managed: Psychiatric/substance abuse.

Branch offices: Atlanta; Chicago; Portland, Maine; Lansing, Mich.; Parsippany, N.J.; Cincinnati; Philadelphia; Pittsburgh; Providence, R.I.; Chattanooga and Nashville, Tenn.; Salt Lake City; Richmond, Va.; Tacoma, Wash.

Officers: Dr. Henry T. Harbin, president/CEO; Charles S. Kanach, executive vp; Dr. Jonathan Book, senior vp/chief medical officer; Joyce Fitch, senior vp/general counsel; Clarissa Marques, senior vp/chief clinical officer.

Contact: Catherine B. Campbell, vp-marketing, 800-458-2740 ext. 1298.

H

HCX Inc.

600 New Hampshire Ave. N.W., Suite 600, Washington, D.C. 20037-2409; 202-625-3200; fax: 202-298-6188

Utilization Review/Case Management	
1996 revenues	
Total gross revenue*	$13,000,000
UR/case mgmt. direct to employers	30%
Svcs. to managed care/insurance providers	20%
Other services	50%
Staff	
Total UR/case management employees	47
UR/case mgmt. employees on retainer	72
Clients	
Total	50
Corporate/institutional employer clients	23
Covered lives/reviewed admissions	
Employee benefit plan lives served	437,397
Workers compensation lives served	1,500,000
Acute care inpatient admissions reviewed	3,000,000
Diverted for outpatient treatment	10%

UR/case mgmt. services since: 1982.

URAC certified.

Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, telephone case management, patient education, second surgical opinion, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, referrals to alternative settings, manipulation review and early identification.

Occasional services: Onsite case management, review of lab work, retrospective review, written reports.

Medical services reviewed/managed: Group health, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability, pediatric, physical medicine, physical therapy, diagnostic testing, IMEs.

Branch offices: Phoenix; Naperville, Ill.;

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kCharleston, W.Va.

Compensation: Per employee per month; per case; per hour; flat rate.

Officers: Don Hemley, president; Sharon O'Shea, COO; Dr. Henry Feffer, director-medical research; Kirt Kemp, vp-operations/MIS; Karen McCray, vp-western operations.

Contact: David Henderson, marketing manager.

* *Estimate.*

HHS Inc.

5363 44th St. S.E., Grand Rapids, Mich. 49512; 616-956-9440; fax: 616-956-6843

Utilization Review/Case Management

1996 revenues	
Total gross revenue	$2,316,440
UR revenue	$2,154,290
Case mgmt. revenue	$162,150
UR/case mgmt. direct to employers	94%
Svcs. to managed care/insurance providers	6%
Staff	
Total UR/case management employees	18
Professionals	18
Clients	
Total	443
Corporate/institutional employer clients	408
Covered lives/reviewed admissions	
Employee benefit plan lives served	221,040
Acute care inpatient admissions reviewed	12,120
Diverted for outpatient treatment	5.4%

UR/case mgmt. services since: 1985.

URAC certified.

Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, onsite and telephone case management, patient education, outpatient service predetermination, outpatient psychiatric and substance abuse services, referrals to alternative settings, written reports.

Occasional services: Review of lab work, free prescreening, retrospective review, second surgical opinion, hospital bill audits.

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

Compensation: $0.45 to $1.90 per employee per month; $375 to $410 per case; $70 to $165 per hour.

Officers: Denise Zoeterman, president; Moni Evans-Smith, director-health management; Bill Jones, director-finance; Richard Hodsdon, director-customer relations; Harriett Keast, director-care management.

Health Care Evaluation Inc.

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

Utilization Review/Case Management

1996 revenues	
Total gross revenue	$2,868,628
UR revenue	$2,113,693
Case mgmt. revenue	$698,532
UR/case mgmt. direct to employers	88%
Svcs. to managed care/insurance providers	11%
Other services	1%
Staff	
Total UR/case management employees	25
Professionals	25
UR/case mgmt. employees on retainer	230
Clients	
Total	55
Corporate/institutional employer clients	53
Covered lives/reviewed admissions	
Employee benefit plan lives served	421,746
Workers compensation lives served	22,437
Acute care inpatient admissions reviewed	22,194
Diverted for outpatient treatment	14%

UR/case mgmt. services since: 1968.

URAC certified.

Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, telephone case management, review of lab work, patient education, free prescreening, retrospective review, second surgical opinion, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, referrals to alternative settings, written reports, high risk pregnancy screening, claims review.

Occasional services: Onsite case management.

Medical services reviewed/managed: Group health, dental, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability, pediatric, skilled nursing facility.

Branch offices: Sacramento and San Francisco, Calif.

Compensation: $1.00 to $2.50 per employee per month; $45 to $100 per case; $60 to $100 per hour.

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

Contact: Jackie Grove, director-client services.

Health Design Plus

1891 Georgetown Road, Suite B, Hudson, Ohio 44236; 216-656-1072; fax: 216-656-9387

Utilization Review/Case Management

1996 revenues	
Total gross revenue	$1,500,000
UR revenue	$1,010,000
Case mgmt. revenue	$105,000
UR/case mgmt. direct to employers	74%
Other services	26%
Staff	
Total UR/case management employees	23
Professionals	11
UR/case mgmt. employees on retainer	1
Clients	
Total	32
Corporate/institutional employer clients	32
Covered lives/reviewed admissions	
Employee benefit plan lives served	25,000
Acute care inpatient admissions reviewed	2,818
Diverted for outpatient treatment	10%

UR/case mgmt. services since: 1989.

Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, telephone case management, patient education, outpatient service predetermination, referrals to alternative settings, written reports, transplant management, disease management, maternity program.

Occasional services: Onsite case management, review of lab work, retrospective review, second surgical opinion, outpatient psychiatric and substance abuse services.

Medical services reviewed/managed: Group health, dental, chiropractic, rehabilitation, psychiatric/substance abuse, pediatric.

Compensation: $3.63 to $4.56 per employee per month; $275 to $515 per case; $95 to $175 per hour.

Officers: M. Ruth Coleman, president; Norman Kozokoff, medical director; Connie Jones, vp-health services; Deborah V. Warner, director-sales/marketing; Dave Lang, controller.

Contact: Marty Moore, client representative, 216-463-5671.

HEALTH DIRECT Inc.

1011 E. Touhy Ave., Suite 500, Des Plaines, Ill. 60018-2808; 847-391-9500; fax: 847-390-7715

Utilization Review/Case Management

1996 revenues	
Total gross revenue	$58,000,000
UR revenue	$3,000,000
Case mgmt. revenue	$500,000
UR/case mgmt. direct to employers	4%
Svcs. to managed care/insurance providers	2%
Other services	94%
Staff	
Total UR/case management employees	32
Professionals	23
UR/case mgmt. employees on retainer	4
Clients	
Total	55
Corporate/institutional employer clients	49
Covered lives/reviewed admissions	
Employee benefit plan lives served	209,000
Acute care inpatient admissions reviewed	8,300

UR/case mgmt. services since: 1980.

Parent: Advocate Health Care.

URAC certified.

Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, telephone case management, review of lab work, patient education, retrospective review, second surgical opinion, outpatient service predetermination, outpatient psychiatric and substance abuse services, referrals to alternative settings, written reports, high risk maternity screening, surgical case review, special case review, medical information helpline.

Occasional services: Onsite case management, free prescreening, hospital bill audits.

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

Compensation: $1.75 to $4.50 per employee per month; $350 to $500 per case; $115 to $145 per hour; percent of savings; risk sharing.

Officers: Jenifer Cline, interim president/COO; Kerry Finnegan, vp-sales/marketing; Les Preuss, vp-finance; Jay Gore, vp-MIS; Steve Tiwald, Medicare/consulting.

Health International Inc.

14770 N. 78th Way, Scottsdale, Ariz. 85260; 800-333-3760; fax: 602-948-2523

Utilization Review/Case Management

1996 revenues	
Total gross revenue	$12,000,000
UR revenue/case mgmt. revenue	$12,000,000
UR/case mgmt. direct to employers	100%
Staff	
Total UR/case management employees	112
Professionals	94
UR/case mgmt. employees on retainer	18
Clients	
Total	114
Corporate/institutional employer clients	114
Covered lives/reviewed admissions	
Employee benefit plan lives served	466,373
Workers compensation lives served	113,325
Diverted for outpatient treatment	50%

UR/case mgmt. services since: 1987.

URAC certified.

Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, telephone case management, review of lab work, patient education, outpatient service predetermination, outpatient psychiatric and substance abuse services, referrals to alternative settings, written reports, high risk maternity screening and case management, online access to performance statistics, prospective large case management, exclusive delivery networks, claims analysis to confirm savings.

Occasional services: Onsite case management, retrospective review, second surgical opinion.

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

Compensation: Per employee per month.

Officers: Dr. Donald K. Kelly, chairman/CEO; Suzanne D. Kelly, vice chairman; Michael C. Peerboom, president/COO; Dr. Kenneth R. Roepke, vp/chief medical officer; Ronald L. Eggleston, vp/medical administration.

Contact: Michael C. Peerboom.

Health Risk Management Inc.

8000 W. 78th St., Minneapolis, Minn. 55439; 612-829-3500; fax: 612-946-7694

Utilization Review/Case Management

1996 revenues	
Total gross revenue	$54,507,000
UR revenue	$16,771,000
Case mgmt. revenue	$5,164,000
UR/case mgmt. direct to employers	35%
Svcs. to managed care/insurance providers	5%
Other services	60%
Staff	
Total UR/case management employees	260
Professionals	162
UR/case mgmt. employees on retainer	32
Clients	
Total	106
Corporate/institutional employer clients	94
Covered lives/reviewed admissions	
Employee benefit plan lives served	710,000
Workers compensation lives served	41,000
Acute care inpatient admissions reviewed	79,000
Diverted for outpatient treatment	2%

UR/case mgmt. services since: 1984.

URAC certified.

Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, telephone case management, patient education, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, referrals to alternative settings, written reports.

Occasional services: Onsite case management, review of lab work, free prescreening, retrospective review, second surgical opinion.

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

Branch offices: Milwaukee.

Officers: Dr. Gary McIlroy, CEO; Marlene Travis, president/COO; Thomas P. Clark, senior vp/CFO; John Higbee, chief information officer; Adele Kimpell, executive vp-operations.

Contact: Steve Wallfred.

Health Services Advisory Group Inc.

301 E. Bethany Home Road, Suite 157-B, Phoenix, Ariz. 85012; 602-264-6382; fax: 602-241-0757

Utilization Review/Case Management

1996 revenues	
Total gross revenue	$4,231,033
UR/case mgmt. revenue	$620,440
UR/case mgmt. direct to employers	3%
Svcs. to managed care/insurance providers	12%
Other services	85%
Staff	
Total UR/case management employees	10
Professionals	9
UR/case mgmt. employees on retainer	72
Clients	
Total	8
Corporate/institutional employer clients	6
Covered lives/reviewed admissions	
Employee benefit plan lives served	10,500
Acute care inpatient admissions reviewed	4,400
Diverted for outpatient treatment	4.7%

UR/case mgmt. services since: 1982.

Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, onsite and telephone case management, patient education, second surgical opinion, outpatient service predetermination, outpatient psychiatric and substance abuse services, referrals to alternative settings, written reports.

Occasional services: Review of lab work, retrospective review, hospital bill audits.

Medical services reviewed/managed: Group health, dental, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability, pediatric, podiatric, prescription, home health, skilled nursing facility.

Compensation: $0.80 to $2.15 per employee per month; $98 per case; $35 to $200 per hour.

Officers: Dr. Lawrence J. Shapiro, president/CEO; Dr. Herbert S. Rigberg, vp-medical affairs; Mary Ellen Dalton, director-private review; Paula L. Hann, CFO; Debra L. Nixon, director-corporate development.

Contact: Debra L. Nixon.

Healthcare Advantage Inc.

829 St. Charles Ave., New Orleans, La. 70130; 504-568-9009; fax: 504-568-0301

Utilization Review/Case Management

1996 revenues	
Total gross revenue	$6,747,591
UR revenue	$1,230,514
Case mgmt. revenue	$90,427
UR/case mgmt. direct to employers	5%
Svcs. to managed care/insurance providers	15%
Other services	80%
Staff	
Total UR/case management employees	52
Professionals	7
Clients	
Total	152
Corporate/institutional employer clients	150
Covered lives/reviewed admissions	
Employee benefit plan lives served	147,058
Workers compensation lives served	20,696

UR/case mgmt. services since: 1989.

Parent: Touro Infirmary, Franciscan Missionaries of Our Lady Health System, Sister of Charity of the Incarnate Word Health System.

URAC certified.

Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, telephone case management, review of lab work, patient education, retrospective review, outpatient service predetermination, referrals to alternative settings, written reports.

Occasional services: Onsite case management, free prescreening, second surgical opinion, hospital bill audits.

Medical services reviewed/managed: Group health, dental, rehabilitation, workers comp/disability, pediatric.

Branch offices: Alexandria, Baton Rouge, Lake Charles and Shreveport, La.

Compensation: $1.75 to $3.25 per employee per month; $125 to $150 per hour.

Officers: Jane Cooper, president/CEO; Mindy Brown, vp-medical management; Maureen Digby, manager-utilization management; Dr. Ken Coignet, medical director; Julie Dawson, director-utilization management.

Contact: Christine A. Reichardt, RFP coordinator.

HealthDIRECT Inc. (HDI)

74 Scott Swamp Road, Farmington, Conn. 06032; 860-677-2331; fax: 860-678-0995

Utilization Review/Case Management

1996 revenues	
Total gross revenue	$2,440,000
UR/case mgmt. direct to employers	1%
Svcs. to managed care/insurance providers	97.7%
Other services	1.3%
Staff	
Total UR/case management employees	21
Clients	
Total	8,000
Covered lives/reviewed admissions	
Workers compensation lives served	138,750
Acute care inpatient admissions reviewed	132

UR/case mgmt. services since: 1992.

Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, onsite and telephone case management, review of lab work, patient education, retrospective review, second surgical opinion, outpatient service predetermination, referrals to alternative settings, written reports.

Occasional services: Hospital bill audits, outpatient psychiatric and substance abuse services.

Medical services reviewed/managed: Chiropractic, rehabilitation, workers comp/disability, physical therapy.

Compensation: $25 to $600 per case; $75 to $90 per hour.

Officers: Jack Reed, president/CEO; Louis Mangano, senior vp/COO.

Contact: Laura Callahan, account executive.

HealthNetwork Inc.

1420 Kensington Road, Suite 203, Oak Brook, Ill. 60521-2106; 630-954-2900; fax: 630-954-1518

Utilization Review/Case Management

1996 revenues	
Total gross revenue	$6,661,346
Case mgmt. revenue	$460,200
UR/case mgmt.	7.7%
Other services	92.3%
Staff	
Total UR/case management employees	13
Professionals	13
Clients	
Total	43
Corporate/institutional employer clients	36
Covered lives/reviewed admissions	
Employee benefit plan lives served	128,800
Acute care inpatient admissions reviewed	10,540
Diverted for outpatient treatment	37%

UR/case mgmt. services since: 1985.

Parent: IASD Health Services Corp.

URAC certified.

Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, telephone case management, free prescreening, second surgical opinion, outpatient service predetermination, outpatient psychiatric and substance abuse services, referrals to alternative settings, written reports.

Occasional services: Onsite case management, review of lab work, patient education, retrospective review, hospital bill audits.

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

Compensation: $1.50 to $2.15 per employee per month; $65 to $85 per hour.

Officers: George C. Phillips Jr., president; David Gillies, vp-sales/marketing; Gordon Mallet, vp-provider recruitment; Donna Wolak, vp-finance; Lore Stanley, vp-operations.

Contact: Mark Paulson, corporate communications officer.

Hines & Associates

115 E. Highland Ave., Elgin, Ill. 60120; 847-741-1291; fax: 847-741-1391

Utilization Review/Case Management

1996 revenues	
Total gross revenue*	$5,600,000
UR revenue*	$1,774,000
Case mgmt. revenue*	$3,827,000
UR/case mgmt. direct to employers	4%
Svcs. to managed care/insurance providers	96%
Staff	
Total UR/case management employees	115
Professionals	80
UR/case mgmt. employees on retainer	97
Clients	
Total	372
Corporate/institutional employer clients	14
Covered lives/reviewed admissions	
Employee benefit plan lives served	255,220

UR/case mgmt. services since: 1987.

URAC certified.

Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, onsite and telephone case management, review of lab work, patient education, free prescreening, retrospective review, second surgical opinion, outpatient service predetermination, outpatient psychiatric and substance abuse services, referrals to alternative settings, written reports, maternity management, peer review, PPO channeling.

Occasional services: Hospital bill audits.

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

Branch offices: San Diego; Denver; Tallahassee, Fla.; Bloomingdale, Bloomington, Champaign, Rockford, Western Springs, Ill.; Des Moines and Dubuque, Iowa; New Orleans; Bay City, Mich.; Omaha, Neb.; Cleveland; Dallas; Charleston, S.C.; Greeneville, Tenn.; Arlington and Portsmouth, Va.; Appleton and Brookfield, Wis.

Compensation: $1.05 to $1.65 per employee per month; $100 to $2,500 per case; $88 to $98 per hour.

Officers: Judity Hines, president; Eileen Zurblis, executive vp; Lynn Britbach, Mary Hasterok, vps; Grace Richard, director-marketing.

Contact: Grace Richard, 800-735-1200.

* *Estimate.*

Human Behavior Associates

191 Military Drive, Suite A, Benicia, Calif. 94510; 707-747-0117; fax: 707-747-6646

Utilization Review/Case Management

1996 revenues	
Total gross revenue	$400,000
UR revenue	$100,000
Case mgmt. revenue	$200,000
UR/case mgmt. direct to employers	50%
Svcs. to managed care/insurance providers	25%
Other services	25%
Staff	
Total UR/case management employees	2
Professionals	1
UR/case mgmt. employees on retainer	2
Clients	
Total	18
Corporate/institutional employer clients	17
Covered lives/reviewed admissions	
Employee benefit plan lives served	40,700
Acute care inpatient admissions reviewed	30
Diverted for outpatient treatment	25%

UR/case mgmt. services since: 1988.

Services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, telephone case management, patient education, retrospective review, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, referrals to alternative settings, written reports.

Medical services reviewed/managed: Psychiatric/substance abuse.

Branch offices: Alameda, Calif.

Compensation: $1 to $6.10 per employee per month.

Officers: James B. Wallace, president; P. James Weymouth, director-marketing.

Contact: P. James Weymouth, 415-563-3993.

I

IntegraHome

11499 Chester Road, Cincinnati, Ohio 45246; 513-772-9009; fax: 513-772-9111

Utilization Review/Case Management

1996 revenues	
Total gross revenue*	$8,000,000
UR/case mgmt. direct to employers	35%
Svcs. to managed care/insurance providers	10%
Other services	55%
Staff	
Total UR/case management employees	12
Professionals	12

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UR/case mgmt. employees on retainer	30
Clients	
Total	41
Corporate/institutional employer clients	74
Covered lives/reviewed admissions	
Employee benefit plan lives served	30,610
Acute care inpatient admissions reviewed	3,787
Diverted for outpatient treatment	3%

UR services since: 1991.
Parent: Integra Group.
URAC certified.
Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, telephone case management, outpatient service predetermination, outpatient psychiatric and substance abuse services, referrals to alternative settings, written reports.
Occasional services: Onsite case management, review of lab work, patient education, retrospective review, second surgical opinion, hospital bill audits.
Medical services reviewed/managed: Group health, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability, pediatric.
Compensation: $1.85 to $2.50 per employee per month.
Officers: William D. Stief, CEO; Mary J. Hanley, president; Vincent J. Homan, executive vp.
Contact: Jerry Schwartz, vp.
* *Estimate.*

Intracorp

2 Liberty Place, 1601 Chestnut St., Philadelphia, Pa. 19192; 215-761-7100; fax: 215-761-7458

Utilization Review/Case Management

1996 revenues	
Total gross revenue	$322,600,000
UR revenue	$74,100,000
Case mgmt. revenue	$47,900,000
UR/case mgmt. direct to employers	14.8%
Svcs. to managed care/insurance providers	23.1%
Other services	62.1%
Staff	
Total UR/case management employees	3,485
Professionals	1,042
UR/case mgmt. employees on retainer	438
Clients	
Total	1,059
Corporate/institutional employer clients	682
Covered lives/reviewed admissions	
Employee benefit plan lives served	20,100,000
Workers compensation lives served	3,500,000
Acute care inpatient admissions reviewed	486,318
Diverted for outpatient treatment	5.8%

UR services since: 1984.
Parent: CIGNA.
URAC certified.
Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, onsite and telephone case management, review of lab work, patient education, retrospective review, second surgical opinion, outpatient service predetermination, outpatient psychiatric and substance abuse services, referrals to alternative settings, written reports, specialty care review.
Occasional services: Hospital bill audits.
Medical services reviewed/managed: Group health, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability, pediatric.
Branch offices: 65 locations in the United States and Canada.
Compensation: Per employee per month; per case; percent of savings.
Officers: Dennis J. Mouras, president; John Weymer, senior vp-group health managed care; Larry Doele, senior vp-disability management; Maddy Bowling, senior vp-workers comp managed care; Ken Ross, senior vp-fee management.
Contact: Betty J. Nelson, manager-public relations, 215-761-7146.

IPRO

1979 Marcus Ave., Lake Success, N.Y. 11042; 516-326-7767; fax: 516-326-7791

Utilization Review/Case Management

1996 revenues	
Total gross revenue	$30,000,000
UR/case mgmt. direct to employers	25%
Svcs. to managed care/insurance providers	25%
Other services	50%
Staff	
Total UR/case management employees	200
UR/case mgmt. employees on retainer	600
Clients	
Total	35
Corporate/institutional employer clients	5
Covered lives/reviewed admissions	
Acute care inpatient admissions reviewed	180,000

UR services since: 1984.
Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, telephone case management, retrospective review, second surgical opinion, hospital bill audits, written reports.
Occasional services: Discharge planning, onsite case management, outpatient service predetermination, referrals to alternative settings.
Medical services reviewed/managed: Group health, rehabilitation, psychiatric/substance abuse, workers comp/disability, pediatric.
Branch offices: Albany, N.Y.; South Burlington, Vt.
Compensation: $1.55 to $2.55 per employee per month; $125 to $300 per case; $100 to $175 per hour.
Officers: Dr. Thomas J. Sheehy Jr., president; Theodore O. Will, executive vp; Harry Feder, senior vp; Dr. Raphael Nenner, vp-medical affairs.
Contact: Robin J. Husney.

J

Jordan Services

900 Merchants Concourse, Suite 112, Westbury, N.Y. 11590; 516-683-0100; fax: 516-683-0259

Utilization Review/Case Management

1996 revenues	
Total gross revenue	$5,800,000
UR revenue	$785,000
Case mgmt. revenue	$3,685,000
UR/case mgmt. direct to employers	11%
Svcs. to managed care/insurance providers	67%
Other services	22%
Staff	
Total UR/case management employees	63
Professionals	47
UR/case mgmt. employees on retainer	11
Clients	
Total	580
Corporate/institutional employer clients	23
Covered lives/reviewed admissions	
Employee benefit plan lives served	14,500
Workers compensation lives served	17,060
Acute care inpatient admissions reviewed	972
Diverted for outpatient treatment	12%

UR services since: 1974.
Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, onsite and telephone case management, review of lab work, retrospective review, second surgical opinion, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, written reports.
Occasional services: Patient education, free prescreening, referrals to alternative settings.
Medical services reviewed/managed: Group health, dental, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability, pediatric, long-term disability.
Branch offices: Iselin, N.J.; Rochester, N.Y.; Philadelphia
Compensation: $1.50 to $4.50 per employee per month; $375 to $1,500 per case; $75 per hour.
Officers: Morris Ehrenreich, Maureen Armstrong, Joan Jennings, Phyllis Snow, Sandy Horowitz.
Contact: Phyllis Snow.

K

Kepple & Co.

P.O. Box 1986, Peoria, Ill. 61656-1986; 309-673-7330; fax: 309-673-7369

Utilization Review/Case Management

1996 revenues	
UR/case mgmt. revenue	$650,000
UR/case mgmt. direct to employers	95%
Svcs. to managed care/insurance providers	5%
Staff	
Total UR/case management employees	6
Professionals	6
UR/case mgmt. employees on retainer	2
Clients	
Total	60
Covered lives/reviewed admissions	
Employee benefit plan lives served	33,000
Acute care inpatient admissions reviewed	2,500
Diverted for outpatient treatment	10%

UR/case mgmt. services since: 1986.
Parent: Health Care Horizons.
Frequent services: Preadmission certification, concurrent hospital treatment review, discharge planning, telephone case management, outpatient service predetermination.
Occasional services: Length of stay determination, review of lab work, patient education, second surgical opinion, outpatient psychiatric and substance abuse services, referrals to alternative settings, written reports.
Medical services reviewed/managed: Group health, dental, rehabilitation, psychiatric/substance abuse, pediatric.
Compensation: $1.25 to $2 per employee per month; $100 per hour (large case management).
Officers: Philip C. Walker II, chairman; James D. Stevenson, president; Gloria J. Towles, vp-finance; Patti Thornton, director-operations; Linda Walker, director-utilization management.

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If your company was not listed in this year's directory and you would like to receive a questionnaire to be listed next year, please call Assistant Directory Editor Richard Trout at 312-649-5483.

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L

Laurel Rehabilitation Services Inc.

67 S. Black Horse Pike,
Blackwood, N.J. 08012;
609-346-9748; fax: 609-232-8430

Utilization Review/Case Management

1996 revenues	
Total gross revenue	$880,535
UR revenue	$550,000
Case mgmt. revenue	$330,535
UR/case mgmt. direct to employers	10%
Svcs. to managed care/insurance providers	90%
Staff	
Professionals	5
UR/case mgmt. employees on retainer	130
Clients	
Total	50
Corporate/institutional employer clients	2

UR/case mgmt. services since: 1988.

Frequent services: Discharge planning, onsite and telephone case management, patient education, free prescreening, retrospective review, second surgical opinion, hospital bill audits, referrals to alternative settings, written reports.

Occasional services: Preadmission certification, concurrent hospital treatment review, outpatient service predetermination, outpatient psychiatric and substance abuse services.

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

Compensation: $60 to $70 per hour; $350 to $600 physician peer review.

Officers: Patricia Deffler, president; John Deffler, vp.

Contact: Patti Ott, marketing director, or Kelly Busch, manager.

Liaison Inc.

17000 N. Dallas Parkway, Suite 103,
Dallas, Texas 75070; 800-333-6944;
fax: 972-380-8629

Utilization Review/Case Management

1996 revenues	
Total gross revenue	$6,000,000
UR revenue	$1,000,000
Case mgmt. revenue	$4,000,000
UR/case mgmt. direct to employers	47%
Svcs. to managed care/insurance providers	36%
Other services	17%
Staff	
Total UR/case management employees	10
UR/case mgmt. employees on retainer	3
Clients	
Total	125

UR/case mgmt. services since: 1984.

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

Occasional services: Review of lab work, patient education, outpatient psychiatric and substance abuse services, referrals to alternative settings.

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

Branch offices: Houston; San Antonio.

Compensation: Per case; per hour.

Officers: Catherine Marrs, president/CEO; Ken Ferrell, executive vp.

Contact: Ken Ferrell.

M

Managed Healthcare Unlimited Inc.

5199 E. Pacific Coast Highway,
Suite 216, Long Beach, Calif. 90804;
800-726-8712 or 310-494-2875;
fax: 310-986-9050

Utilization Review/Case Management

1996 revenues	
Total gross revenue	$67,095
UR revenue	$2,141
Case mgmt. revenue	$8,000
UR/case mgmt. direct to employers	3%
Svcs. to managed care/insurance providers	12%
Other services	85%
Staff	
Total UR/case management employees	3
Professionals	3
UR/case mgmt. employees on retainer	5
Clients	
Total	2
Covered lives/reviewed admissions	
Employee benefit plan lives served	2,000
Acute care inpatient admissions reviewed	1
Diverted for outpatient treatment	7%

UR/case mgmt. services since: 1995.

Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, telephone case management, review of lab work, patient education, free prescreening, retrospective review, outpatient service predetermination, outpatient psychiatric and substance abuse services, referrals to alternative settings, written reports, demand management.

Occasional services: Onsite case management, second surgical opinion, hospital bill audits.

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

Compensation: $0.95 to $1.50 per employee per month (demand management/UR only); $75 to $95 per hour (fee for service case management).

Officers: Rose D. Leidl, CEO; Liana B. Teteberg, COO; Dr. Peter J. Leidl, medical director/CFO.

Contact: Rose D. Leidl, 800-726-8712 or 310-986-5934.

MedCost Inc.

1399 Ashleybrook Lane, Suite 100,
P.O. Box 25347, Winston-Salem,
N.C. 27114-5347; 910-760-3090;
fax: 910-760-2352

Utilization Review/Case Management

1996 revenues	
Total gross revenue	$3,700,000
UR revenue	$3,100,000
Case mgmt. revenue	$600,000
UR/case mgmt. services	41%
Other services	59%
Staff	
Total UR/case management employees	40
Professionals	35
Clients	
Total	80
Corporate/institutional employer clients*	35
Covered lives/reviewed admissions	
Employee benefit plan lives served	477,708
Acute care inpatient admissions reviewed	23,184
Diverted for outpatient treatment	2%

UR/case mgmt. services since: 1984.

Parent: North Carolina Baptist Hospitals Inc. and Carolina HealthCare System.

URAC certified.

Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, telephone case management, patient education, outpatient service predetermination, outpatient psychiatric and substance abuse services, referrals to alternative settings, written reports.

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

Medical services reviewed/managed: Group health, rehabilitation, psychiatric/substance abuse, pediatric, prenatal program, health tips program, personal health management.

Compensation: Per employee per month; per hour.

Officers: Otto W. Mueller, president; Billie J. Davis, vp; Kathryn C. Showalter, manager-managed care operation; Judith R. Beauchamp, manager-medical review services; Dr. William B. Lorentz Jr., medical director; Sarah M. Browning, systems manager.

Contact: Sharon Lambros, 910-760-3090 ext. 204.

* *Estimate.*

Medical Foundation Services

3625 N.W. 82nd Ave., Suite 211, Miami,
Fla. 33166; 305-593-0404 ext. 101;
fax: 305-477-6622

Utilization Review/Case Management

1996 revenues	
Total gross revenue	$1,100,000
UR revenue	$800,000
Case mgmt. revenue	$300,000
UR/case mgmt. direct to employers	75%
Svcs. to managed care/insurance providers	25%
Staff	
Total UR/case management employees	18
UR/case mgmt. employees on retainer	4
Clients	
Total	30
Corporate/institutional employer clients	30
Covered lives/reviewed admissions	
Employee benefit plan lives served	10,000
Acute care inpatient admissions reviewed	3,000
Diverted for outpatient treatment	6%

UR/case mgmt. services since: 1976.

Parent: Baptist Health Systems of South Florida.

Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, onsite and telephone case management, retrospective review, outpatient service predetermination, referrals to alternative settings, written reports.

Occasional services: Review of lab work, patient education, second surgical opinion, hospital bill audits, outpatient psychiatric and substance abuse services, high risk maternity.

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

Compensation: $1.45 to $2.05 per employee per month; $75 to $750 per case; $85 to $125 per hour.

Officers: Rose Strain, director.

Contact: Rose Strain, director, 305-593-0404 ext. 101, or Richard Dietrich, marketing manager, 305-593-0404 ext. 105.

Medical Rehabilitation Consultants Inc.

111 W. Cataldo, Suite 200,
Spokane, Wash. 99201; 509-328-9700;
fax: 509-328-9777

Utilization Review/Case Management

1996 revenues	
Total gross revenue	$1,000,000
UR revenue	$120,000
Case mgmt. revenue	$700,000
UR/case mgmt. direct to employers	1%
Svcs. to managed care/insurance providers	81%
Other services	18%
Staff	
Total UR/case management employees	13
Professionals	13
UR/case mgmt. employees on retainer	1
Clients	
Total	200
Corporate/institutional employer clients	200

UR/case mgmt. services since: 1987.

Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, onsite and telephone case management, review of lab work, patient education, retrospective review, second surgical opinion, hospital bill audits, outpatient service predetermination, written reports.

Occasional services: Discharge planning, outpatient psychiatric and substance abuse services, referrals to alternative settings.

Medical services reviewed/managed: Group health, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability, pediatric, forensic, trust advisory liability.

Branch offices: Denver; Boise, Idaho; Great Falls, Mont.; Las Vegas; Salt Lake City; Seattle and Walla Walla, Wash.

Compensation: $1.60 to $2.10 per employee per month; $55 to $5,500 per case; $60 to $150 per hour.

Officers: Mary M. Glidden, president; Jeff H. Glidden, vp.

Contact: Jeff H. Glidden.

Medical Review Institute of America

670 East 3900 South, Suite 300,
Salt Lake City, Utah 84107;
800-654-2422; 801-261-3189

Utilization Review

1996 revenues	
Total gross revenue*	$2,750,000
UR/case mgmt. direct to employers	5%
Svcs. to managed care/insurance providers	90%
Other services	5%
Staff	
Total UR employees	35
UR employees on retainer	350
Clients	
Total	700
Corporate/institutional employer clients	20

UR services since: 1982.

Parent: Medical Opinions Inc.

Frequent services: Concurrent hospital treatment review, length of stay determination, review of lab work, retrospective review, second surgical opinion, outpatient psychiatric and substance abuse services, written reports, physician specialist review of inpatient/outpatient treatment and charges.

Occasional services: Telephone case management.

Medical services reviewed/managed: Group health, dental, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability, pediatric, medical fraud, legal cases.

Compensation: Per hour; flat fee per case.

Officers: William Low, president; Joni Pierce, vp/operations manager.

* *BI estimate.*

Medicus Resource Management

833 N. Park Road, Wyomissing, Pa.
19610; 800-647-2500; fax: 610-371-0310

Utilization Review/Case Management

1996 revenues	
Total gross revenue	$950,000
UR revenue	$600,000
Case mgmt. revenue	$350,000
UR/case mgmt. direct to employers	80%
Svcs. to managed care/insurance providers	20%
Staff	
Total UR/case management employees	8
Professionals	6
UR/case mgmt. employees on retainer	30
Clients	
Total	86
Corporate/institutional employer clients	75
Covered lives/reviewed admissions	
Employee benefit plan lives served	58,500
Workers compensation lives served	800
Acute care inpatient admissions reviewed	3,500

UR/case mgmt. services since: 1989.

Parent: Berkshire Health Plan.

Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, onsite and telephone case management, second surgical opinion, outpatient service predetermination, referrals to alternative settings, written reports.

Occasional services: Review of lab work, patient education, retrospective review, hospital bill audits, outpatient psychiatric and substance abuse services.

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

Compensation: $1.70 to $2 per employee per month.

Officers: Edward J. Wargo, president; David L. Starbuck, medical director; Lawrence Cobaugh, CFO.

Contact: Misty L. Wintsch, director-customer/provider relations.

MedSmart International

1675 Scenic Ave., Suite 101,
Costa Mesa, Calif. 92626; 800-652-1134;
fax: 800-748-1137

Utilization Review/Case Management

1996 revenues	
Total gross revenue	$6,295,600
UR revenue	$314,780
Case mgmt. revenue*	$5,036,480
UR/case mgmt. direct to employers	9%
Svcs. to managed care/insurance providers	76%
Other services	15%
Staff	
Total UR/case management employees	16
Professionals	12
UR/case mgmt. employees on retainer	22
Clients	
Total	22
Corporate/institutional employer clients	2
Covered lives/reviewed admissions	
Acute care inpatient admissions reviewed	1,325
Diverted for outpatient treatment	37%

UR/case mgmt. services since: 1994.

Frequent services: Preadmission certification; concurrent hospital treatment review; length of stay determination; discharge planning; onsite and telephone case management; review of lab work; patient education; second surgical opinion; outpatient service predetermination; referrals to alternative settings; written reports; episode of care, including all provider services, case management and HIV care events.

Occasional services: Free prescreening, retrospective review, hospital bill audits, outpatient psychiatric and substance abuse services.

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

Branch offices: Denver; Chicago.

Compensation: $750 to $5,000 per case; $100 to $350 per hour.

Officers: Dorian Knape, president; Sue Sedaka, vp; Vi Karr, COO.

Contact: Susan Sedaka.

* *Includes 3,147,800 for episode of care package.*

Med-Valu Inc.

485 Metro Place S., Suite 200, Dublin,
Ohio 43017; 614-764-2282;
fax: 614-766-0004

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Utilization Review/Case Management

1996 revenues	
Total gross revenue	$4,000,000
UR revenue	$3,850,000
Case mgmt. revenue	$150,000
UR direct to employers	2%
Svcs. to managed care/insurance providers	94%
Other services	4%
Staff	
Total UR/case mgmt. employees	49
Professionals	49
UR/case mgmt. employees on retainer	50
Clients	
Total	40
Corporate/institutional employer clients	2
Covered lives/reviewed admissions	
Employee benefit plan lives served	1,200,000
Workers compensation lives served	200,000
Acute care inpatient admissions reviewed	29,035
Diverted for outpatient treatment	10%

UR/case mgmt. services since: 1987.
URAC certified.

Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, telephone case management, review of lab work, patient education, free prescreening, outpatient service predetermination, outpatient psychiatric and substance abuse services, referrals to alternative settings, written reports, referral tracking.

Occasional services: Onsite management, retrospective review, second surgical opinion.

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

Compensation: $0.95 to $1.15 per employee per month; $45 to $80 per case; $70 to $100 per hour.

Officers: Michael Linde, president/CEO; Frank Anzelmo, vp-systems/treasurer; Mary Ellen O'Grady, vp-sales/secretary.

Contact: Mary Ellen O'Grady.

MedView Services Inc.*

32991 Hamilton Court, Suite 300,
Farmington Hills, Mich. 48334;
810-488-5260; fax: 810-488-3649

Utilization Review/Case Management

1996 revenues	
Total gross revenue	$46,000,000
UR revenue	$1,597,000
Case mgmt. revenue	$16,241,000
UR/case mgmt. direct to employers	4%
Svcs. to managed care/insurance providers	35%
Other services	61%
Staff	
Total UR/case management employees	292
Professionals	223
UR/case mgmt. employees on retainer	47
Clients	
Total	624
Corporate/institutional employer clients	175
Covered lives/reviewed admissions	
Acute care inpatient admissions reviewed	2,553

UR/case mgmt. services since: 1983.
Parent: Value Health Services Inc.
URAC certified.

Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, onsite and telephone case management, retrospective review, outpatient service predetermination, referrals to alternative settings, written reports.

Occasional services: Review of lab work, patient education, free prescreening, second surgical opinion, hospital bill audits, outpatient psychiatric and substance abuse services.

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

Officers: Jim Buncher, president/CEO; Debra Cerre-Ruedisili; Shannon Johnston, senior vp/chief administrative officer; Pat Sullivan, senior vp/chief marketing officer.

Contact: Eileen Hanrahan, director-marketing, 810-488-5260 ext. 514.

* *MedView and Community Care Network (CCN) are wholly owned subsidiaries of Value Health Services Inc. Please refer to CCN's listing as well.*

MedWatch

120 International Parkway, Suite 170,
Lake Mary, Fla. 32795-2679
407-333-8166; fax: 407-333-8928

Utilization Review/Case Management

1996 revenues	
Total gross revenue	$2,970,000
UR revenue	$1,980,000
Case mgmt. revenue	$990,000
UR/case mgmt. direct to employers	75%
Svcs. to managed care/insurance providers	20%
Other services	5%
Staff	
Total UR/case management employees	17
Professionals	13
UR/case mgmt. employees on retainer	36
Clients	
Total	356
Corporate/institutional employer clients	352
Covered lives/reviewed admissions	
Employee benefit plan lives served	150,000
Workers compensation lives served	5,000
Acute care inpatient admissions reviewed	6,890
Diverted for outpatient treatment	35%

UR/case mgmt. services since: 1989.
Parent: Alliance Underwriters.
URAC certified.

Services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, onsite and telephone case management, patient education, free prescreening, retrospective review, second surgical opinion, outpatient service predetermination, outpatient psychiatric and substance abuse services, referrals to alternative settings, written reports.

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

Compensation: $1.10 to $1.65 per employee per month; $200 to $350 per case; $75 to $85 per hour.

Officers: Lynn Jennings, president; Dennis Orgill, Judy Garber, Arlene McKechnie, vps; Vince Butler, secretary/treasurer.

Contact: Arlene McKechnie or Judy Garber.

Dr. Donald P. Milione

7012 18th Ave., Brooklyn, N.Y. 11204;
718-232-9595; fax: 718-232-6800

Utilization Review

1996 revenues	
Total gross revenue	$100,000
UR revenue	$20,000
UR/case mgmt. direct to employers	10%
Svcs. to managed care/insurance providers	10%
Other services	80%
Staff	
Total UR/case management employees	4
Professionals	4
Clients	
Total	20
Corporate/institutional employer clients	10

UR/case mgmt. services since: 1996.

Frequent services: Patient education, written reports, independent examinations.

Occasional services: Onsite and telephone case management, review of lab work, referrals to alternative settings.

Medical services reviewed/managed: Chiropractic, workers comp/disability.

Branch offices: New York.

Compensation: $300 to $500 per case; $150 per hour.

Officers: Dr. Donald P. Milione, C.G. Sammis Christine Mauro, Maria Allegretti.

MultiPlan Inc.

115 Fifth Ave., New York, N.Y.
10003-1004; 800-677-1098;
fax: 212-780-0420

Utilization Review/Case Management

1996 revenues*	
Total gross revenue	$1,200,000
UR revenue	$960,000
Case mgmt. revenue	$240,000
Staff	
Total UR/case management employees	25
Professionals	22
UR/case mgmt. employees on retainer	15
Clients	
Total	25
Corporate/institutional employer clients	25
Covered lives/reviewed admissions*	
Acute care inpatient admissions reviewed	55,000
Diverted for outpatient treatment	5%

UR/case mgmt. services since: 1970.

Services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, onsite and telephone case management, review of lab work, patient education, retrospective review, second surgical opinion, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, referrals to alternative settings, written reports.

Medical services reviewed/managed: Group health, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability, pediatric, high-risk maternity.

Branch offices: Salem, N.H.

Compensation: Per employee per month (UR); per hour (case management).

Officers: Donald Rubin, chairman/co-CEO; Harvey Sigelbaum, president/co-CEO; Sidney L. Meyer, executive vp; Ronald Hersch, senior vp-marketing/sales; Lorraine Woods, director-utilization management services.

Contact: Lorraine Woods.

* *Estimate.*

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N

NCM Services

15326 Alton Parkway, P.O. Box 16361, Irvine, Calif. 92713; 714-453-5122; fax: 714-453-5220

Utilization Review/Case Management	
1996 revenues	
Total gross revenue	$420,000
UR revenue	$120,000
Case mgmt. revenue	$300,000
UR/case mgmt. direct to employers	25%
Svcs. to managed care/insurance providers	75%
Staff	
Total UR/case management employees	17
Professionals	13
Clients	
Total	8
Corporate/institutional employer clients	8
Covered lives/reviewed admissions	
Employee benefit plan lives served	100
Workers compensation lives served	1,000
Acute care inpatient admissions reviewed	750
Diverted for outpatient treatment	30%

UR/case mgmt. services since: 1993.
Parent: CaseCo.
Frequent services: Concurrent hospital treatment review, length of stay determination, discharge planning, onsite and telephone case management, patient education, free prescreening, second surgical opinion, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, referrals to alternative settings, written reports.
Occasional services: Preadmission certification, review of lab work, retrospective review.
Medical services reviewed/managed: Group health, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability, pediatric.
Branch offices: Redondo Beach, Calif.
Compensation: $1 to $1.50 per employee per month; $100 per case; $75 to $90 per hour.
Officers: Sally Swenson-Mazur, president; Mark Fernandez, director-clinical operations.
Contact: Sally Swenson-Mazur or Mark Fernandez.

NHA Review Services Inc.

770 S. Post Oak Lane, Suite 445, Houston, Texas 77056; 800-950-7528; fax: 713-888-1986

Utilization Review/Case Management	
1996 revenues	
Total gross revenue	$418,609
UR/case mgmt. revenue	$418,609
UR/case mgmt. direct to employers	15%
Svcs. to managed care/insurance providers	85%
Staff	
Total UR/case management employees	5
Professionals	5
Clients	
Total	42
Corporate/institutional employer clients	12
Covered lives/reviewed admissions	
Employee benefit plan lives served	27,907
Workers compensation lives served	676
Acute care inpatient admissions reviewed	664
Diverted for outpatient treatment	15%

UR/case mgmt. services since: 1989.
Parent: National Healthcare Alliance Inc.
Services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, telephone case management, retrospective review, second surgical opinion, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, referrals to alternative settings, written reports.
Medical services reviewed/managed: Group health, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability, pediatric.
Compensation: $1.25 to $1.50 per employee per month.
Officers: Robert Woolfolk, CEO; Melvin Thorne, president; John Baird, medical director; Beverly Kracht, director.

National Health Services Inc.

9200 Shelbyville Road, Suite 700, Louisville, Ky. 40222; 800-762-7360; fax: 502-339-8057

Utilization Review/Case Management	
1996 revenues	
Total gross revenue	$15,900,000
UR revenue	$12,334,724
Case mgmt. revenue	$3,463,676
UR/case mgmt. direct to employers	22%
Svcs. to managed care/insurance providers	77%
Other services	1%
Staff	
Total UR/case management employees	140
Professionals	107
UR/case mgmt. employees on retainer	19
Clients	
Total	65
Corporate/institutional employer clients	4
Covered lives/reviewed admissions	
Employee benefit plan lives served	3,579,330
Workers compensation lives served	35,024
Acute care inpatient admissions reviewed	312,083
Diverted for outpatient treatment	4.5%

UR/case mgmt. services since: 1984.
Parent: United Payors & United Providers.
URAC certified.
Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, telephone case management, patient education, free prescreening, retrospective review, outpatient service predetermination, referrals to alternative settings, written reports, occupational medical management, claims audit review, high risk maternity screening and review, nursing home review, long-term care facility case mix review, ancillary therapy review, disease management, demand management, specialty referral review.
Occasional services: Onsite case management, review of lab work, second surgical opinion, hospital bill audits, outpatient psychiatric and substance abuse services.
Medical services reviewed/managed: Group health, dental, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability, pediatric.
Branch offices: Dallas.
Compensation: $1.20 to $2.20 per employee per month; $100 to $125 per case; $80 to $200 per hour.
Officers: Anthony Pino, CEO; Rick Dankworth, Barbara Freeman, executive vps; Christie Sturzebecker, senior vp; Joe Bruno, CFO.
Contact: Michelle Runyon, vp-operations.

National Rehabilitation Consultants of Colorado Inc.

2460 W. 26th Ave., Suite 440C, Denver, Colo. 80211; 303-433-2223; fax: 303-433-9909

Case Management	
1996 revenues	
Total gross revenue	$800,000
Case mgmt. revenue	$800,000
Case mgmt. direct to employers	25%
Svcs. to managed care/insurance providers	75%
Staff	
Total case management employees	12
Professionals	9

Case management services since: 1978.
Frequent services: Onsite case management, written reports, evaluation services.
Medical services reviewed/managed: Workers comp/disability, no-fault auto.
Branch offices: Colorado Springs.
Compensation: $70 to $80 per hour.
Officers: R.W. Nelson, president; Tim Vermeer, case services director.

National Utilization Management Corp.

7301 N. 16th St., Suite 201; Phoenix, Ariz. 85020; 602-371-3860; fax: 602-371-3885

Utilization Review/Case Management	
1996 revenues	
Total gross revenue*	$2,000,000
UR revenue*	$1,400,000
Case mgmt. revenue*	$600,000
UR/case mgmt. direct to employers	8%
Svcs. to managed care/insurance providers	92%
Staff	
Total UR/case management employees	34
Professionals	34
UR/case mgmt. employees on retainer	60
Clients	
Total	110
Covered lives/reviewed admissions	
Employee benefit plan lives served	450,000
Workers compensation lives served	70,000
Acute care inpatient admissions reviewed	11,000
Diverted for outpatient treatment	20%

UR/case mgmt. services since: 1990.
Parent: USA Managed Care Organization Inc.
URAC certified.
Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, telephone case management, retrospective review, outpatient service predetermination, outpatient psychiatric and substance abuse services, referrals to alternative settings, written reports.
Occasional services: Onsite case management, review of lab work, second surgical opinion, hospital bill audits.
Medical services reviewed/managed: Group health, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability, pediatric, high risk maternity program.
Branch offices: Austin, Texas.
Officers: George E. Bogle, chairman/CEO; Constance Lambert, president; W. Joseph Martin, CFO; Laura Dickson, senior vp/COO; Dr. James Gerace, medical director.
Contact: Constance Lambert, 800-354-2464.
* *Estimate.*

O

Options Health Care Inc.

240 Corporate Blvd., Norfolk, Va. 23502; 757-459-5200; fax: 757-892-5729

Utilization Review/Case Management	
1996 revenues	
Total gross revenue	$350,000,000
UR/case mgmt. revenue	$290,000,000
UR/case mgmt. direct to employers	80%
Svcs. to managed care/insurance providers	5%
Other services	5%
Staff	
Total UR/case management employees	200
Professionals	180
UR/case mgmt. employees on retainer	15,000
Clients	
Total	31
Corporate/institutional employer clients	16
Covered lives/reviewed admissions	
Employee benefit plan lives served	5,000,000

UR/case mgmt. services since: 1989.
Parent: FHC Health Systems.
URAC certified.
Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, onsite and telephone case management, patient education, free prescreening, retrospective review, outpatient service predetermination, outpatient psychiatric and substance abuse services, referrals to alternative settings, written reports.
Occasional services: Review of lab work, hospital bill audits.
Medical services reviewed/managed: Psychiatric/substance abuse.
Branch offices: Pueblo, Colo.; Tampa, Fla.; Augusta, Ga.; Boston; Omaha, Neb.; Fayetteville, N.C.; Chattanooga, Tenn.; Montpelier, Vt.; Manati, Puerto Rico.
Officers: Dr. Ronald I. Dozoretz, chairman/CEO; Steve Linehan, president/vice chairman; Michael Taylor, senior vp/CFO; Don Fowls, senior vp-national medical director; Sharon Tolliver, senior vp/COO.

P

PHA Review

1350 Old Bayshore Highway, Suite 570, Burlingame, Calif. 94010; 415-375-5800; fax: 415-375-5820

Utilization Review/Case Management	
1996 revenues	
UR/case mgmt. revenue	$2,600,000
UR/case mgmt. direct to employers	20%
Svcs. to managed care/insurance providers	80%
Staff	
Total UR/case management employees	14
Professionals	10
Clients	
Total	19
Covered lives/reviewed admissions	
Employee benefit plan lives served	161,000
Diverted for outpatient treatment	9%

UR/case mgmt. services since: 1989.
Parent: Pacific Health Alliance.
Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, onsite and telephone case management, review of lab work, patient education, retrospective review, second surgical opinion, outpatient service predetermination, outpatient psychiatric and substance abuse services, referrals to alternative settings, written reports.
Occasional services: Free prescreening, hospital bill audits.
Medical services reviewed/managed: Group health, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability, pediatric.
Branch offices: Fresno, Merced, Sacramento, Stockton and Turlock, Calif.
Compensation: $1.10 to $1.95 per employee per month.
Officers: Lawrence Cappel, CEO; Metta Shields, director; Robert Mackler, executive vp; Danna Janatpour, director; Brian Thornberry, director-marketing.
Contact: Brian Thornberry.

PRNA Services

12000 Ford Road, Dallas, Texas 75234; 972-247-0592; fax: 972-406-8903

Utilization Review/Case Management	
1996 revenues	
Total gross revenue	$4,500,000
UR revenue	$1,000,000
Case mgmt. revenue	$1,000,000
UR/case mgmt. direct to employers	10%
Svcs. to managed care/insurance providers	30%
Other services	60%
Staff	
Total UR/case management employees	10
Professionals	10
UR/case mgmt. employees on retainer	49
Clients	
Total	31
Covered lives/reviewed admissions	
Workers compensation lives served	1,400,000
Acute care inpatient admissions reviewed	500
Diverted for outpatient treatment	35%

UR/case mgmt. services since: 1985.
Parent: Amzim Inc.
Frequent services: Preadmission certification, length of stay determination, onsite and telephone case management, review of lab work, retrospective review, hospital bill audits, outpatient service predetermination, written reports.
Occasional services: Concurrent hospital treatment review, discharge planning, patient education, second surgical opinion, outpatient psychiatric and substance abuse services, referrals to alternative settings.
Medical services reviewed/managed: Group health, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability.
Compensation: $150 to $2,500 per case; $65 to $85 per hour.
Officers: Colin Herlitz, president; Liz Minch, Karen Davidson, executive vps; Marc Semmelmann, vp-sales/marketing; Bruce Wood, CFO.
Contact: Marc Semmelmann.

Parman & Associates Inc.

2211 Lake Club Drive, Suite 105, Columbus, Ohio 43232-3155; 800-742-1354; fax: 614-575-9399

Utilization Review/Case Management	
1996 revenues	
Total gross revenue	$1,500,000
UR revenue	$300,000
Case mgmt. revenue	$1,200,000
UR/case mgmt. direct to employers	85%
Svcs. to managed care/insurance providers	10%
Other services	5%
Staff	
Total UR/case management employees	24
Professionals	18
UR/case mgmt. employees on retainer	151
Clients	
Total	75
Corporate/institutional employer clients	60
Covered lives/reviewed admissions	
Workers compensation lives served	50,000
Acute care inpatient admissions reviewed	1,000
Diverted for outpatient treatment	10%

UR/case mgmt. services since: 1984.
Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, onsite and telephone case management, retrospective review, hospital bill audits, outpatient service predetermination, referrals to alternative settings, written reports, life care planning, vocational services.
Occasional services: Review of lab work, patient education, second surgical opinion, outpatient psychiatric and substance abuse services.
Medical services reviewed/managed: Chiropractic, rehabilitation, workers comp/disability.
Branch offices: Cincinnati, Cleveland and Toledo, Ohio. Can also provide national service through Unified Care Management (UCM).
Compensation: $30 to $180 per case; $72 per hour.
Officers: Jamie L. Parman, president; Karl Shuster, director-marketing/operations; Melissa Wiseman, director-UR; Christine Moranda, director-case management; Mary Kolks, manager-vocational department.

The Precertification Center/Health Benefits Management Inc.

P.O. Box 898125, Camp Hill, Pa. 17089-8125; 717-232-0946; fax: 717-232-1713

Utilization Review	
1996 revenues	
Total gross revenue	$3,046,196
UR revenue	$3,021,896
UR/case mgmt. direct to employers	99%
Other services	1%
Staff	
Total UR/case management employees	37
Professionals	26
UR/case mgmt. employees on retainer	2
Clients	
Total	890
Corporate/institutional employer clients	888
Covered lives/reviewed admissions	
Employee benefit plan lives served	485,177
Workers compensation lives served	1,130
Acute care inpatient admissions reviewed	36,038
Diverted for outpatient treatment	6.3%

UR services since: 1984.
Parent: Pennsylvania Blue Shield/Capital Blue Cross.
URAC certified.
Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, second surgical opinion, outpatient service predetermination, outpatient psychiatric and substance abuse services, FMLA certification.
Occasional services: Retrospective review, referrals to alternative settings.
Medical services reviewed/managed: Group health, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability, pediatric, hospice, skilled nursing facility, home health, private duty nursing.
Compensation: $0.95 per contract.
Officers: Jerry E. Boyer, president; Elizabeth A. Galitski, vp-operations; Yvonne M. Fry, manager-precertification programs; Peggy Belfonti, manager-disability programs.

Preferred Health Plan Inc.

10180 Linn Station Road, Suite B-200; Louisville, Ky. 40223; 502-339-7500; fax: 502-339-8716

Utilization Review/Case Management	
1996 revenues	
Total gross revenue*	$2,145,000
UR/case mgmt. revenue*	$249,000
UR/case mgmt. direct to employers	6%
Svcs. to managed care/insurance providers	6%
Other services	88%
Staff	
Total UR/case management employees	3
Professionals	3
Clients	
Total	26
Corporate/institutional employer clients	26
Covered lives/reviewed admissions	
Employee benefit plan lives served	32,280
Acute care inpatient admissions reviewed	2,995

UR/case mgmt. services since: 1989.
Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, review of lab work, retrospective review, referrals to alternative settings, written reports.
Occasional services: Telephone case management, patient education, second surgical opinion, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services.
Medical services reviewed/managed: Group health, rehabilitation, psychiatric/substance abuse, pediatric.
Compensation: $1.75 to $2.00 per employee per month.
Officers: Paula S. Barr, president/CEO; Nancy Redmon, director-medical resource management; Dennis Stovall, CFO; Mary S. Stivers, director-operations.
Contact: Nancy Redmon.
* *Estimate.*

Preferred Mental Health Management Inc.

401 E. Douglas, 3rd Floor, Wichita, Kan. 67202; 316-262-0444; fax: 316-262-0003

Utilization Review/Case Management	
1996 revenues	
Total gross revenue	$2,300,000
UR/case mgmt. revenue	$2,300,000
UR/case mgmt. direct to employers	100%
Staff	
Professionals	6
UR/case mgmt. employees on retainer	2
Clients	
Total	52
Covered lives/reviewed admissions	
Employee benefit plan lives served	800,000
Acute care inpatient admissions reviewed	2,200
Diverted for outpatient treatment	7%

UR/case mgmt. services since: 1987.
Frequent services: Preadmission certification, length of stay determination, discharge planning, telephone case management, patient education, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services.
Occasional services: Concurrent hospital treatment review, review of lab work, retrospective review, referrals to alternative settings, written reports.
Medical services reviewed/managed: Psychiatric/substance abuse.
Compensation: $2.65 to $4.75 per employee per month.
Officers: Les Ruthven, president; Courney Ruthven, executive vp/CFO; Wayne Isaac, senior vp/COO.

Private Healthcare Systems

1100 Winter St., Waltham, Mass. 02154; 617-895-3144; fax: 617-895-6848

Utilization Review/Case Management	
1996 revenues	
Total gross revenue	$110,000,000
UR revenue	$47,000,000
Case mgmt. revenue	$4,000,000
UR/case mgmt. direct to employers	5%
Svcs. to managed care/insurance providers	41%
Other services	54%
Staff	
Total UR/case management employees	428
Professionals	187
Clients	
Total	26
Corporate/institutional employer clients	6
Covered lives/reviewed admissions	
Acute care inpatient admissions reviewed	681,839
Diverted for outpatient treatment	62%

UR/case mgmt. services since: 1985.
URAC certified.
Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, telephone case management, review of lab work, patient education, outpatient service predetermination, outpatient psychiatric and substance abuse services, referrals to alternative settings, written reports, high-risk maternity screening, medical necessity review.
Occasional services: Discharge planning, onsite case management, retrospective review.
Medical services reviewed/managed: Group health, chiropractic, rehabilitation, psychiatric/substance abuse, pediatric, home health, infusion therapy, physical therapy.
Branch offices: Irvine, Calif.; Chicago.
Officers: Richard Belloff, president/CEO; Peter George, COO; Mark Bloomberg, chief medical officer; J. Rick Newsome, CFO; Richard Kwei, interim chief information officer.
Contact: Maryjane Frascino, director-marketing/communications.

PRO-West, A Professional Review Organization

10700 Meridian Ave. N., Suite 100, Seattle, Wash. 98133-9075; 206-364-9700; fax: 206-368-2419

Utilization Review/Case Management	
1996 revenues	
Total gross revenue	$10,200,000
UR revenue	$9,586,332
Case mgmt. revenue	$613,668
UR/case mgmt. direct to employers	90%
Svcs. to managed care/insurance providers	10%

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Staff	
Total UR/case management employees	67
Professionals	48
UR/case mgmt. employees on retainer	200

Covered lives/reviewed admissions	
Employee benefit plan lives served	4,380,000
Workers compensation lives served	10,000
Acute care inpatient admissions reviewed	57,149
Diverted for outpatient treatment	1%

UR/case mgmt. services since: 1974.
URAC certified.
Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, onsite and telephone case management, review of lab work, patient education, retrospective review, second surgical opinion, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, referrals to alternative settings, written reports.
Occasional services: Free prescreening.
Medical services reviewed/managed: Group health, dental, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability, pediatric, massage therapy, physical therapy, home health, DRG validation, technology assessment, prenatal care coordination, quality improvement services, data analysis, disease management.
Branch offices: Anchorage, Alaska; Boise, Idaho; Plano, Texas; Lynnwood, Wash.; Cheyenne, Wyoming.
Compensation: Per employee per month; per case; per hour.
Officers: Joseph Palermo, chairman; John W. Daise, CEO; Michael Garrett, executive director; Dr. Jonathan Sugarman, medical director-health care quality/principal clinical coordinator; Dr. Jeanette Ruby, corporate medical director.
Contact: Julianne E. Collier, account executive.

Professional Case Management Consultants Inc.

P.O. Box 940338, Maitland, Fla. 32794-0338; 800-647-6347; fax: 407-647-1395

Utilization Review/Case Management

1996 revenues	
Total gross revenue	$730,000
UR revenue	$100,000
Case mgmt. revenue	$630,000
UR/case mgmt. direct to employers	30%
Svcs. to managed care/insurance providers	70%

Staff	
Total UR/case management employees	28
Professionals	1
UR/case mgmt. employees on retainer	27

Clients	
Total	31
Corporate/institutional employer clients	6

UR/case mgmt. services since: 1993.
URAC certified.
Frequent services: Discharge planning, onsite and telephone case management, review of lab work, patient education, free prescreening, retrospective review, second surgical opinion, outpatient service predetermination, referrals to alternative settings, written reports, certified life care planning, chronic disease management, pharmaceutical UR, vocational case management, independent medical exam, provider negotiation.
Occasional services: Concurrent hospital treatment review, length of stay determination, hospital bill audits, outpatient psychiatric and substance abuse services, high-risk maternity, peer review.
Medical services reviewed/managed: Group health, dental, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability, pediatric, occupational therapy, physical therapy, home health.
Compensation: $65 to $125 per hour.
Officers: Belinda E. Brice, president; Harry Greene, director-customer relations; Kathie Maloney, secretary.

Q

QMC 3 Inc.

10 Lakeside Lane, Denver, Colo. 80212; 303-433-6898; fax: 303-433-7696

Utilization Review/Case Management

1996 revenues	
Total gross revenue	$180,000,000
UR revenue	$54,000,000
Case mgmt. revenue	$90,000,000
UR/case mgmt. direct to employers	30%
Svcs. to managed care/insurance providers	50%
Other services	20%

Staff	
Total UR/case management employees	1,600
UR/case mgmt. employees on retainer	20

Clients	
Total	1,258
Corporate/institutional employer clients	920

Covered lives/reviewed admissions	
Employee benefit plan lives served	3,000,000
Workers compensation lives served	10,000,000
Acute care inpatient admissions reviewed	130,000
Diverted for outpatient treatment	30%

UR/case mgmt. services since: 1987.
Parent: CRA Managed Care Inc.
URAC certified.
Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, telephone case management, patient education, retrospective review, second surgical opinion, outpatient service predetermination, outpatient psychiatric and substance abuse services, written reports.
Occasional services: Onsite case management, review of lab work, free prescreening, hospital bill audits, referrals to alternative settings.
Medical services reviewed/managed: Group health, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability, pediatric.
Compensation: $0.25 to $1.75 per employee per month; $0.75 to $2 per case; $0.40 to $0.70 per hour.
Officers: Kimberly Sutphin, president; Dorothy Anderson, COO; Don Larson, president-CRA; John McCarthy, vp-CRA.
Contact: Kim Sutphin.

Quality Managed Care Inc.

7245 W. 95th St., Suite 200, Overland Park, Kan. 66212; 913-642-7997; fax: 913-642-4201

Utilization Review/Case Management

1996 revenues	
Total gross revenue	$2,000,000
UR revenue	$800,000
Case mgmt. revenue	$1,200,000
UR/case mgmt. direct to employers	18%
Svcs. to managed care/insurance providers	82%

Staff	
Total UR/case management employees	29
Professionals	29
UR/case mgmt. employees on retainer	20

Clients	
Total	125
Corporate/institutional employer clients	16

Covered lives/reviewed admissions	
Employee benefit plan lives served	305,218
Workers compensation lives served	11,025
Acute care inpatient admissions reviewed	2,205
Diverted for outpatient treatment	22%

UR/case mgmt. services since: 1989.
Parent: The Olsten Corp.
Frequent services: Preadmission certification, concurrent hospital treatment review, discharge planning, telephone case management, patient education, free prescreening, retrospective review, second surgical opinion, outpatient service predetermination, outpatient psychiatric and substance abuse services, referrals to alternative settings, written reports.
Occasional services: Length of stay determination, onsite case management, hospital bill audits.
Medical services reviewed/managed: Group health, rehabilitation, psychiatric/substance abuse, workers comp/disability, pediatric, OB/Gyn, skilled care, home health care.
Branch offices: Denver; West Palm Beach, Fla.; Chicago; Wichita, Kan.; Philadelphia.
Compensation: Per employee per month; per case; per hour.
Officers: Noreen E. Whalen, vp/general manager.
Contact: Margaret Cutkosky, regional marketing representative, 630-443-9256.

R

RNS HealthCare Consultants Inc.

777 Campus Commons Drive, Suite 100, Sacramento, Calif. 95825; 916-929-6506; fax: 916-929-6013

Case Management

1996 revenues	
Total gross revenue	$700,000
Case mgmt. revenue	$640,000
Case mgmt. direct to employers	15%
Svcs. to managed care/insurance providers	75%
Other services	10%

Staff	
Total case management employees	6
Professionals	6
Case mgmt. employees on retainer	4

Clients	
Total	27
Corporate/institutional employer clients	7

Covered lives/reviewed admissions	
Employee benefit plan lives served	18
Workers compensation lives served	253

Case mgmt. services since: 1989.
Frequent services: Discharge planning, onsite and telephone case management, patient education, retrospective review, second surgical opinion, referrals to alternative settings, written reports.
Occasional services: Concurrent hospital treatment review, review of lab work, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, employer-based case management program development.
Medical services reviewed/managed: Group health, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability.
Compensation: $0.85 to $2.50 per employee per month; $325 to $585 per case; $79 to $90 per hour.
Officers: Cynthia E. Whitaker, president/CEO.
Contact: Linda Draper.

Resolve Rehabilitation Consulting Co. Inc.

10451 Mill Run Circle, Suite 225, Owings Mills, Md. 410-363-1174; fax: 410-363-4074

Case Management

1996 revenues	
Total gross revenue	$2,750,000
Case mgmt. revenue	$2,750.000
Case mgmt. direct to employers	50%
Svcs. to managed care/insurance providers	50%

Staff	
Total case management employees	30
Professionals	30

Clients	
Total	67
Corporate/institutional employer clients	42

Covered lives/reviewed admissions	
Employee benefit plan lives served	800
Workers compensation lives served	1,375

Case mgmt. services since: 1983.
Frequent services: Onsite and telephone case management, referrals to alternative settings, written reports.
Occasional services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, patient education, free prescreening, retrospective review, hospital bill audits, outpatient service predetermination.
Medical services reviewed/managed: Group health, dental, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability, pediatric.
Branch offices: Washington; Asheville, Charlotte, Greensboro and Raleigh/Durham, N.C.; Norfolk, Richmond and Roanoke, Va.
Compensation: $56 to $72 per hour.
Contact: Nancy Hill Chadwick, president/CEO, or James W. Chadwick, treasurer/CFO.

S

Sentinel Management Services Inc.

1871 Santa Barbara Drive, P.O. Box 8377, Lancaster, Pa. 17601; 800-432-8877; fax: 717-581-8841

Utilization Review/Case Management

1996 revenues	
Total gross revenue	$400,000
UR revenue	$275,000
Case mgmt. revenue	$60,000
UR/case mgmt. direct to employers	21%
Svcs. to managed care/insurance providers	63%
Other services	16%

Staff	
Total UR/case management employees	6
Professionals	6
UR/case mgmt. employees on retainer	2

Clients	
Total	130
Corporate/institutional employer clients	125

Covered lives/reviewed admissions	
Employee benefit plan lives served	12,000
Acute care inpatient admissions reviewed	1,258
Diverted for outpatient treatment	10%

UR/case mgmt. services since: 1988.
URAC certified.
Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, telephone case management, patient education, retrospective review, second surgical opinion, hospital bill audits, outpatient service predetermination, referrals to alternative settings, written reports.
Occasional services: Onsite case management, review of lab work, outpatient psychiatric and substance abuse services.
Medical services reviewed/managed: Group health; chiropractic; rehabilitation; psychiatric/substance abuse; workers comp/disability; pediatric; mental, drug and alcohol programs.
Compensation: $1.75 to $2 per employee per month; $60 to $125 per hour; $150 to $600 per case (peer reviews).
Officers: Susan C. Rossi, president; Ann Reinsmith, treasurer; Sara Amman, secretary.
Contact: Shawn M. Barron, account representative, 717-581-1245.

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Southwest Medical Management Associates

5815 Callaghan, San Antonio, Texas 78228; 210-681-6055; fax: 210-522-9287

Utilization Review/Case Management

1996 revenues	
Total gross revenue	$650,000
UR revenue	$350,000
Case mgmt. revenue	$200,000
UR/case mgmt. direct to employers	60%
Svcs. to managed care/insurance providers	25%
Other services	15%
Staff	
Total UR/case management employees	5
Professionals	5
Clients	
Total	45
Corporate/institutional employer clients	40
Covered lives/reviewed admissions	
Employee benefit plan lives served	70,150
Workers compensation lives served	70,150
Acute care inpatient admissions reviewed	250
Diverted for outpatient treatment	85%

UR/case mgmt. services since: 1992.
Parent: Barron Risk Management Associates Inc.
Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, telephone case management, retrospective review, second surgical opinion, hospital bill audits, outpatient service predetermination, referrals to alternative settings, written reports.
Occasional services: Discharge planning, onsite case management, review of lab work, outpatient psychiatric and substance abuse services.
Medical services reviewed/managed: Group health, dental, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability, pediatric.
Compensation: $1 to $2.50 per employee per month; $50 to $70 per hour.
Officers: Buddy Barron, president; Marsh Gentry, Sally Lopez, vps.

Spectrum Review Services Inc.

3845 FM 1960 W., Suite 110, Houston, Texas 77068; 800-258-5055 or 281-444-2194; fax: 281-444-2482

Utilization Review/Case Management

1996 revenues	
Total gross revenue	$716,000
UR/case mgmt. direct to employers	5%
Svcs. to managed care/insurance providers	50%
Other services	45%
Staff	
Total UR/case management employees	10
UR/case mgmt. employees on retainer	175
Clients	
Total	85
Covered lives/reviewed admissions	
Employee benefit plan lives served	564,000
Acute care inpatient admissions reviewed	6,500
Diverted for outpatient treatment	10%

UR/case mgmt. services since: 1991.
URAC certified.
Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, telephone case management, free prescreening, second surgical opinion, outpatient service predetermination.
Occasional services: Onsite case management, retrospective review, hospital bill audits, outpatient psychiatric and substance abuse services, referrals to alternative settings.
Medical services reviewed/managed: Group health, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability.
Compensation: $1.25 per employee per month; $50 to $90 per hour.
Officers: Frank J. Berrier Jr., president/CEO; Ernest C. Munshower, COO/CFO; Dr. Clifford M. Kitten, medical director.
Contact: Frank Berrier.

U

United HealthCare Corp.

9900 Bren Road E., Minnetonka, Minn. 55343; 612-797-4851; fax: 612-797-2581

Utilization Review/Case Management

1996 revenues	
Total gross revenue*	$5,670,000,000
Covered lives/reviewed admissions	
Acute care inpatient admissions **	200,155

UR/case mgmt. services since: 1984.
URAC certified.
Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, telephone case management, review of lab work, patient education, retrospective review, hospital bill audits, outpatient service predetermination, outpatient psychiatric and substance abuse services, referrals to alternative settings.
Occasional services: Onsite case management, second surgical opinion, written reports.
Medical services reviewed/managed: Group health, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability, pediatric, home care.
Branch offices: Sacramento and San Diego, Calif.; Glastonbury, Conn.; Tampa, Fla.; Chicago; Westborough, Mass.; Golden Valley, Minn.; Kingston, N.Y.; Dayton, Ohio; Oklahoma City; Dunbar, W.Va.
Officers: Dr. William W. McGuire, chairman/president/CEO; David P. Koppe, CFO; Travers H. Wills, Jeannine M. Rivet, Sheila T. Leatherman, executive vps.
Contact: Shirley P. Burr, market director.
** 1995 total revenues. ** Estimate. Does not include network-based UR services.*

United Review Services

67 Walnut Ave., Suite 405, Clark, N.J. 07066; 908-815-0330; fax: 908-382-2035

Utilization Review/Case Management

1996 revenues	
Total gross revenue	$3,500,000
UR revenue	$87,000
Case mgmt. revenue	$400,000
UR/case mgmt. direct to employers	4%
Svcs. to managed care/insurance providers	11%
Other services	85%
Staff	
Total UR/case management employees	9
UR/case mgmt. employees on retainer	5
Clients	
Corporate/institutional employer clients	7
Covered lives/reviewed admissions	
Employee benefit plan lives served	15,000
Acute care inpatient admissions reviewed	931
Diverted for outpatient treatment	3.5%

UR/case mgmt. services since: 1989.
Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, onsite case management, review of lab work, patient education, retrospective review, hospital bill audits, outpatient service predetermination, referrals to alternative settings, written reports.
Occasional services: Telephone case management, free prescreening, second surgical opinion, outpatient psychiatric and substance abuse services.
Medical services reviewed/managed: Group health, dental, chiropractic, rehabilitation, psychiatric/substance abuse, workers comp/disability, pediatric.
Compensation: $1.25 to $2 per employee per month; per case; $90 to $105 per hour.
Officers: Terry Wallace, president/treasurer; Dorothy Maxemow, Marie Wallace, vps.
Contact: Risa Gordon, account executive.

V

Value Behavioral Health Inc.

3110 Fairview Park Drive S., Falls Church, Va. 22042; 703-205-7000; fax: 703-876-5644

Utilization Review/Case Management

1996 revenues	
Total gross revenue	$223,082,746
UR revenue	$3,454,884
Case mgmt. revenue	$168,718,538
UR/case mgmt. direct to employers*	77.5%
Svcs. to managed care/insurance providers*	7.7%
Other services*	14.8%
Staff	
Total UR/case management employees	329
Clients	
Total	20
Covered lives/reviewed admissions	
Employee benefit plan lives served	24,000,000

UR/case mgmt. services since: 1983.
Parent: Value Health Inc.
Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, telephone case management, review of lab work, patient education, retrospective review, outpatient service predetermination, outpatient psychiatric and substance abuse services, referrals to alternative settings, written reports.
Occasional services: Onsite case management, hospital bill audits.
Medical services reviewed/managed: Psychiatric/substance abuse.
Branch offices: Long Beach, Calif.; Skokie, Ill.; Boston; Southfield, Mich.; St. Louis; New York and Troy, N.Y.; Research Triangle Park, N.C.; Irving, Texas.
Compensation: Per employee per month; per case; per hour.
Officers: Charlton "Chip" Tooke, president/CEO; Edith Jardine, executive vp-national sales/marketing; Julie Bigelow, COO-public sector division; Tina Blasi, COO-commercial division; Dr. Ian Shaffer, chief medical officer.
** BI estimate.*

Value Care Review-WPS

1717 W. Broadway, P.O. Box 8190, Madison, Wis. 53717; 800-333-5003; fax: 608-223-3625

Utilization Review/Case Management

1996 revenues	
Total gross revenue	$212,000,000
UR/case mgmt. direct to employers	6%
Other services	94%
Staff	
Total UR/case management employees	40
Professionals	25
UR/case mgmt. employees on retainer	6
Clients	
Total	16,410
Covered lives/reviewed admissions	
Employee benefit plan lives served	190,824
Acute care inpatient admissions reviewed	13,564
Diverted for outpatient treatment	5%

UR/case mgmt. services since: 1992.
Parent: Wisconsin Physicians Service.
Frequent services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, telephone case management, free prescreening, retrospective review, outpatient psychiatric and substance abuse services, referrals to alternative settings, written reports.
Occasional services: Onsite case management, review of lab work, patient education, second surgical opinion, outpatient service predetermination.
Medical services reviewed/managed: Group health, chiropractic, rehabilitation, psychiatric/substance abuse, pediatric.
Compensation: $2.45 per employee per month; $75 per hour.
Officers: Jim Riordan, president-WPS; Bill Bathke, executive vp-WPS; Tim Heaton, CEO-EPIC; Dr. Gerald Kempthorne, vp-medical affairs.

W

Worldwide Auditing Services & Worldwide Rehab Consultants

100 W. Main St., Suite 500, P.O. Box 149, Lansdale, Pa. 19446; 215-362-0206; fax: 215-362-6362

Utilization Review/Case Management

1996 revenues	
Total gross revenue	$2,000,000
UR revenue	$1,200,000
Case mgmt. revenue	$500,000
UR/case mgmt. direct to employers	2%
Svcs. to managed care/insurance providers	83%
Other services	15%
Staff	
Total UR/case management employees	25
Professionals	16
UR/case mgmt. employees on retainer	6
Clients	
Total	170
Corporate/institutional employer clients	1

UR/case mgmt. services since: 1980.
Parent: Lehigh Valley Services Inc.
Services: Onsite and telephone case management, retrospective review, hospital bill audits.
Medical services reviewed/managed: Chiropractic, rehabilitation, workers comp/disability.
Branch offices: Linthicum, Md.
Compensation: $200 to $700 per case; $63 to $68 per hour.
Officers: John J. Haney, CEO; Allan F. Mohr, COO; Doreen Whitney, director-professional services.
Contact: Allan F. Mohr.

X

Xordium Inc.

P.O. Box 10, Orange, Calif. 92856; 714-771-3833; fax: 714-771-1579

Case Management

1996 revenues	
Total gross revenue	$270,000
Case mgmt. revenue	$90,000
Case mgmt. direct to employers	33%
Other services	67%
Staff	
Total case management employees	2
Clients	
Total	16
Covered lives/reviewed admissions	
Workers compensation lives served	20,000

Case mgmt. services since: 1991.
Frequent services: Discharge planning, telephone case management, patient education, claims review with carrier and insured client.
Occasional services: Onsite case management, review of lab work, referrals to alternative settings, written reports.
Medical services reviewed/managed: Workers comp/disability.
Compensation: $55 to $75 per case; $65 to $95 per hour; $65 to $500 per month.
Officers: Karen J. Gillett, president; Fred C. Gillett, executive vp.
Contact: Karen J. Gillett.

Z

Zenith Administrators Inc.

7645 Metro Blvd., Minneapolis, Minn. 55435; 612-835-7035; fax: 612-835-2803

Utilization Review/Case Management

1996 revenues	
Total gross revenue	$21,164,000
UR revenue	$1,182,000
Case mgmt. revenue	$395,000
UR/Case mgmt. direct to employers	7.5%
Other services	92.5%
Staff	
Total UR/case management employees	12
Professionals	11
UR/case mgmt. employees on retainer	2
Clients	
Corporate/institutional employer clients	26
Covered lives/reviewed admissions	
Employee benefit plan lives served	88,800
Acute care inpatient admissions reviewed	9,970
Diverted for outpatient treatment	7.5%

UR/case mgmt. services since: 1984.
Parent: ULLICO Inc.
URAC certified.
Services: Preadmission certification, concurrent hospital treatment review, length of stay determination, discharge planning, telephone case management, review of lab work, patient education, retrospective review, second surgical opinion, hospital bill audits.
Medical services reviewed/managed: Group health, chiropractic, rehabilitation, psychiatric/substance abuse.
Branch offices: San Francisco; Denver; Washington; Indianapolis; Seattle.
Compensation: $1.50 to $4 per employee per month; $200 to $250 per case; $75 to $150 per hour.
Officers: Jim Luce, president; Jerry Pollock, executive vp; Gary Eng, Dean Kalahar, senior vps; Joann Zurzolo, Zenith controller.

Zurich Service Corp.-Managed Care Service Center

1450 American Lane, Schaumburg, Ill. 60196; 847-706-2406; fax: 847-706-2608

Utilization Review/Case Management

1996 revenues	
Total gross revenue	$8,000,000
UR revenue	$1,000,000
Case mgmt. revenue	$7,000,000
UR/case mgmt. direct to employers	100%
Staff	
Total UR/case management employees	150
Professionals	30
UR/case mgmt. employees on retainer	120
Clients	
Total	1,000
Covered lives/reviewed admissions	
Workers compensation lives served	90,000
Acute care inpatient admissions reviewed	NA
Diverted for outpatient treatment	15%

UR/case mgmt. services since: 1985.
Parent: Zurich Insurance Co.
Frequent services: Discharge planning, onsite and telephone case management, retrospective review, second surgical opinion.
Occasional services: Preadmission certification, concurrent hospital treatment review, length of stay determination, patient education, free prescreening, hospital bill audits, outpatient service predetermination, referrals to alternative settings, written reports.
Medical services reviewed/managed: Dental, chiropractic, rehabilitation, workers comp/disability.
Branch offices: Los Angeles; San Francisco; Colorado Springs, Colo.; Miami and Orlando, Fla.; Atlanta; Boston; Grand Rapids, Mich.; Kansas City, Mo.; Charlotte, N.C.; Philadelphia; Pittsburgh; Nashville, Tenn.; Dallas; Milwaukee.
Compensation: $85 to $100 per hour.
Officers: T.J. Santorelli, executive vp; J. Lynam, president; M. Fortune, senior vp; S. Pappalardo, vp; D. Perkins, general manager; S. Armstrong, director-marketing/sales.
Contact: D. Perkins. BI

Global Briefs

American International Group Inc. has entered Bulgaria with the purchase of a minority interest in General Insurance Co., headquartered in Sofia, for an undisclosed price. The company, which AIG will manage, has been renamed AIG Bulgaria General Insurance Co.... Moody's Investors Service Inc. has placed its A3 insurance financial strength rating for **Pohjola Insurance Co. Ltd.** under review for a possible downgrade after the Helsinki, Finland-based company's recent announcement of a major restructuring to be approved at an extraordinary shareholders' meeting. In the restructuring, the public company, Pohjola, will become a holding company named Pohjola Group Ltd., and the non-life operations will be transferred into a new, as yet unnamed insurer subsidiary.... AXA S.A. shareholders agreed last week to officially change the name of the holding company to **AXA-UAP**, after the merger with Union des Assurances de Paris. At the same time, UAP announced a net loss of 1.85 billion francs ($333.5 million) at year end 1996 after taking 2.9 billion francs ($522 million) in extraordinary charges relating to potential writedowns in the values of real estate and other equity assets.... The **London International Insurance & Reinsurance Market Assn.** is allowing brokers around the world, except those in North America, to use the London Processing Centre to process premiums and claims, a service extended only to European brokers last year. North American brokers are excluded for a variety of reasons, including the U.S. regulatory climate, LIRMA stated.... **C.E. Heath P.L.C.** announced that Group Finance Manager Tim Tookey has been promoted to finance director, replacing Paul Hughes, who has become Heath's operations director.... Coopers & Lybrand, liquidator of defunct London insurer **St. Helen's Insurance Co. Ltd.**, will pay out a fourth dividend of 10 pence on the pound (16 cents on $1.62) to creditors under a plan started in 1993. A final payment of four pence on the pound (6 cents on $1.62) is expected later this year.... New York rating agency Moody's Investors Service Inc. changed its ratings of **Japanese non-life insurers** Yasuda Fire & Marine Insurance Co. Ltd. and Mitsui Marine & Fire Insurance Co. Ltd. and life insurers Meiji Mutual Life Insurance Co. and Dai-Ichi Mutual Life Insurance Co. to negative from stable because of increasing competition as the Japanese insurance market is deregulated. However, Standard & Poor's Corp. affirmed its ratings of four Japanese non-life insurers following its recent review of the industry, which it regards as "stable over the near term." The companies reviewed by S&P were Dowa Fire & Marine Insurance Co. Ltd., Mitsui Marine & Fire Insurance Co. Ltd., Sumitomo Marine & Fire Insurance Co. Ltd. and Nippon Fire & Marine Insurance Co. Ltd.... International Risk Management Group and its parent, Swiss Reinsurance Co., have joined forces with Luxembourg **captive manager GECALUX** to form one of the largest independent providers of risk advisory, captive management and risk engineering services.... Contrary to initial reports, there may not have been liability insurance in place for the **Mateo Flores Stadium** in Guatemala City, which was the scene of crowd crush killing 84 people in November (*BI*, Nov. 11, 1996), said a spokesman for FIFA, the international soccer federation in Zurich. At the time, a Guatemala soccer official said the insurance, required by FIFA, had been placed by another official associated with Aseguradora General S.A., a Guatemala unit of Assicurazioni Generali S.p.A. in Trieste, Italy. Generali has never covered the stadium, a company official said.... **Lloyd's of London** released its strategic planning document to the market last week, but has decided not to distribute it publicly. Among the document's aims, however, is to review Lloyd's opportunities in Southeast Asia, particularly China, India and Singapore.

Opportunities await in Eastern Europe

By EDWIN UNSWORTH

Eastern Europe will be one of the fastest-growing regions for insurance sales in the next few years, with countries such as Poland, the Czech Republic and Hungary leading the way, according to a study by Swiss Reinsurance Co.

Swiss Re predicts that non-life premium volume in Eastern Europe will grow by 5% to 9% during the next five years and that life business will grow by 7% to 12%. Such growth would exceed the world average and boost Eastern Europe's share of global life and non-life premium volume to 1.2% by 2010, compared with 0.6% in 1995, when they reached a record $12 billion.

Countries included in the study are Poland, the Czech Republic, Hungary, Slovenia, Slovakia, Croatia, Romania, Bulgaria, Russia, Ukraine, Estonia, Belarus, Lithuania and Latvia.

And, insurance growth in the region could be even greater if Eastern European governments offer tax concessions on life insurance as a form of providing pensions, according to the report.

The study, "Insurance in Eastern Europe: A Growth Industry on the Way towards Market Structures," is one of the Sigma series published by the Zurich-based insurance group's Economic Research unit.

The increased demand for all types of insurance in large measure results from the collapse of communism since 1989 and the transition to market-based economies. Privatization, particularly of large companies, "will pave the way for new areas of business involving considerable volume," Swiss Re predicts.

In addition, as life insurers become more financially stable and as investors see better returns, the insurers will in turn see more business.

While demand for certain kinds of coverage has increased, economic changes in Eastern Europe have caused a shrinkage in demand for other coverages, such as agricultural insurance, which used to be compulsory.

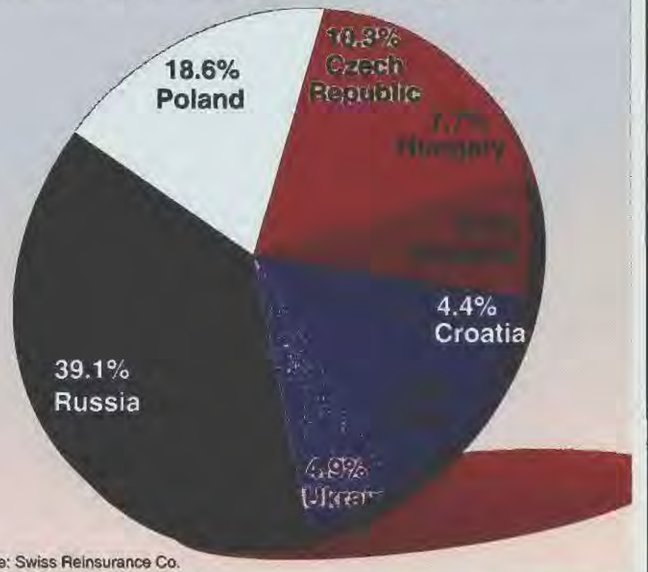
Commercial property insurance is growing in importance as businesses are privatized, the study says. General liability and employers liability insurance also are becoming more important, while demand for product liability coverage is growing as industrial companies become more export-oriented.

Privatization and decentralization of the insurance industry in Eastern Europe largely has been completed, and new companies—created locally or units of foreign insurers—have entered the market. They will gradually increase their market shares, with the

See **Europe** *on next page*

Getting a piece of the pie

Although Russia accounted for most of Eastern Europe's 1995 premium volume, other countries also had significant shares.



Source: Swiss Reinsurance Co.

GRAPHIC BY ADAM DOI

Pollution risks present challenges to U.K. buyers and insurers

By SARAH GODDARD

LONDON—U.K. insurers must develop a uniform and understandable environmental risk rating system to help businesses assess the pollution liability risk of real estate, a broker says.

Several insurers are developing new products for pollution coverages. However, the methods used to determine the degree of pollution are impractical, because they are not standardized in terms of what they measure or how the information is presented, according to Allan Rickmann, environmental director at broker Willis Corroon Ltd. in London, who spoke at a conference last month.

Legislative changes, culminating in the Environment Act 1995, have shifted the onus for cleanup of polluted sites to the current owner if the original polluter cannot be found.

Consequently, businesses are wary of buying potentially polluted land, or so-called brownfield sites, for fear of huge cleanup bills.

Insurers have responded to buyers' needs, developing such products as environmental remediation insurance, as well as continuing to provide environmental impairment liability insurance, Mr. Rickmann explained.

Yet in spite of the availability of these policies, there is an increasing need for a standard environmental risk rating system, said Mr. Rickmann. There has been severe devaluation of commercial properties in the United Kingdom because of contamination in the land or ground water.

Complicating this further, "since there is often insufficient accurate information and data relating to environmental statistics of a site, the asset value may be reduced," even where there is no firm evidence of a pollution problem, he said.

Environmental surveys of property are needed so the real level and extent of the contamination can properly be understood. But at the moment, these surveys, commissioned by underwriters but performed by scientists and engineers and written in scientific language, have no common methodology.

What's more, "the risk addressed will vary from report to report and can refer to environmental impact risk, legal liability risk or financial risk," Mr. Rickmann explained.

"There is a need...for a recognized methodology for delivery on environmental risk rating, particularly for contaminated land," he added.

Predicting the eventual removal of "sudden and accidental" pollution coverage from public liability policies, Mr. Rickmann

See **Pollution** *on next page*

Liability concerns temper content of references

Employers learning to watch what they say

By CAROLYN ALDRED

The fear of lawsuits is causing U.K. employers to change some of their recruitment methods, a recent employment survey indicates.

Employee references given by previous employers are a particular concern, according to the survey by London-based Industrial Relations Services, an independent employment research organization.

Twenty-eight percent of the 157 employers responding to the survey have "changed their policy in supplying or requesting references over the last two years," the organization said. The employers surveyed in total employ more than 333,000 workers.

According to the survey, of those changing their policy because of concern about employers liability:

- One in five now limit the content of references to factual information.
- One in 10 have stopped line managers from issuing references and now only provide them from the human resources department.
- A few have begun to include liability disclaimers on all references supplied.

This change reflects "the degree of concern about the quality of references and the publicity that recent legal cases have generated," according to Rachel Gooch, a research officer at Industrial Relations and the survey's author.

While "almost all of the employers in (the) survey are usually willing to provide current and former employees with references, there is a growing caution among employers about" their content, she said.

U.K. employers used to hold a "qualified privilege" in writing references, meaning a former employee could only use the contents of the reference against companies if their was proof that the former employers acted with malice in writing the reference. But in a 1994 decision in a case involving a former agent suing Guardian Assurance P.L.C. over a reference, the House of Lords eroded that privilege by saying that negligently prepared references are not entitled to that protection (*BI*, July 25, 1994).

Employers "are under a duty to take reasonable care in giving a reference and could be liable if a recruiting employer suffers a loss because of negligence on the part of the referee," according to the report.

Potential losses could arise if a previous employee writes a positive reference for a poor-quality or problematic employee who is hired based on that reference.

Also, "referees have a duty of care to their employee and ex-employees when writing references for them. It is these concerns that have made employers much more wary about providing references," the report explains.

The survey reveals a clear problem employers have with references, according to

See **Reference** *on next page*

Europe

Continued from previous page

foreign subsidiaries particularly gaining ground through takeovers, as the former state insurers decrease in importance.

The share of insurers under foreign control, while low compared with figures for Western Europe, is increasing throughout Eastern Europe. Topping the list is Hungary, where foreign companies make up nearly all of the industry; followed by the Czech Republic, where 20.5% of life companies are foreign; and Estonia, where 15.9% of life companies and 30.5% of non-life companies are foreign.

Although their market share is declining, particularly in non-life insurance, the former state-owned insurance monopolies remain the largest writers of insurance in the region, according to the study.

While the economies of Southeast Europe, the Baltic states, Russia and the Ukraine should achieve pronounced economic growth, it will be more modest than in Eastern Central Europe, which is made up of Poland, the Czech Republic, Hungary, Slovakia, Slovenia and Croatia, and continued high inflation and inadequate efficiency in the banking and financial market systems will make expansion in their life markets more modest in the short term.

The share of insurers under foreign control, while low compared with figures for Western Europe, is increasing.

Swiss Re notes three trends that it claims will determine the further development of insurance company branch structures in Eastern Europe. These are: the gradual region-wide introduction of compulsory auto insurance; the transition from book value to market value of commercial property, which will lead to a higher demand for property insurance; and the continued contraction of agricultural insurance.

As for insurance regulation, Eastern Europe is adapting itself to the standards of European Union insurance law. Countries of Southeast Europe, the Baltic states, Russia and the Ukraine have made less progress passing insurance legislation and enforcing what laws they do have. However, Swiss Re expects these countries to close the gaps in insurance legislation in the next few years and to establish an effective means of insurance supervision.

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The study is available for no charge from Swiss Reinsurance Co., Economic Research Section, 8022 Zurich, Switzerland.

Pollution

Continued from previous page

predicted insurers will respond with a wider range of narrower products covering pollution problems.

If that's the case, they will need a "simple, robust and inexpensive" method of rating pollution risk, he said. Such a system could not only give companies a better benchmark for assessing risks, but also could be used by a variety of professions, including insurers, lenders and legal advisers, among others.

In the meantime, environmental remediation insurance may be bought by businesses that have to clean a site. This coverage insures against the need of any future cleanup relating to the initial pollution, Mr. Rickmann said.

Environmental remediation insurance "can be viewed as a 'guarantee' of an environmental assessment or remediation work that has been undertaken," he said.

Currently, coverage is offered with limits up to £5 million ($8.1 million) and up to five years, though three years is the basic policy period.

"It is anticipated that the coverage will prove of value in facilitating property transactions," said Mr. Rickmann. "The benefit of the policy can be made available to purchasers or others interested in land."

Environmental remediation coverage also is available for sites yet to be cleaned, though in these circumstances the coverage depends on the remedial work being documented as properly carried out.

By having a policy in place, a site owner gains several benefits:

• Property valuations will not be severely affected because of the site's history.

• If the site is being sold, there's no need for detailed environmental risk assessments, since the coverage acts as a guarantee for the previously done cleanup.

• Contractors' warranties and professional advisers' indemnity coverages, which only pay out for environmental impairment if there is a successful negligence claim against the professional involved, will not be called triggered because the remediation policy covers cleanup for any reason, as long as the regulator has demanded it. In the United Kingdom, the regulator is the local municipal authority. BI

Reference

Continued from previous page

the research organization. "On the one hand, employers' fears of legal action make them restrict the information that they supply. But, on the other, they are still keen to receive references that give detailed opinions on candidates," the report concluded.

The law also is prompting employers to revise their application forms.

"More than a third, 36.7%, of employers have made changes to their application form in the last two years and a further 4.8% currently have their forms under review," the survey said.

Although employers tend to keep the content of the forms continually under review, "currently the major impetus for changing application forms is the Disability Discrimination Act 1995, the main employment provisions of which came into force on Dec. 2, 1996," the organization said.

Employer changes to application forms include removing questions relating to children and marital status.

"Questions relating to a candidate's disability now are usually asked in a detachable, equal opportunities monitoring questionnaire that is not made available" to those making hiring decisions," the report said.

Many other changes to application forms also relate to equal opportunities issues, such as removing questions relating to children and marital status. Altogether, "more than seven out of 10 employers that have made changes to their forms have done so, at least in part, for reasons of equality," the survey report revealed.

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Copies of the survey, "The State of Selection: An IRS Survey," cost £30 ($49) and are available from IRS, 18-20 Highbury Place, London N51QP UK.

Lloyd's tries to curb U.S. law firms' fees

By STACY SHAPIRO

LONDON—Lloyd's of London underwriters are working to curb hefty legal expenses from lawyers in the United States.

Lloyd's Claims Supervisory Board has published a "terms of engagement" document to gain "greater accountability and transparency" when using U.S. lawyers, said Gary Bass, claims director of Lloyd's underwriting agency D.P. Mann Underwriting Agency Ltd.

The practices in the document are "highly recommended" to all Lloyd's underwriters using U.S. lawyers, he said.

Until recently, most syndicates dealt with their lawyers in isolation and it is estimated that the legal cost to the market in one year could have topped £1 billion ($1.62 billion), he said. Some policies include legal expenses, which would eat into the coverage offered.

For the past 18 months, however, syndicates have been looking at how they can benefit from Lloyd's size if they act in unison. One such initiative has resulted in the "terms of engagement" document.

The terms of engagement document, which is intended to be a legal contract between lawyers and underwriters, outlines various ways to improve the efficiency and reduce the cost of using U.S. lawyers, according to Mr. Bass, who was speaking at a lunchtime seminar of the British Insurance Law Assn. Suggestions in the document, according to Mr. Bass, include:

• Managing the timing of reports from lawyers to underwriters. Lawyers should acknowledge that they have been instructed by underwriters within two days of receiving instruction. A preliminary report should be sent "exclusively" to underwriters no later than 30 days and should review the coverage, give preliminary observations and make recommendations. Additional case reports would then be sent over a specified period.

• Strategically overseeing staffing. Lawyers should assess the number of people required for the case; give the name of the lead counsel; and outline the hourly rates.

Case management is essential to making sure legal staff are used properly, Mr. Bass said. For example, legal assistants who cost less per hour than partners should transcribe depositions, he said. And only one lawyer is needed at a deposition. Mr. Bass said he recently was deposed in New York. With him was one lawyer, but 16 lawyers represented the other side.

• Fee statements should be on a quarterly basis and timesheets maintained for each billable person.

Client entertainment, in-house legal research, overseas travel and in-house photocopying are not billable.

In return for more efficiency, underwriters will try to pay lawyers more quickly, said Mr. Bass.

He concluded his speech with 10 "commandments" to insurance lawyers, which included:

• Thou shalt not have a senior partner charging £300 per hour standing at the photocopier and charging the client.

• Thou shalt use one word and not 10.

• Thou shalt not bill a client for more than 24 hours in a day. BI

Negligence fund short for U.K. lawyers

By STACY SHAPIRO

LONDON—British attorneys soon will have to decide how to best address a serious shortfall of cash in their negligence insurance fund.

Since the hard market of 1987, British lawyers have been able to buy professional liability insurance only through a fund known as the Solicitors Indemnity Fund Ltd., set up by the Law Society. The fund offers up to £1 million ($1.62 million) for every claim.

Late last month, the board of the tax-exempt SIF announced that as of fiscal year-end Aug. 31, the fund would need an additional £248 million ($401.8 million) to finance paid and potential claims liabilities of £1.54 billion ($2.49 billion) for the past seven years.

The fund stands at £1.29 billion ($2.09 billion).

Claims relate mainly to legal advice given during the real estate market collapse in the United Kingdom from 1989 to 1992, according to Andrew Kennedy, chairman of the SIF. The claims in particular relate to lawsuits filed by lending institutions against lawyers involved in commercial and residential property sales. According to the SIF, there were 10,267 such claims against 4,650 law practices, amounting to £557 million ($902.3 million) during that period.

There has been no increase in professional negligence claims against members of the fund in the past four years, Mr. Kennedy said.

There is enough money in the fund to pay existing claims. However, SIF is requesting that premiums over the coming years be increased to fund the "anticipated increased level of claims." Rates, for example, could be increased 30% for a five-year period to pay for the deficit, the board suggested.

An alternative could be to explore the traditional insurance market to see if professional liability coverage now is available to British lawyers.

However, the cost of insurance probably still would be more expensive than increased contributions to the Solicitors Indemnity Fund, Mr. Kennedy said.

After factoring in brokerage commissions and a margin for profit to the actual claims costs, the insurance market's fees for the cover would likely exceed the fund's by 40%, he said.

The fund has bought reinsurance in the past, particularly for the three worst years ending in 1990, 1991 and 1992, but "it's not available now," Mr. Kennedy said. BI

Reserves

Continued from page 1

redundancies built up from accident years 1987 through 1995 so they could maintain calendar-year profitability, Best says. As a result, insurers' prior-year reserve margins dwindled to $5 billion at year-end 1996 and will disappear over the next year or two.

Best projects that insurers' 1996 core reserves—all reserves except those for asbestos and environmental liabilities—will be $35.1 billion less than their ultimate required reserves. That shortfall represents 10.3% of the $341.3 billion of core reserves that Best projects the industry will carry in 1996.

However, more troubling to Best is that the shortfall would represent a $5 billion deterioration from the industry's 1995 core reserving levels.

And, when Best factors in its projection that insurers will carry $28.7 billion of A&E reserves at year-end 1996, the industry is 23% underreserved. That's because insurers should be carrying an additional $50.8 billion of A&E reserves, according to Best.

The total $85.9 billion shortfall in core and A&E reserves means the industry's 1996 surplus may be overstated by 34% before factoring in the time value of money and taxes, Best says.

A requirement that insurers obtain actuarial statements on the reasonableness of their reserves "provides considerable comfort," Best says. However, it notes that a growing number of insurers have experienced unanticipated larger losses after receiving clean actuarial opinions, which highlights "the fact that estimating required reserves is not an exact science."

Best also says that more insurers appear to be allowing their reserves to drift toward the low end of the wide range of acceptable reserve values.

To maintain a strong balance sheet for the long term, insurers should have reserve margins so they do not have to fund unforeseen liabilities with current accident-year reserves.

A prime example of how quickly a new liability can arise has occurred in California recently, Best notes. Courts there have adopted the continuous trigger theory of coverage in cases of continuing or progressively deteriorating injury or damage (*BI*, July 8, 1996; July 10, 1995).

There are several indications that the reserving problem flows from insurers' inadequate pricing, which barely covers the present value of expected losses and company expenses or does not even cover economic costs, Best says.

For example, the ratio of accident-year reserves to net premiums earned should rise or stay flat during soft market conditions. But, that ratio has fallen to 42.1% in accident year 1995 from 47.5% in accident year 1992.

Insurers' inadequate core reserves

Property/casualty insurers' reserving shortfall for most lines of business as of Dec. 31, 1995, portends problems, says A.M. Best Co.

(In billions of dollars)

Line of business	Carried reserve	Required reserve	Deficiency/ (Redundancy)
Workers compensation	$73.0	$84.9	16%
Personal auto liability	71.7	69.7	(3)
General/product liability	60.7	71.8	18
Commercial package	25.0	27.4	10
Reinsurance	24.9	28.3	14
Medical malpractice	21.0	21.9	4
Commercial auto liability	20.7	21.5	4
All other	37.9	39.2	3
Subtotal: Core lines	$334.8	$364.7	9%
Asbestos and environmental	26.1	79.0	203
Total:	$360.9	$443.7	23%

Source: A.M. Best Co.

GRAPHIC BY ADAM DOI

In addition, both the developed reserves-to-net premiums earned ratio and the paid losses-to-incurred losses ratio have risen in recent years. That suggests "lower reserve margins being booked for current accident years in response to the poor pricing environment," Best says.

"Given the current highly competitive market, weakly reserved insurers find it difficult to strengthen reserves without materially hurting their earnings," Best says.

Insurers' after-tax income for the first nine months of 1996 increased 11.3% to $16.8 billion from $15.1 billion for the year-earlier period.

But, insurers' results have been "bailed out" by realized capital gains attributable to stock market investment gains, which are "things they can't control," Mr. Simpson said. Those gains soared 50% to $9 billion last year from $6 billion in 1995, Mr. Simpson said.

He noted that insurers' pre-tax operating income, which does not include realized capital gains, slipped to $17.9 billion last year from $19.5 billion in 1995 and that Best projects it will fall to $14 billion in 1997.

Mr. Simpson said Best is concerned because underwriting results, over which insurers have much greater influence, are deteriorating on an accident-year basis. Best projects that 1997 pre-tax underwriting losses will jump to $25.3 billion from $20 billion in 1996 and $18.1 billion in 1995. It also projects that the industry's combined ratio will jump to 108.8 this year from 107 in 1996.

Mr. Simpson noted that asbestos and environmental liabilities are hurting insurers' earnings less as more insurers "step up to the plate" to recognize those liabilities. Therefore, when the A&E earnings drag is factored out, the two-point combined ratio deterioration "translates into a 2½-point deterioration."

That does not "sound like a big deal," but Best projects the industry's return on equity in 1997 will be 5.1%. That would be a sizable drop from 8.8% in 1996, and both figures are "anemic" compared to the business world's typical 15% ROE goal, Mr. Simpson said.

S&P also predicts slim profit margins for the insurance industry this year. "With that kind of profit margin, the industry doesn't have the financial capacity to be honest about its reserves," said Alan Levin, managing director. S&P also was disappointed by insurers' 1996 additions to reserves.

Reserve shortfalls could be more widespread than industry statistics suggest, he said. "Big companies' redundancies cover a lot of deficiencies by little companies."

Risk & Insurance Management Society Inc. President Louis J. Drapeau sees no need for a drastic response from risk managers.

Risk managers are not as dependent on the insurance industry as they were before the last hard market, said Mr. Drapeau, manager-insurance and risk management for The Budd Co. of Troy, Mich.

He also said that because of recent tort reforms at the state level, Best may be overstating the insurance industry susceptibility to unexpected liabilities. BI

Datebook

FEBRUARY

FEB. 10. The Internet for Insurance Professionals workshop in Phoenix, sponsored by the Society of Insurance Research; $275 for members, $325 for non-members. Stan Hopp, the Society of Insurance Research, 691 Crossfire Ridge, Marietta, Ga. 30064; 770-426-9270.

FEB. 10. Fundamentals of Risk Management & Advanced Risk Financing Techniques seminar in Overland Park, Kan., sponsored by the CPCU Society; $124. **Also Feb. 11** in St. Louis; **Feb. 12** in Omaha, Neb.; and **March 3** in Scottsdale, Ariz. CPCU Society, 720 Providence Road, P.O. Box 3009, Malvern, Pa. 19355; 610-251-CPCU.

FEB. 10-11. Integrated Construction Risk Management conference in Dallas, sponsored by Institute for International Research and National Underwriter; $895. IIR, 708 Third Ave., 4th Floor, New York, N.Y. 10017-4103; 800-999-3123.

FEB. 11-12. Strategic Risk Management to Maximize Shareholder Value conference in New York, sponsored by International Communications for Management; $1,295. ICM, 303 E. Wacker Drive, 20th Floor, Chicago, Ill. 60601; 312-540-3010.

FEB. 12-13. The Internet and the Insurance Industry conference in Toronto, sponsored by American Conference Institute; $1,199. **Also Feb. 24-25** in New York. ACI, 175 Fifth Ave., Suite 2182, New York, N.Y. 10010; 416-927-7936.

FEB. 18-21. Bermuda Insurance Symposium III in Hamilton, Bermuda, sponsored by The College of Insurance and the Bermuda Insurance Institute; $695 for risk managers, chief financial officers and treasurers, $925 for others. Bermuda Insurance Symposium III, The Whitfield Building, 61 Front St., Penthouse, P.O. Box HM 2550, Hamilton HM KX, Bermuda; 441-292-6386.

FEB. 20. Commercial Crime and Financial Institution Bonds: Insuring the Crime Exposure workshop in Bethesda, Md.; sponsored by the CPCU Society; $95. CPCU Society, 720 Providence Road, P.O. Box 3009, Malvern, Pa. 19355; 610-251-CPCU.

FEB. 20-21. Understanding the Annual Statement: Life/Health seminar in Philadelphia, sponsored by Fells Road Group Inc./Michael Conn Associates Inc.; $950. **Also Aug. 12-13**. Fells Road Group Inc./Michael Conn Associates Inc., 271 Route 46 West, Suite D-207, Fairfield, N.J. 07004; 201-227-5955.

FEB. 20-21. Workers' Compensation conference in Santa Monica, Calif., sponsored by the Defense Research Institute Inc. and Trial Lawyers Assn.; $525 for members, $575 for non-members. DRI, 750 N. Lake Shore Drive, Suite 500, Chicago, Ill. 60611; 312-944-0575.

FEB. 23-25. Setting the Agenda for Quality Health Care: AAHP Policy Conference in Washington, sponsored by American Assn. of Health Plans; $1,045 for members, $1,245 for non-members. AAHP, Conference Office, 1129 20th St., NW, Suite 600, Washington, D.C. 20036, 202-778-3269.

FEB. 23-26. Leading and Succeeding in the New Millennium: PIMA's 23rd Annual Meeting and Exhibition in Phoenix, sponsored by Professional Insurance Mass-Marketing Assn.; $675 for members, $825 for prospective members. PIMA, 4733 Bethesda Ave., Suite 330, Bethesda, Md. 20814-5228; 301-951-1260.

FEB. 24-25. Western Regional CPCU Educational Conference in Las Vegas, Nev., sponsored by the CPCU Society; $175 for members, $225 for non-members. CPCU Society, 720 Providence Road, P.O. Box 3009, Malvern, Pa. 19355-0709; 610-251-CPCU.

FEB. 24-25. Distribution and Marketing: Pan-Asian Summit 1997 in Hong Kong, sponsored by Institute for International Research: $1,695. IIR Ltd., Customer Service Dept., 20/F Siu On Centre, 188 Lockhart Road, Wanchai, Hong Kong; 852-2586-1777.

FEB. 24-26. The Trustees and Administrators Institute in Orlando, Fla., sponsored by the International Foundation of Employee Benefit Plans; $675 for members, $750 for non-members. **Also June 22-25** in Lake Tahoe, Nev. International Foundation of Employee Benefit Plans, P.O. Box 69, Brookfield, Wis. 53008; 414-786-6700.

FEB. 24-28. The 1997 PRIMA Government Risk Management Seminar in San Diego, sponsored by Public Risk Management Assn.; $1,740 for members, $2,060 for non-members. PRIMA, 1815 N. Fort Myer Drive, Suite 1020, Arlington, Va. 22209; 703-528-7701.

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The Datebook is compiled from notices sent to Business Insurance. Notices should be sent at least eight weeks in advance to Datebook, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611-2590. Please include the cost, if any, to attend the meeting and information on registration for interested readers. Business Insurance reserves the right to select meetings of most interest to its readers and cannot guarantee that notices will be printed.

OPIC

Continued from page 2

by an overwhelming margin after the agency sought to be reauthorized for five years rather than one and proposed a near doubling of its political risk capacity (*BI*, Sept. 16, 1996). A few weeks later, House and Senate conferees agreed to reauthorize the agency for one year at its current insurance capacity of $13.5 billion (*BI*, Oct. 7, 1996).

Two of the speakers at last week's press conference, Reps. Ed Royce, R-Calif. and Rob Andrews, D-N.J., have introduced a bill that would abolish OPIC. No hearings on the measure, H.R. 387, have been held yet.

Rep. Kasich promised that closing down the 12 programs targeted by the coalition would be a priority for the 105th Congress.

In the case of OPIC, a shutdown would mean its existing political risk coverage would stay in force, but the agency could not issue new policies. According to OPIC's 1996 annual report, the agency sold $16.5 billion in political risk insurance during the fiscal year that ended last Sept. 30, nearly double the $8.6 billion sold the previous fiscal year.

OPIC issues three types of political risk coverage, all with limits of up to $200 million and all with policy lengths of up to 20 years. The policies cover currency inconvertibility, expropriation and political violence, including land-based war risk.

By contrast, the longest coverage term available in the private market for such risks is seven years, offered by American International Group Inc.

"I don't think the major players in the private market will ever be able to offer 15-year policy terms," said John Minor, assistant vp-global for Aon Risk Services Cos. Inc. in Chicago. While some small niche underwriters might be able to offer longer terms of coverage, their capacity would not equal that of the industry's dominant underwriters, he added.

'I don't think the major players in the private market will ever be able to offer 15-year policy terms' on political risk coverage, says Aon's John Minor.

But, private insurers have moved to offer more attractive policies, said Mr. Minor.

"The private market has stepped up and offered, for example, the seven-year policy in response to clients' needs for longer terms of coverage," Mr. Minor said.

He added that Lloyd's of London, which recently approved a land war risk policy, likely will gradually offer longer periods of coverage. Some Lloyd's underwriters are now offering five-year policies for political risks, he said.

Those shorter policy periods may be adequate for most of the market's needs, Mr. Minor said. How many infrastructure loans, such as the ones covered by OPIC's long-term political risk policies, extend 15 years? he asked rhetorically.

The Washington-based National Assn. of Manufacturers wasted little time in urging that attempts to eliminate OPIC be reconsidered.

"In the quest to balance the budget, we must ensure that we don't cut off our nose to spite our face by slashing programs that create high-paying jobs and increase economic growth," said NAM President Jerry Jasinowski.

All federal programs should be fully scrutinized "and subjected to a cost-benefit analysis," he said. "If you weighed the costs and benefits of the Overseas Private Investment Corp., a target of Rep. Kasich's, it would pass with flying colors."

Defenders of OPIC have pointed out that it is one of only a handful of federal programs that actually add revenue to the U.S. Treasury, generating nearly $209 million in fiscal year 1996.

The pro-free market Competitive Enterprise Institute in Washington, however, disagreed with that rationale for retaining OPIC.

"Socializing the risk of private investment" undermines the nature of capitalism, said Fred Smith, president of the Institute. He predicted OPIC will have to be bailed out eventually and cause suffering to poor people in the countries in which it insures U.S. projects.

Separately, last week a bipartisan group of senators led by Sen. John McCain, R-Ariz., called for the creation of nine-member independent commission to "comprehensively review, reform and terminate inequitable federal subsidies to profit-making industries."

Although Sen. McCain did not list which programs he believed would catch the commission's attention, another sponsor, Sen. Edward M. Kennedy, D-Mass., said the commission would look closely at the tax code. The tax code is "rife with loopholes, through which the country's major corporations jump with ease," Rep. Kennedy said. BI

The Professional Marketplace

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Risk/Employee Benefits:	
Vice Presidents, Directors, Managers, and other related department personnel of: insurance, risk, employee benefits, personnel, compensation, pension, safety, security, industrial relations, human resources and employee/labor relations	17,307
Sub-total	**29,775**
Associations	301
Government, Unions and Educational Institutions	969
Commercial Consumers Sub-total	**31,045**
Insurance Agents and Brokers	8,664
Insurance Companies	7,831
Accountants, Actuaries, Attorneys & Consultants	3,148
Adjusters, Appraisers, TPA's, Captive Managers & Health Care Providers	1,880
Others Allied to the Field	680
Total Qualified	**53,248**
Non-qualified	12
Single Copy Sales	40
TOTAL CIRCULATION	**53,300**

★ Source Business/Occupational breakdown of qualified circulation, May 27,1996 Issue, as submitted to BPA for June 1996 BPA Publisher's Statement

Pools

Continued from page 1

design a facility that would be ready for members in the event the market hardens (*BI*, June 3, 1996).

But the savings and coverage offered were so attractive that five of the group's six members decided to participate immediately, while the sixth is considering it, says the program's head, Betsy Kutska, executive director of the Wheaton, Ill.-based Park District Risk Management agency, which runs a pool on behalf of 121 Illinois park and recreation agencies.

Under the program, Reliance Insurance Co. of Illinois, a Chicago-based unit of the Reliance Insurance Group, offers $10 million of coverage above a minimum $1 million retention per occurrence, which can be self-insured, commercially insured, or in combination, at the member pool's discretion.

Under a quota-share agreement, Princeton, N.J.-based American Re-Insurance Co. is reinsuring 90% of that layer, said Gordon DesCombes, vp at Robert F. Driver Associates, which is the NAPEX program's Newport Beach, Calif.-based broker.

An additional $10 million excess of $10 million layer is underwritten by New York-based Insurance Co. of the State of Pennsylvania, a unit of American International Group Inc.

"All the types of liability coverage that public entities may need" are available under the three-year program, said Ms. Kutska. This includes: bodily injury, personal injury, property damage, employment practices liability, contractual liability, employee benefit liability, and public officials errors and omissions.

Coverage can be provided to follow the form of the primary pool's coverage or under a broad manuscript form that guarantees coverage will be at least as broad as the primary terms.

"The whole purpose here is that this coverage is as broad, if not broader, than whatever coverage the public entities may have at the current time," said Ms. Kutska. Her agency, "which is pretty typical," is obtaining general, auto and employment practices liability and public officials E&O through the program and has a $1 million self-insured retention.

Ms. Kutska said there has been a total initial cost savings of more than $600,000 a year for the five participating pools, which is a 28% savings over what the pools had been spending to purchase excess liability coverage. There are also additional potential savings of $500,000 per year through a dividend program, which brings the maximum potential savings to more than 50%, said Ms. Kutska.

Before switching to the program, the pools' limits ranged only from $6 million to $15 million as opposed to the $20 million excess of $1 million offered under the program, she noted.

All of the coverage is written on an occurrence basis. "Nose" retroactive coverage, which converts previous claims-made policies to an occurrence basis, removing any need to buy tail coverage, is available as well.

Although excess insurers usually control claims, the pools retain authority to decide how claims are administered, an important point in negotiating coverage, said Ms. Kutska. The insurer cannot cancel coverage except for non-payment of premium, though participants can cancel coverage with 60 days' notice, she said.

"Needless to say, we got a really good deal," said participant Sal M. Bianchi, risk manager/administrator for the Oakbrook, Ill.-based Intergovernmental Risk Management Agency, which has 68 members.

"I would have guessed, really, that almost any savings would have been enough to prompt someone to move to this excess pool," he said. "But frankly, we were, I think, all of us somewhat stunned by the aggressiveness of the underwriters.

The IRMA had excess coverage from Farmington, Conn.-based Discover Reinsurance Co. "for a number of years and we thought we had a pretty good program, but I think we saved about 35% on our premium (with NAPEX). That's pretty significant," he said.

"The five member pools that joined (already) all had pretty good programs on their own. I think it's kind of amazing, frankly. We keep asking ourselves how soft is soft and the market seems to be getting softer."

Mr. Bianchi said a half-dozen major reinsurers eager to do business presented proposals. "Reliance came in with the best program with the greatest savings," he said.

"This has just been a win-win situation for us," he said. "I suspect the Driver Co. and the underwriters were aware of the fact that they had to do some very aggressive things to get this thing off the ground and they have done those things, and I think they certainly made believers out of the five or six charter members."

Eventually, the group may switch to a captive structure, but not for at least the three year-length of the current program, said Mr. Bianchi. The next step, he said, is to wait until "we've gotten comfortable with each other and better understand each other's loss history and loss experience. Then I think we'll begin to embark on studying risk sharing and begin to assume some of the risk ourselves."

"It's my understanding that once we decide to do some multiline things, such as property or a workers comp program, then I think the captive idea is our best recourse" because the Risk Retention Act limits risk purchasing groups to writing liability, he said.

Moving to a captive also may wait until "the market isn't quite as soft as it is now. There's really no advantage at this particular time in the market to do any self-insuring when you can buy the commercial coverage at the kind of prices we're seeing," Mr. Bianchi said.

The group now plans to solicit additional members, said Ms. Kutska. Information and materials are being sent to the 50 to 60 government risk pools that have the Washington-based Public Risk Management Assn.'s certificate of recognition for compliance with its pooling advisory standards. Subsequently, solicitations will be sent to the 50 to 60 other members of PRIMA's pooling section "and any other pools we identify," she said.

"We do have a terrific opportunity out there," said Mr. Bianchi, noting that the only comparable program is the Washington-based NLC Mutual Insurance Co., a mutual insurer of the National League of Cities established in 1986. "There's really nothing out there on a multistate basis for the so-called non-association pools and there's a lot of us out there," said Mr. Bianchi, who added he expects the group, whose members are now in Illinois, Ohio and Washington, to have no difficulty meeting its 1997 goal of doubling in size. BI

County associations state their case for alternative risk financing options

County governments may soon have an array of new risk financing options available to them.

The National Assn. of Counties last week announced a partnership with Sedgwick Inc. to develop new risk services for counties.

Separately, a group of state county associations and risk pools are investigating forming a captive.

The partnership formed by Washington-based NACo and Sedgwick will be a "platform for developing insurance and risk management-related products for the county marketplace," said Brad Johnson, managing director of Sedgwick's public entity division in Columbia, S.C.

These could include traditional and alternative risk financing mechanisms and address exposures in areas including environmental, public official liability and personal coverages for county employees, he said. The partnership could offer pilot products to some county associations as soon as April.

Stephen Swendiman, managing director of NACo's Financial Services Center in Washington, said there is no intention of competing with existing state county association risk financing programs.

The overriding theme of the venture, he said, is "we are hoping to create a new way of delivering services to municipalities through our partnership that would streamline the (financial) security process of county governments" through a market basket "tailored to the desires of our clientele."

Meanwhile, an informal group of state county associations and risk pools are investigating forming a captive to provide excess insurance.

The six group members have hired Johnson & Higgins of Georgia "to take a look at the marketplace for us to see if we can find what type of response we get" to the concept of a multiline captive that could provide coverage for liability, property and possibly workers comp risks, said Jim Jean, business manager for the Texas. Assn. of Counties' self-insurance pools in Austin. One of the factors on which J&H will be seeking input is the limits that would be offered.

A feasibility study conducted for the group by ARM Tech Inc. in Lake Forest, Calif., has already concluded a captive is feasible, he said (*BI*, June 6, 1996). "We are now looking to see if we want to go on from there."

Members of the group are from Texas, Georgia, New Mexico, North Carolina, Washington and Missouri, though a total of about 20 state county associations have expressed varying degrees of interest, said Mr. Jean. These six will make the decision as to "whether to go forward or not and we would think at that time some of the others. . .might be interested," he said.

Potential domiciles include Vermont and Colorado, but no firm decision has been made, he said.

The group expects to meet in Santa Fe, N.M., in March "to take any response that we might have and evaluate it" and set a schedule.

The primary reason the group has decided to explore this concept now "has to do with the evolution of the pools," said Mr. Jean. Several county pool managers think volume has increased to the point where the concept might be feasible.

He added, though, that, "Obviously we have considered the market conditions and some of us feel possibly forming in a soft market will be more reasonable and easy."

Mr. Jean noted the group may receive some assistance from the new NACo partnership with Sedgwick.

—By Judy Greenwald

Rise in EPL suits not expected to slow

By GAVIN SOUTER

NEW YORK—The increase over the past several years in employment practices liability-related lawsuits shows little sign of waning, according to an employment practices attorney.

As widespread layoffs continue and high-profile employment practices suits gain national attention, more suits are perpetuated and new causes of action emerge, said Julianna Ryan, a partner at Wilson, Elser, Moskowitz, Edelman & Dicker in New York.

Employers should watch out for warning signs that they might be vulnerable to EPL suits and act now to avoid disputes rather than face the large awards and legal bills that often result from the suits, she advised.

One of the main reasons that employment practices litigation has increased in recent years is the growing number of employees being laid off, she said.

"When people are out of a job, they start to think about why they are out of job, and that's when they start to think about suing," she said last month at a D&O Liability Insurance Issues Symposium in New York sponsored by the Professional Liability Underwriting Society.

Current and former employees become more conversant with employment practices issues when they see high-profile disputes, such as the sexual harassment allegations against Supreme Court Justice Clarence Thomas during his nomination hearings in 1991, Ms. Ryan said.

And, when they examine their own situation, employees find they often have arguable cases, Ms. Ryan said.

"Every person is in at least three or four protected classes. Everyone has a race, a color, a national origin or a gender," Ms. Ryan said.

When employees turn to the law, they find many statutes on the books and case law precedents that they can use to pursue their cases, she said.

As the number of cases grows, so do employees' options under the law, Ms. Ryan said.

Recently, some courts have broadened the definition of a "hostile work environment."

For example, a California state appeals court last year expanded the definition by allowing an applicant for a job, as well as employees, to sue.

In the still-pending case, an aspiring actor sued New York-based Capital Cities Inc. over the actions of a casting director at a Los Angeles division for Capital Cities unit, the American Broadcasting Companies Inc.

The actor alleged in his lawsuit that the casting director agreed to help him get a contract and manage his affairs at ABC. After a series of meetings and auditions, the casting director invited the actor to his home, drugged him and, with four other men, raped the actor, court papers say. In addition to assault charges, the actor is suing Capital Cities for sexual harassment.

Other trends in employment practices litigation include an aversion by some courts to affirmative action programs in which employees receive jobs for reasons other than ability. In reverse-discrimination suits, courts are setting aside agreements that give certain people preference in employment, Ms. Ryan said.

"Affirmative action is not politically correct anymore," Ms. Ryan said.

Another set of claims growing in number is "glass ceiling" claims, she said. Under these suits, statistical evidence is cited to demonstrate that a group of people, such as women or minorities, are not promoted beyond a certain level in an organization.

D&O suits arising from employment issues also are growing in number, she said.

These suits, typically brought by shareholders after companies lose employment practices cases, allege that the awards damage the company and its share price and that the directors and officers are responsible, she said.

Plaintiffs say, "'Why should this be my problem and be reflected in the share price when it's a reflection of management?'" she said.

Along with the expansion of the variety of allegations, defense costs also are growing as employers view EPL disputes more seriously and fight suits to resolution rather than settling them and perhaps inviting more suits, Ms. Ryan said.

Companies and directors and officers can take several steps to prevent employment practices disputes, she said. For example, they should establish and implement set policies, procedures and controls; oversee internal complaints through to their resolution; remain sensitive to the rights of the accused; and establish committees for special tasks, such as layoffs, Ms. Ryan said.

When suits succeed and courts award damages, corporations must review whether they can recover from their insurers, she said.

Some states prohibit insurance for willful misconduct, but some courts are changing their interpretations of these statutes, Ms. Ryan said.

Coverage differs among the various types of insurance policies. For example, under general liability policies, bodily injury normally must be proved for an employment practices claim to be paid, she said. However, courts disagree on whether mental anguish is a bodily injury, she said.

D&O liability policies without EPL endorsements are unlikely to provide extensive coverage. But, D&O policies with endorsements can offer some coverage, and specific EPL policies give even more coverage, she said. BI

Address claims-handling from the beginning: Panel

By GAVIN SOUTER

NEW YORK—Underwriters and policyholders should establish the foundation for a smooth claims process long before a claim is actually filed, claims experts say.

Expectations of all the parties involved are much more likely to be met if an open dialogue that details the claims-handling procedure is established, said a panel of claims experts.

But, even when a comfortable dialogue is established, the lines of communication should be opened so everyone involved understands the other participants in the claims process, especially when there is an international claim, the panelists said last month at the Professional Liability Underwriting Society's D&O Liability & Insurance Issues Symposium in New York.

An insurer's claims professionals should be involved in far more than just handling claims when they arise, said one of the speakers, Mary Anne Mullin, counsel and claims manager at Zurich-American Insurance Group in New York.

Claims staff should be present at meetings between underwriters and policyholders when coverage is agreed upon, she said.

"This is very important because it gives the carrier the opportunity to explain its claims philosophy," Ms. Mullin said.

Claims staff also should insist on regular meetings with underwriters to help them keep up to date on claims issues, including the claims trends of particular policyholders or products, she said.

"Also, the underwriters can tell us what is going on in the market and what the clients want from us," Ms. Mullin said.

Once a claim is filed, the communication channels must be widened further, said Cathy A. Simon, a partner in law firm Ross, Dixon & Masback L.L.P. in Washington.

In directors and officers liability claims, the claims counsel is retained by the policyholder with the insurer's consent, she said.

"This can cause problems in the handling of a claim, but it is also an opportunity for an insurer to develop some very solid and significant relationships at the outset of a claim which, hopefully, will carry through to the end of the claims-handling process," Ms. Simon said.

As well as coming to an agreement on the selection of counsel, the insurer can meet the counsel and agree on how fees are determined, she said.

Even when fees are not determined, an early meeting can help the insurer and outside counsel understand each other's expectations, Ms. Simon said.

For example, the policyholder's counsel in one claim informed the insurer's claims manager he did not have a billing rate but decided the worth of a case at its conclusion, she said.

"I had to say that my client has a bit of problem with that, so let's talk about it," Ms. Simon said. A billing rate was not determined, but the communication served a purpose. However, "he got an excellent result, and the amount that was actually charged was appropriate because we had established a dialogue and there was trust and confidence," she said.

When a claim involving an international company is filed, there are more barriers to overcome in the pursuit of a smooth claims process, said Kim Hogrefe, vp at Chubb & Son Inc. in Warren, N.J.

U.S. claims staff should be aware of the cultural and legal differences between North America and Europe, Mr. Hogrefe said.

For example, southern European countries often have a codified legal system very different from the case law system of many northern European countries and the United States, he said.

"So, if the policy contains a choice-of-law provision, it presents interesting issues," he said.

Additionally, the pace of decision-making in Europe may frustrate people used to U.S. companies and claims staff, he said.

European brokers also expect to be involved throughout the claims process, he said. BI

Third party

Continued from page 1

harassment allegations made during his employment with the school district. The allegations, including charges of sexual touching of female students, led to Mr. Gadams' forced resignation.

Similar incidents allegedly occurred earlier with the other two school districts, court papers said.

Muroc's subsequent recommendation, which Livingston Middle School relied on when it hired Mr. Gadams, described him as "an upbeat, enthusiastic administrator who relates well to the students" and who was in a large part responsible for making the campus of one of Muroc's schools "a safe, orderly and clean environment for students and staff." The referral also recommended Mr. Gadams for "an assistant principalship or equivalent position without reservation," court papers said.

In remanding the case to trial court, the California Supreme Court, upholding an appeals court decision, ruled Muroc's letter of recommendation containing "unreserved and unconditional praise" for Mr. Gadams—despite its knowledge of complaints or charges of sexual misconduct with students—constituted misleading statements and could form the basis for liability for fraud or negligent misrepresentation.

The school district, though, argued in a demurrer that even if the sexual molestation charges were proved to be true and that the school district gave Mr. Gadams a good recommendation, Randi W. could not sue the school district because the district owes no duty of care to a third person.

Furthermore, the school district said its letter of recommendation neither discussed nor denied prior complaints of sexual misconduct or impropriety against Mr. Gadams and therefore contained no misrepresentation.

The California Supreme Court, however, ruled the recommendation contained "misleading half-truths" and that the school district was "obliged to complete the picture by disclosing material facts regarding charges and complaints of Gadams' sexual improprieties."

In its unanimous ruling, the high court said: "Although policy considerations dictate that ordinarily a recommending employer should not be held accountable for failing to disclose negative information regarding a former employee, nonetheless liability may be imposed if, as alleged here, the recommendation letter amounts to an affirmative misrepresentation presenting a foreseeable and substantial risk of physical harm to a prospective employer or third person."

"What the Supreme Court suggests, if you can call it a suggestion, is to give no comment at all except dates of employment" on employee references, according to Michael Carrigan, an attorney with Myers & Overstreet in Fresno, Calif., who represented the Muroc School District.

"It's a cause of concern not so much for employers with bad, nasty employees that tend to fly off the handle at the drop of a hat, but with good employees that did their job and did it well but had a rumor going around," he said.

"This decision says that if the rumor is something related to an aspect of employment that could possibly result in future harm," an employer needs to include the rumor in an employee reference, Mr. Carrigan said.

By doing that, employers set themselves up for potential defamation and invasion of privacy suits, he explained.

"Liability is now being allowed for ambiguous speech. You can't just say good things (about a past employee) if that can be interpreted to mean there are no bad things" about the person, he said.

"There is no reasoning that would prevent this case from being applied in other factual situations," Mr. Carrigan added.

Scott Righthand, an attorney with his own firm in San Francisco who represented Randi W., said: "I think that employers need to take (the case) very seriously but not be frightened by it."

In regards to employee references, "the answer is to be as forthright as possible particularly when it comes to the potential physical injury down the road. It's the moral and sanctioned legal road to take," he said.

Employers have expressed much concern over what information should be included in employee references. The concern—which has even reached employers in the United Kingdom (see story, page 31)—resulted in many states enacting legislation that shields employers from civil liability for references they give to former employees' prospective employers, provided those references are true and devoid of malice (*BI*, June 17, 1996).

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Randi W. vs. Muroc Joint Unified School District et al.; California Supreme Court, No. S051441.

Billing

Continued from page 1

balance billing because doctors oppose interference in the provision of care and reimbursement for it. The society also says a ban effectively would let insurers impose a reasonable and customary "fee schedule" on doctors that may not reflect the actual cost of care.

"It's not a general crisis, but for the affected worker it can be a big financial crisis," said Roberta Lynch, deputy director of Illinois Council 31 of the American Federation of State, County & Municipal Employees, which represents 65,000 employees in Illinois.

The crisis begins with an injured employee receiving unexpected bills, ranging from a few dollars to thousands of dollars. It can lead to repeated letters from collection agencies that are "very threatening," she said. Reports of the unpaid bill to credit bureaus may prevent the worker from getting a loan or buying a home. A few providers may even sue to collect.

"It is probably one of the most emotionally distressing issues in the workers compensation system," said David Menchetti, an employee attorney with Cullen, Haskins, Nicholson & Menchetti P.C. in Chicago. "Most of my clients work hard to have a good credit rating. Something like this that is beyond their control is very disturbing."

"It is one of the issues that will bring them straight to an attorney," he added.

"It's a real problem. It's not just a consensus-building issue (among labor, employers and insurers) or a red herring," Ms. Lynch said.

Consider the case of a Belleville, Ill.-area boiler maker in his late 30s who refused, on principle, to pay a $66 bill from a health care provider for work-related injury treatment not covered by a workers comp insurer. The provider turned the bill over to a collection agency, which passed it on to a credit reporting agency. Even though the payment ultimately was resolved by the provider and the workers comp insurer—as are most such cases—the employee still has that black mark on his credit record.

Balance billing is "a fairly extensive problem" for Illinois workers, said Sean Stott, legislative director for the Springfield-based Illinois AFL-CIO, which has 1.25 million members.

"It causes a lot of problems for employees," said John W. Hallock Jr., chairman of the Illinois Industrial Commission, which oversees the state's workers comp system.

But balance billing also causes problems for employers and insurers.

"Employers view it as a major hurdle in dealing with their injured employees," said Todd Maisch, director of government affairs for the Illinois State Chamber of Commerce in Springfield.

Ideally, employers want valuable workers who have been injured on the job to receive proper medical treatment so they can heal quickly and return to work, said Boro Reljic, vp-government affairs for the Illinois Manufacturers Assn. in Springfield. That approach also minimizes an injured worker's wage-loss benefits, a major component of an employer's workers comp costs.

'Employers view (balance billing) as a major hurdle in dealing with their injured employees,' says Todd Maisch of the Illinois State Chamber of Commerce.

"Some employers and insurers pay the billed amount to avoid the worker being billed," the WCRI concluded in its recent analysis of the state's workers comp system.

The Illinois Department of Insurance, which regulates about 85% of the employees insured for workers comp, strongly encourages workers comp insurers under its jurisdiction to pay a worker's balance billed claims.

The alternative is for the insurer to face the possibility of being cited for "an unfair claims practice," said Richard D. Rogers, deputy director of the Consumer Division.

"To use an injured employee as a pawn in such disputes is at best unfair and at worst, unconscionable," Mr. Rogers said in a statement mailed to insurers.

The threat has been effective, though no sanctions have been issued, he said. As a result, balance billing has not become a significant problem for the department, he said.

Workers comp insurers appreciate state regulators' view of the issue, though "it's difficult for us when we try to keep costs reasonable and premiums down," said the AIA's Mr. McGarvey.

The Industrial Commission, which oversees adjudication of both insured and self-insured workers comp claims, is less effective and usually does not provide prompt relief for workers facing threatening letters.

Industrial Commission rules give adjudicators authority "to determine the reasonableness and fix the amount of any fee," though adjudicators historically have exercised it primarily in contested cases, which can take several months to settle. In fiscal 1995, about 85% of all contested cases were settled an average of 1.6 years after the claims were filed, the Commission said.

In fact, an employee's attorney cannot request an emergency hearing to address the issue if the employee is receiving benefits or has returned to work.

Compounding the commission's lack of effectiveness is the fact that the commission has no power to enforce an adjudicator's fee determination. Only a civil court judge who hears a provider-filed suit can elevate the adjudicator's decision to a civil judgment.

Utah is one state that recognizes balance billing as a tool to encourage injured workers to seek managed medical care.

It permits balance billing of an injured worker if the worker initially visits a provider outside the insurer's managed care network, but only for the first visit.

Elsewhere, balance billing is causing conflict in the Pacific Northwest, where the contiguous states of Washington, Oregon and Idaho each prohibit balance billing.

Nevertheless, an Idaho hospital is arguing before a Washington state administrative appeals court that it is not covered by Washington's fee schedule and therefore may balance-bill Washington state workers comp claimants who seek care at the Idaho facility.

Also, Delaware banned balance billing, effective Jan. 1, due to "strong double backing" by labor and insurers, said Allen Hedgecock, director of the Central Delaware Chamber of Commerce in Dover, Del.

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Employers or workers with balance billing problems may be able to get help from the following entities, suggests the Illinois Industrial Commission:

- *Problems with conventionally insured programs can call the Illinois Department of Insurance. Contact Mark Smith in the department's Consumer Services Division office in Springfield at 217-782-4515.*
- *Problems with self-insured programs can be discussed with analysts from the commission's Self-Insurance Division. Call the division's Springfield office at 217-785-7084, or its Chicago office at 312-814-6064.*

Employers to continue push to ban balance billing

By MEG FLETCHER

CHICAGO—Illinois lawmakers have repeatedly resisted pressure from employers, labor groups and insurers to ban balance billing of injured workers, but the issue will come up again this session.

Balance billing is the practice of medical care providers billing injured workers for payments in excess of the fee reimbursed by an insurer or self-insuring employer.

The practice is "very controversial," and any proposal to change it should be addressed by the Legislature, said John W. Hallock Jr., chairman of the Illinois Industrial Commission, which oversees the state's workers compensation system. "It is not something we can do in-house."

Nearly every other state bans medical care providers from billing injured workers for such payments, either by law or administrative rule, according to Eric J. Oxfeld, president of UBA Inc., an association representing business interests in Washington.

However, Illinois employers, labor unions and insurers have been unsuccessful in their joint efforts during the past several years to urge legislators to pass such a ban.

The joint effort is unusual. While employers and unions often face off over workers comp reform issues, "this is an issue where business, insurers and workers are aligned with each other," said Sean Stott, legislative director of the AFL-CIO in Springfield, Ill.

"Since 1989, we have tried to solve the problem, but the votes weren't there," said Boro Reljic, vp-government affairs for the Illinois Manufacturers Assn. in Springfield, Ill.

The proponents are expected to again lobby for a ban on balance billing during the Legislature's spring session. The Illinois House will consider the topic during meetings of a new Health Care Access and Affordability Committee, according to a spokesman for Illinois House Speaker Michael Madigan, D-Chicago.

Democrats recently resumed control of the Illinois House after a two-year hiatus that followed a Republican sweep of both houses in 1994 that brought with it support for employer-supported changes like tort reform.

The speaker and House Democrats are "open minded" about a ban on balance billing, though they appreciate that doctors must be paid well enough to ensure they will continue to take injured workers as patients, Mr. Madigan's spokesman said.

However, many observers expect little or no workers comp reform from a Democrat-controlled House, despite labor's support for the ban.

The strength of the medical care providers' lobby is a major stumbling block, spokesmen for business, labor and insurers say.

"Doctors and hospitals balance bill as a way to protect their incomes," said Todd Maisch, director of government affairs for the Illinois State Chamber of Commerce in Springfield.

The medical providers see it a little differently.

In many cases, they are merely seeking fair compensation for the extra time involved with treating an injured worker under workers comp, including discussing treatment issues with a case manager and extra reports, said Dr. E. Richard Blonsky, director of The Pain and Rehabilitation Clinic of Chicago.

The Illinois State Medical Society's position is that medical care and reimbursement for it are part of the doctor-patient relationship. Banning balance billing would effectively leave insurance companies free to impose "a fee schedule" on doctors which may, or may not, reflect the actual cost of care.

Doctors consider insurer-imposed reasonable and customary charges to effectively create a workers compensation fee schedule. Illinois is one of about a dozen states that does not have such a schedule.

Another major stumbling block to banning balance billing has been that such proposals often were packaged by employers and insurers with other managed care measures, such as controls on providers, that would limit injured workers' choice of medical services. Labor unions typically oppose this.

Because Illinois law is silent on the issue of managed care, employers and insurers have tried to develop such programs themselves.

However, effective managed care programs, such as utilization review, are more difficult to establish in Illinois because injured workers are allowed to choose their own medical care providers. As a result, employers have less authority to direct injured workers to seek treatment from specific doctors who have contracted to provide medical care at discounted fees, as they can with non-job-related injuries.

The Illinois Senate is another significant stumbling block to enacting any ban on balance billing.

Illinois Senate President James "Pate" Philip, R-Wood Dale, prefers a 1995 Senate-approved measure that banned balance billing but also restricted a worker's choice of medical provider, among other things. "We thought it was a reasonable compromise," his spokeswoman said.

However, the House last month refused to pass even a diluted version of the bill that excluded the ban.

If completely banning balance billing is not politically feasible, there are some other alternatives.

One would be for the legislature to authorize the Illinois Industrial Commission, which administers the state workers comp system, to establish a separate panel to review the appropriateness of medical treatment and fees in workers comp cases.

The legislature also would have to provide extra money to fund the panel's activities because the commission's nearly $9.2 million budget is too lean to add such a service, said the Industrial Commission's Mr. Hallock.

"I don't know where the Industrial Commission will get its medical expertise" and who would appoint the doctors to the panel, Dr. Blonsky said.

In addition, having medical issues unresolved would make lump sum settlements impossible and keep cases open longer, said George Cullen, an employees attorney with Cullen, Haskins, Nicholson & Menchetti P.C. in Chicago.

Another alternative would be to have employers and workers exercise an option in Illinois law that allows them on a company-by-company basis to jointly choose a panel of doctors who will provide treatment to injured workers, said Robert J. Malooly, who finished his five-year appointment as Industrial Commission chairman in 1995.

"The focus would be on getting good medical treatment for employees and getting them back to the job—not on disputes," said Mr. Malooly, now vp-marketing for Chicago-based U.S. Rating Bureau Inc., a workers comp rating service.

The only company to exercise that option is Excel Corp., a pork processing plant in Beardstown, Ill.

It established a jointly chosen medical panel "to improve the quality of care employees would have available," a spokesman said. The panel of doctors helps the Cargill Inc. subsidiary prevent injuries and encourage timely return to work.

While all employers are not likely to implement that ideal solution soon, there is a small change insurers could make that might improve the situation, suggested Ruth Stelzman, an attorney with her own firm in Chicago.

An insurer should get a release from the doctor that he or she will accept a lesser amount. Or at least the insurer should promptly notify the worker that the insurer has paid a lesser payment, said Ms. Stelzman, president of the Workers Compensation Lawyers' Assn. in Chicago. However, she acknowledged insurers may oppose this because it would increase staff time spent on each case.

Riscorp

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to do to get there," he said of the committee, which comprises three outside directors.

Riscorp has grown rapidly since 1991 to become a major provider of managed care workers comp insurance and services in Florida, North Carolina and several other states.

The company had its genesis in 1988, when Riscorp Chairman William D. Griffin organized the Florida Chamber of Commerce Workers Compensation Self-Insurance Fund and its management company, Riscorp of Florida Inc.

In 1993, the group self-insurance fund converted into an assessable mutual insurer, Commerce Mutual Insurance Co. In 1995, Commerce Mutual converted again into a stock company controlled by Mr. Griffin and changed its name to Riscorp Insurance Co.

Parent company Riscorp Inc. launched its IPO in February 1996, selling 7.2 million shares for $128 million. At the same time, Mr. Griffin, Riscorp's majority shareholder, sold 2.8 million of his shares for more than $50 million and continued to hold about 23 million shares after the offering, court papers show.

Much of the IPO proceeds were plowed into Riscorp's insurance units and into acquisitions, including the March 1996 acquisitions of CompSource Inc., a North Carolina-based workers comp management firm, and Atlas Insurance Co., since renamed Riscorp National Insurance Co.

Riscorp's operations now comprise three insurer subsidiaries, writing workers comp business in eight states and licensed to write workers comp or property/casualty business in 11 others, and several workers comp managed care services units. The company also operates Third Coast Insurance Co., a joint venture in Rosemont, Ill., formed last year with Blue Cross & Blue Shield of Illinois to write managed workers comp coverage (*BI*, May 6, 1996).

Riscorp reported revenues of $162.5 million for the first nine months of 1996. Revenues in 1995 totaled $166 million, up from $59.9 million in 1994.

Smooth sailing has not followed Riscorp's launch as a public company, though.

Little more than a month after the IPO, the company was hit with a civil racketeering complaint filed in federal court in Miami by three former policyholders of Commerce Mutual.

The suit, which seeks class-action status, charges that Riscorp, Mr. Griffin and several other Riscorp officers conspired to artificially deflate the value of Commerce Mutual so its policyholders would approve the takeover by Riscorp for no cash compensation.

The policyholders, Commerce Mutual's owners, agreed to the conversion and sale for no compensation other than a release from future assessments and contingent liabilities connected to their policies, the suit says.

While Riscorp officials told policyholders that reserve increases and other adjustments had cut Commerce Mutual's policyholders' equity to $680,806 at year-end 1993, Riscorp's subsequent public offering documents put the insurer's equity at $2.8 million. Its fair value at the time of the takeover actually may have been $8.2 million, according to the suit, which charges Riscorp and several of its officials with extortion, fraud and other acts of racketeering.

Riscorp has denied the charges and filed a motion to dismiss the suit, which is still pending.

Riscorp's stock trended generally downward after last May, and a series of setbacks late in the year sent the shares into a tailspin.

In October 1996, Florida Insurance Commissioner Bill Nelson ordered an 11.2% reduction in state workers comp rates, reflecting the success of managed care efforts.

While Riscorp downplayed any potential impact of the reduction, the announcement coincided with a sharp drop in its stock, shareholder court papers say.

On Oct. 31, 1996, Riscorp also announced that the company and two of its officers had been subpoenaed in a federal grand jury investigation that Riscorp "understands is a broad examination related to political candidates and political campaign contributions."

Other parties unrelated to Riscorp also have received subpoenas, the company announced.

A December 1996 story in the Lakeland, Fla., Ledger reported that Riscorp, its executives, their spouses and affiliated companies had contributed nearly $230,000 to state legislative campaigns in 1996. Similar donations totaling nearly $100,000 had gone to former Insurance Commissioner Tom Gallagher and a political committee he headed in 1994, when he unsuccessfully ran for the Republican gubernatorial nomination, according to the story, which described Riscorp as one of the biggest campaign contributors in the state.

In November, Riscorp reported unexpectedly poor third-quarter results, with net income reduced to $312,000 from $1.1 million in the year-earlier period.

The results were due to a "confluence of unanticipated factors," the company said, including competitive pressures in Florida and a $4.1 million aftertax charge because of higher-than-expected return premiums due on retrospectively rated policies.

The bad news further battered Riscorp's shares, driving the price down to about $4 by late November. The stock, trading on NASDAQ, closed at $3.81 last Thursday.

Shareholder suits weren't far behind: By last month, nine separate suits seeking class-action status had been filed against the company, its top officers and stockbrokers involved in Riscorp's IPO.

Allegations contained in the suits are roughly similar. One suit, for example, filed in December in federal court in Tampa, charges that Riscorp and its officials:

- Filed false financial statements as part of the public offering and for the three quarters since. Among other things, the statements inflated revenues by underestimating Riscorp's liabilities for return premiums due on retro programs, the suit charges.
- Failed to disclose political contributions that totaled more than the amounts donated by Riscorp's nine largest competitors combined and that have "subjected Riscorp to needless inquiry and legal expense."

The contributions were part of a "desperate attempt" to avert adverse workers comp legislation in Florida and to ensure the continued existence of the Florida Special Disabilities Trust Fund, the suit charges. The state-run SDTF is meant to encourage hiring of disabled workers and reimburses employers and insurers for excess workers comp claims related to those workers. Riscorp's third-quarter 1996 assets include $56.3 million receivable from the SDTF, though Florida regulators are debating the extent to which insurers will be allowed to include estimated future SDTF recoveries on their balance sheets, Riscorp disclosed in its statement.

- Failed to adequately disclose potential liabilities arising from the Commerce Mutual racketeering suit.

The nine shareholder suits likely will be consolidated in a single action, the Riscorp spokesman and plaintiffs lawyers agree. After a consolidated complaint is filed, Riscorp will respond in court, the spokesman said.

Whatever the outcome of the litigation, the huge decline in Riscorp's stock may have ripple effects, including adding to the cost of two 1996 acquisitions, the third-quarter report shows.

Riscorp acquired CompSource, for example, for cash and 112,582 shares of Riscorp stock, the statement says. CompSource's former owner, however, has an option requiring Riscorp to buy back the stock at $18.65 per share over a one-year period beginning March 8, Riscorp reports. BI

Mergers

Continued from page 2

two biggest players, Sedgwick Group P.L.C. and Willis Corroon Group P.L.C. The M&M interest in Minet gives weight to speculation that M&M may have an interest in taking over Sedgwick as well, said one London investment analyst.

Buying Sedgwick would substantially strengthen M&M's position in the London market and potentially create a brokering duopoly between itself and Aon, the analyst said.

Although this may strengthen M&M's position in London and in its world ranking, it wouldn't do Sedgwick any favors, commented another analyst. And "hostile takeovers don't work for brokers," the analyst added. "(M&M) has no synergy with Sedgwick. There is no pressure from a strategic point of view—there is overlap everywhere and there would be a massive rationalization problem. The same is true of Willis, though there is less of an overseas overlap."

Beneath the large London brokers is a group of smaller organizations feeling the pressure of a soft rating environment, massive competition and a weak dollar. "There will be merger activity in the medium-sized brokers before the end of the year," predicted Tony Silverman, an analyst at NatWest Securities Ltd.

Last week's deal between Angerstein and Stace Barr Holdings brought a new dimension to consolidation activity at Lloyd's.

Prior to buying the members agency, Angerstein had already taken over two managing agencies, J.E. Mumford Holdings Ltd. and P.B. Coffey Underwriting Agencies Ltd. Through the latest deal, Angerstein is now managing: the £500 million ($806.5 million) traditional members' capacity; £350 million ($564.6 million) from corporate investors controlled by Stace Barr; and its own £200 million ($322.6 million) spread across a number of syndicates in the market, including its own. In total, Angerstein now controls £940 million ($1.52 billion), or more than 9%, of Lloyd's 1997 capacity.

Having influence over such a large share of Lloyd's capital can only strengthen Angerstein's position, said James Illingsworth, operations director of Angerstein Underwriting Holdings. Spread vehicles—which place their capacity over a wide range of syndicates rather than dedicating greater chunks to in-house syndicates—are beginning to feel the winds of change that have been blowing over the market's traditional members as they face being edged out by dedicated capital providers.

"There is a closer alignment between spread vehicles and (traditional members)," said Mr. Illingsworth.

Dedicated syndicates, with all their capacity coming from one source, are all the rage in Lloyd's at the moment. Of the 10 new syn-

See **Mergers** *on next page*

Updates

U.S. Lloyd's members win ruling

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The case is one of several Lloyd's-related lawsuits in progress in the United States that have been brought by members who did not accept Lloyd's settlement offer last year. Under the offer, members agreed to abandon litigation against Lloyd's in return for limiting their debts to Lloyd's. About 95% of members accepted the offer, but 1,955 refused.

A handful of litigating members and their families were outside a New York hotel last week protesting the presentation of an award inside to David Rowland, chairman of Lloyd's.

At the event, Mr. Rowland said the protesters had all had a chance to accept the settlement offer and the offer had been the best solution for the greatest number of people.

Mr. Rowland was accepting the Insurance Leader of the Year award from The College of Insurance in New York.

Regulators take Golden Eagle

SAN DIEGO—The California Insurance Department has taken control of Golden Eagle Insurance Co., a major California workers compensation insurer that has clashed with regulators in recent months over an allegedly substantial reserve shortfall.

A San Diego County Superior Court judge on Friday granted the Insurance Department authority to seize the insurer along with all of its assets, books and records, the department announced.

"Certain business practices by the management of (Golden Eagle) have put both the company and consumers at risk," Insurance Commissioner Chuck Quackenbush said in a statement. Mr. Quackenbush specifically cited $66 million in unsecured loans he said were taken by Golden Eagle Chairman and owner John Mabee, contributing to a $138.5 million reserve shortfall.

Mr. Quackenbush last year ordered Golden Eagle to boost its reserves by $138.5 million, and the insurer lost a court battle over the insurance department's authority to order the increase (*BI*, Nov. 25, 1996). Last month, Mr. Mabee said Golden Eagle would comply, filing a plan to boost reserves through a combination of reinsurance and direct additional reserves (*BI*, Jan. 27).

Instead, the Insurance Department decided to take action: "We obtained evidence that there was substantial manipulation of the data to cover up the $138.5 million shortfall," Mr. Quackenbush said. "In light of this manipulation of data, and Golden Eagle's refusal to provide all of the audited financial statements, the only prudent course of action was to take over the company."

Mr. Mabee could not be reached. Golden Eagle officials declined to comment.

Group health care costs rise

NEW YORK—Group health care costs for active employees will rise an average of 3% this year, according to a new survey of 148 large employers conducted by Towers Perrin.

Surveyed employers also project that plan costs will climb an average of 4% for retirees under age 65 and 7% for Medicare-eligible retirees.

Separately, the Department of Health and Human Services reported last week that national health care expenditures climbed 5.5% in 1995 to $988.5 billion from $937.1 billion in 1994. On a per capita basis, health care spending equaled $3,621 per person in 1995, up from $3,465 in 1994. Private sector spending on health care in 1995 edged up 2.9%.

State considers ergonomics bill

RICHMOND, Va.—The Virginia Senate could approve a measure as early as today that would set criteria for determining when carpal tunnel syndrome should be covered under workers compensation.

S.B. 1043, sponsored by Sen. Richard J. Holland, D-Isle of Wight, would require that claimants prove to a degree of "absolute medical certainty" that their carpal tunnel syndrome stemmed from their jobs. The measure, which businesses support, also spells out what tests a physician would have to perform to certify that a case of carpal tunnel syndrome should be covered by workers comp.

The Senate Commerce and Labor Committee is scheduled to vote on S.B. 1043 today, and if the committee gives its expected approval to the bill, S.B. 1043 could go to the full Senate later today.

An identical bill, H.B. 2366, sponsored by Delegate Glenn R. Crowshaw, D-Virginia Beach, has been assigned to a subcommittee of the House of Delegates' Finance Committee.

Briefly noted

Frank G. Zarb, chairman and chief executive officer of Alexander & Alexander Services Inc., will become president and CEO of the National Assn. of Securities Dealers after the integration of A&A and Aon Group Inc. is completed. . . .U.S. Rep. Jerrold Nadler, D-N.Y., plans to introduce legislation this week mandating insurance coverage for annual **mammograms** for women age 40 and older. . . .Legislation introduced late last month by Sen. Barbara Boxer, D-Calif., would bar employers from requiring employees to invest more than 10% of their **401(k) plan contributions** into company stock. . . .Liquidators of **Electric Mutual Liability Insurance Co.** have lost an appeal in which they sought to enjoin Hannover Ruckversicherungs A.G. from starting arbitration proceedings to rescind reinsurance contracts with EMLICO. A London appeals court affirmed a lower court decision that an English court is not the appropriate forum for EMLICO's injunction request. . . Jon C. Madonna, formerly chairman of KPMG International, the accounting firm's international umbrella organization, has been named **vice chairman of the Travelers Group**, with responsibilities that include the group's international business development. Mr. Madonna's responsibilities also include the personal lines divisions of the Hartford, Conn.-based Travelers/Aetna Property Casualty Corp. Mr. Madonna also has been named vice chairman of Traveler/Aetna Property Casualty Corp.

Metal

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watching from that potential," the insurer executive said.

Plaintiffs in a suit seeking class-action status to represent Los Angeles County building owners are asking for more than $1 billion on behalf of hundreds of building owners in Los Angeles County. They claim they already have or will incur costs for inspection, retrofitting and repair as well as loss of rents and diminished property values.

The plaintiffs claim a weld metal known as E7OT-4 was the proximate cause of that cracking.

Cleveland-based Lincoln is the nation's biggest seller of E7OT-4, and so far is the only defendant described by company name in the suit, which has yet to be served on Lincoln or certified as a class action.

The plaintiffs accuse Lincoln of marketing a weld metal that poses an unreasonable risk of danger to building owners and the public. Lincoln and the other unnamed defendants are at fault because the manufacturers knew or could have known E7OT-4 was not tough enough to resist even a moderate earthquake, the suit alleges.

The suit was filed one day before the earthquake's anniversary, when a statute of limitations was scheduled to expire for such suits. Lincoln was hit the same day with three other individual suits making similar allegations, according to documentation provided by Lincoln. The company already was named in an earlier lawsuit arising from alleged property damage related to the Northridge earthquake.

Lincoln failed to provide builders with the correct guidelines and directions for use of its products, said Kenneth R. Chiate, an attorney representing the class-action plaintiffs for the Los Angeles firm of Pillsbury, Madison & Sutro.

"Their own internal documentation shows they did not adequately inform the industry as to the application," Mr. Chiate said in an interview.

A spokesman for Lincoln emphatically denied the allegations. He said requirements for using Lincoln's product are outlined in a code approved by a standard-setting organization named the American Welding Society.

When applied in conformance with that code, the weld metal has produced high-quality welds for more than 30 years, he said.

Still, as a result of building-frame cracks discovered after the Northridge earthquake, Los Angeles has prohibited the use of E7OT-4 for major building connections, said Richard Holguin, chief of the city's engineering bureau.

But there are other building construction types, such as masonry, wood frame and "tilt up" styles that pose a greater danger to loss of life than do steel-frame buildings, said Fred Turner, a structural engineer with the California Seismic Safety Commission.

"None of the steel-frame buildings collapsed in the Northridge earthquake," he said. "From our standpoint, there are other far more vulnerable buildings we should be much more concerned about than steel-frame buildings."

So far only two plaintiffs have been named in the proposed class-action suit. They are the Automobile Club of Southern California, which demolished a building destroyed by the earthquake, and the Pacific Design Center, a huge, multistory marketplace for home decorating products.

Tests on the Pacific Design property did not reveal frame or weld cracking, Mr. Chiate said. But that is not the issue, he added.

"The point is that all these buildings in these seismic sensitive areas now have the equivalent of a potential inherent defect in the connections," he explained. "Whether they were damaged or not does not really make a difference, except as to the magnitude of the loss."

Other building owners are backing the lawsuit but do not wish to be named yet, Mr. Chiate said. Additionally, he expects dozens, or maybe hundreds, of other building owners to join in.

To date, many observers in the property insurance market have taken a wait-and-see attitude toward the steel-frame cracking issue, said a Los Angeles property manager for a global brokerage who asked to remain anonymous.

But the possible class-action lawsuit could open a Pandora's box by encouraging other building owners to take similar steps. "I think a lot of people will be watching it to see what happens," the broker said. BI

Mergers

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dicates set up to trade in 1997, nine are fully capitalized by the owners of the agency running them, and two new parallel syndicates—syndicates with just one corporate member operating alongside a traditional syndicate—were started. What's more, only a handful of managing agencies are left without a corporate owner providing it with permanent capital.

By buying a members agency, not only has Angerstein established itself as a serious player in the market, but it also is able to build more value for its shareholders, said Mr. Illingsworth. Angerstein is now saving on expenses that it would have paid to Stace Barr, which had acted as its adviser on its Lloyd's participation. What's more, "I am not sure we are doing the best for our shareholders if we allowed the Lloyd's market to be sold off piece by piece to insurers around the world," he said, referring to the mainly U.S. and Bermuda-based ownership of Lloyd's agencies and provision of dedicated capital.

More deals along the lines of Angerstein and Stace Barr's link-up are expected in the fairly near future.

Caroline Chandler, managing director of Lloyd's corporate investor ALIT Underwriting Ltd., and Philip Maidens, research director of members agency Sedgwick Oakwood Lloyd's Underwriting Agents Ltd., both said their organizations would look at any such opportunities.

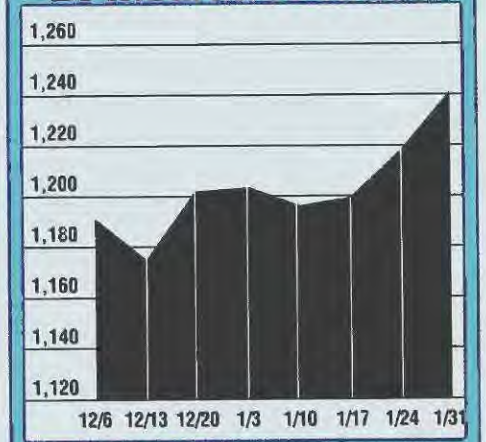
In the meantime, there will continue to be a lot of activity in the Lloyd's sector, said Clifford Hampton, partner of financial advisory and investment management organization Phoenix Group, which has advised on a number of insurance mergers and acquisitions. Phoenix itself is being acquired, having last week agreed to an offer from U.S. investment bank Donaldson, Lufkin & Jenrette Inc.

"Many investors may be relatively short-term," Mr. Hampton said, and they will likely make a public offering or sell out to insurance companies. "Insurance companies will continue to be the logical buyers," he said. In particular, he cited U.K. companies Commercial Union P.L.C. and Royal & Sun Alliance Group P.L.C., which have yet to dip their toes in Lime Street's waters.

But maybe they have other matters on their minds. Royal & Sun Alliance has a long way to go before it fully integrates the two businesses, and Eagle Star's parent, B.A.T Industries P.L.C., has been very open about its talks with potential merger partners.

"There will be further consolidations among the large insurance companies," predicted Mr. Hampton, "and the international companies will be seeing more growth through acquisition." BI

BI Insurance Index



Base=100 on Dec. 29, 1978
Source: Nordby International Inc.

PCS catastrophe options

As of Jan. 31

Call spread	Price bid/ask
Eastern September 1997	
40/60	3.4/3.9
60/80	2.4/3.5
80/100	2.1/2.5
National Annual 1997	
80/100	6/8
120/140	3.4/5
June Midwestern 1997	
10/20	1.1/1.4

Call spread	Price bid/ask
California Annual 1997	
40/60	—/4
80/100	1.5/1.9
Western Annual 1997	
40/60	2.2/3.9
80/100	1.4/2

Total volume: 40 Total open interest:10,779

For information on PCS cat options, call the Chicago Board of Trade at 312-435-3674

Source: Chicago Board of Trade

British Issues

Jan. 31	Price pence	P/E	Div. pence	Yield %	52 week high—low
Companies					
Comml Union	698	12.2	29.0	5.0	735—550
Genl Accident	806	8.9	31.7	4.6	823—612
Gdn Royal Exch	277	4.6	9.3	4.[illegible]	285—218
Independent	644	11.7	12.0	2.3	651—373
Royal & Sun	478	9.0	19.0	5.[illegible]	483—349
Brokers					
Bradstock	72	10.6	5.7	11.5	75—54
Fenchurch	62	N/A	5.5	10.1	150—46
CE Heath	97	[illegible]1.9	4.5	5.7	115—74
JIB Group	151	N/A	9.8	6.4	158—97
Lloyd Thmpson	200	N/A	10.0	6.1	207—163
Lowndes Lmbrt	106	13.5	8.4	9.1	153—102
Nelson Hurst	144	9.8	8.1	6.9	206—143
Sedgwick Grp	131	12.6	9.8	6.8	152—114
Steel Brl Jones	32	7.5	3.8	14.6	48—28
Willis Corroon	142	20.9	6.6	5.7	169—117

Source: Nordby International Inc.

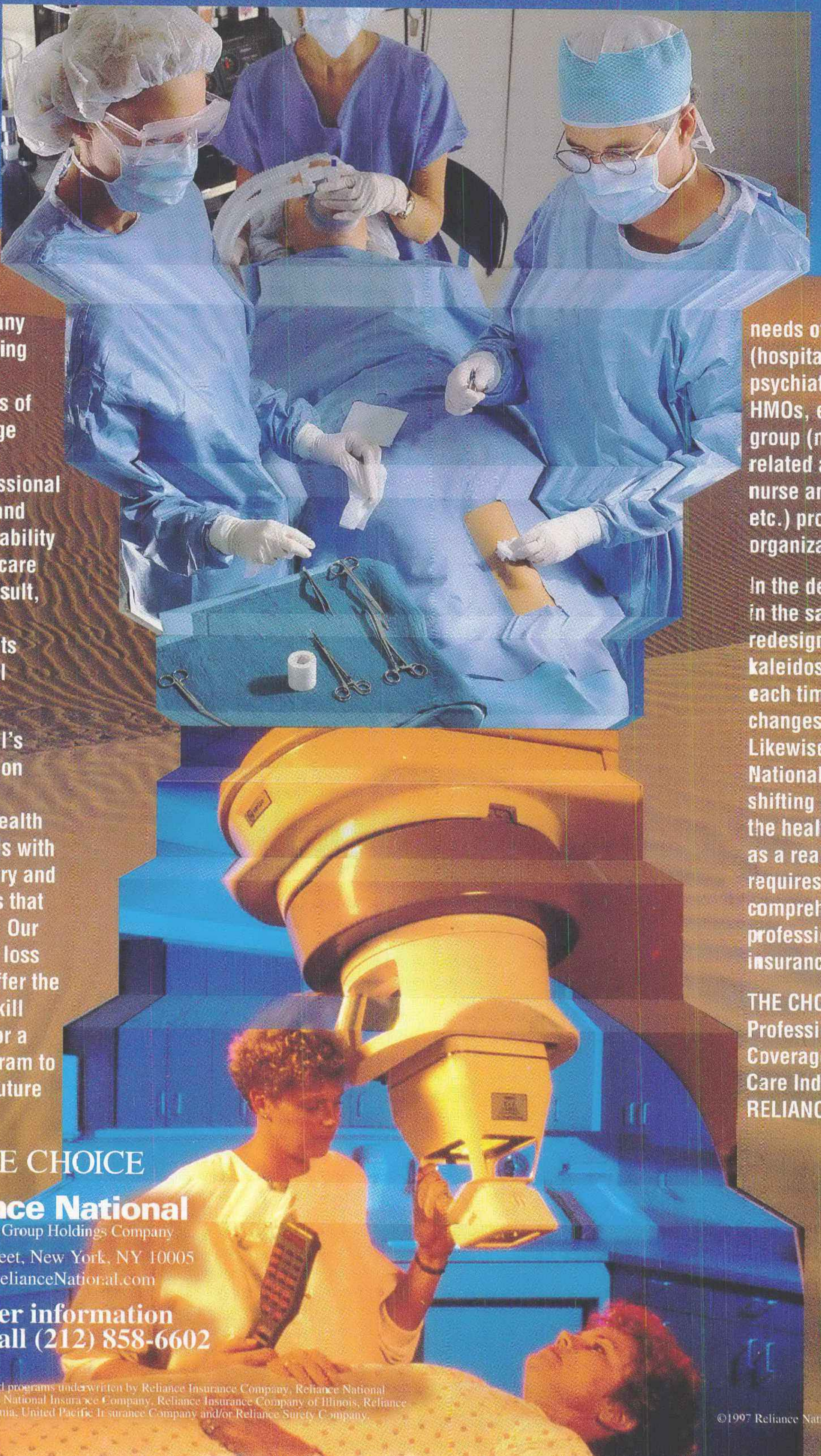
BI Industry Stock Report JAN. 27, 1997, THROUGH JAN. 31, 1997

		Price	Weekly % change	Year to date % change	Year to date High	Year to date Low	Vol.(000)
BROKERS							
Acordia Inc.	NYS	27.88	-0.89	-3.88	33.75	27.25	45
Alexander & Alexander	NYS	17.50	0.00	0.72	21.63	13.63	91
E.W. Blanch Holdings Inc.	NYS	22.50	9.76	11.80	25.50	17.75	226
Gallagher Arthur J. & Co.	NYS	30.13	-0.41	-2.82	39.50	29.13	139
Hilb, Rogal & Hamilton	NYS	13.50	2.86	1.89	14.00	11.38	68
Kaye Group Inc.	NDQ	5.25	0.00	0.00	7.75	4.63	1
Marsh & McLennan	NYS	107.75	0.70	3.61	114.88	88.00	784
Poe & Brown	NDQ	26.25	-1.87	-0.94	27.50	22.75	55
BROKERS	AVERAGE		1.27	1.30			
INSURERS/REINSURERS							
ACE Ltd.	NYS	59.13	4.42	-1.66	61.25	40.50	496
Acceptance Insurance Cos.	NYS	20.00	-1.84	1.27	22.50	14.00	95
AEGON N.V.	NYS	61.88	-3.88	-2.17	65.13	41.13	111
Aetna Life & Casualty	NYS	79.00	4.12	-1.25	82.50	55.38	2855
AFLAC Inc.	NYS	39.88	-5.90	-6.73	44.00	28.25	1796
Allied Group Inc.	NDQ	31.75	0.79	-2.68	34.25	22.38	108
Allmerica Prop. & Casualty	NYS	31.50	0.40	3.70	31.88	24.63	137
Allstate Corp.	NYS	65.63	3.14	13.39	66.00	37.38	4899
AMBAC Indemnity Corp.	NYS	67.00	0.75	0.94	69.50	46.38	372
American Bankers Ins.	NDQ	55.50	0.45	8.56	57.50	32.50	246
American Financial Group	NYS	36.13	-2.69	-4.30	38.88	28.50	356
American General	NYS	39.88	-1.85	-2.45	42.00	32.88	1158
American Heritage Life Ins.	NYS	26.38	1.93	0.48	27.75	19.00	35
American Indemnity/Fin'l	NDQ	13.00	-5.45	26.83	14.00	9.38	10
American International	NYS	121.13	2.98	11.89	123.75	88.13	3870
Aon Corp.	NYS	64.63	0.78	4.02	64.88	47.50	1037
Argonaut Group	NDQ	30.00	1.69	-2.44	35.00	27.25	59
AVEMCO Corp.	NYS	26.25	-0.47	68.00	27.38	11.75	378
Baldwin & Lyons Inc.	NDQ	17.75	-4.70	-3.40	20.75	14.25	28
Berkley W.R. Corp.	NDQ	48.25	7.82	-4.93	48.25	23.13	481
Berkshire Hathaway Inc.	NYS	34800.00	2.05	2.05	38000.00	30000.00	1
Capital RE Corporation	NYS	44.00	-4.09	-5.63	46.88	30.25	142
CapMac Holdings Ltd.	NYS	34.50	-1.08	4.15	36.88	22.25	104
Capsure Holdings Corp.	NYS	10.75	-1.15	-6.52	18.88	8.00	81
Charnwell Re	NYS	27.00	0.00	0.93	28.38	19.88	19
Chubb Corp.	NYS	54.50	0.93	1.40	56.75	40.88	1662
CIGNA Corp.	NYS	151.63	1.25	10.98	158.50	100.75	878
CNA Financial Corp.	NYS	104.75	0.48	-2.10	117.50	95.75	119
EMC Insurance Group Inc.	NDQ	12.00	-2.04	0.00	14.50	10.13	10
Everest Reinsurance	NYS	27.50	-1.35	-4.35	29.50	20.13	1104
Executive Risk Inc.	NYS	38.00	-0.33	2.70	42.38	27.00	99
EXEL Ltd.	NYS	42.38	4.63	11.88	42.38	31.75	446
Fremont General Corp.	NYS	30.00	-0.41	-3.23	31.63	21.50	427
Frontier Insurance Group	NYS	39.50	3.61	3.27	41.13	30.13	123
Gainsco Inc.	NYS	9.13	-2.67	-5.19	11.75	8.75	223
GCR Holding Ltd.	NDQ	23.38	-0.53	5.06	27.25	21.50	199
General RE Corp.	NYS	161.50	6.60	2.38	170.25	138.75	1288
Gryphon Holdings	NDQ	14.63	-1.68	3.54	20.25	12.00	217
Guaranty National Corp.	NYS	16.75	0.75	0.00	18.00	13.38	19
Harleysville Group	NDQ	29.13	-1.27	-4.51	31.25	24.50	96
Hartford Steam Boiler	NYS	46.25	0.54	-0.27	52.50	42.75	323
HCC Insurance Holdings	NYS	27.88	-3.46	16.15	32.75	17.88	293
IPC Holdings Ltd.	NDQ	23.94	-1.29	6.98	25.13	19.00	253
ITT Hartford Group	NYS	73.38	1.56	8.70	74.00	44.50	1975
LaSalle Re Ltd.	NDQ	27.06	-0.23	-7.48	29.50	19.75	1360
Lincoln National	NYS	53.63	0.94	2.14	57.00	40.75	580
Markel Corp.	NDQ	98.00	5.38	8.89	100.00	75.00	11
MBIA Insurance Group	NYS	96.13	2.40	-5.06	104.63	70.13	481
Meadowbrook Insur. Group	NYS	22.50	-3.23	7.14	34.13	15.25	42
Mid Ocean Ltd.	NYS	50.75	-0.25	-3.33	55.38	35.50	309
MMI Cos. Inc.	NYS	30.25	-4.72	-6.20	33.38	22.25	236
Mutual Risk Mgmt. Ltd.	NYS	36.00	-0.69	-2.70	37.25	26.88	75
NAC Re Corp.	NYS	36.25	3.57	7.01	40.63	28.50	115
Navigators Group	NDQ	18.88	1.34	3.42	20.25	15.63	16
Nobel Insurance Ltd.	NDQ	12.50	-0.99	-0.50	12.88	10.88	16
NYMagic Inc.	NYS	18.38	1.38	2.08	22.00	17.00	10
Ohio Casualty Corp.	NDQ	37.25	1.36	4.93	40.00	30.00	399
Old Republic Int'l	NYS	26.88	1.42	0.47	27.75	20.13	425
Orion Capital Corp.	NYS	63.00	1.41	3.07	63.00	42.63	90
Partner Re Ltd.	NYS	35.50	3.27	4.41	36.25	25.63	315
Penn-America Group Inc.	NDQ	19.25	19.38	19.38	19.25	11.50	93
Philadelphia Cons. Holding	NDQ	27.00	0.93	16.13	28.00	16.75	24
PXRE Corp.	NYS	26.50	3.92	7.07	28.00	22.25	47
Reliance Group Holdings	NYS	9.13	-5.19	0.00	9.75	6.50	527
Reliastar Financial Corp.	NYS	55.50	-2.42	-3.90	58.38	40.00	833
RenaissanceRe Holdings Ltd.	NYS	37.50	10.29	13.64	37.50	26.75	155
Risk Capital Holdings	NDQ	16.63	2.31	-14.19	20.75	15.88	64
RLI Corp.	NYS	35.00	4.87	4.87	35.13	22.38	208
St. Paul Companies	NYS	62.50	-1.77	6.61	64.50	50.13	1677
SAFECO Corp.	NDQ	38.00	-2.09	-3.65	[illegible]2.25	30.88	1156
Seibels Bruce Group	NDQ	2.25	9.09	9.09	4.25	1.88	117
Selective Ins. Group	NDQ	41.00	10.31	7.89	41.00	31.00	245
Sphere Drake Holdings	NYS	9.75	0.30	9.86	[illegible]2.25	8.13	39
TIG Holdings	NYS	34.63	0.36	2.21	35.13	26.88	1076
Titan Holdings, Inc.	NYS	16.63	-4.32	0.76	17.88	12.50	33
Tokio Marine & Fire	NDQ	45.75	6.71	-1.88	69.00	42.00	181
Torchmark Corp.	NYS	51.75	-0.24	2.48	53.38	40.25	661
Transatlantic Holdings	NYS	78.75	2.11	-2.17	81.25	62.38	236
Travelers Aetna Property	NYS	36.50	2.46	3.18	39.00	23.13	1020
Travelers Corp.	NYS	52.38	2.44	15.43	55.13	28.38	8368
Trenwick Group Inc.	NDQ	50.00	1.52	8.11	55.25	46.00	158
Unico American Corp.	NDQ	10.63	4.94	-2.30	11.[illegible]	6.50	7
Unionamerica Holdings	NYS	16.50	-4.35	-7.04	20.75	14.75	54
United Fire & Casualty	NDQ	31.00	0.00	-12.06	40.00	28.50	4
Unitrin	NDQ	52.63	-1.64	-5.61	56.38	44.25	158
UNUM Corp.	NYS	75.63	1.5[illegible]	4.67	76.00	55.38	554
US Facilities Corp.	NYS	20.00	0.63	1.91	20.50	14.88	66
USF&G Corp.	NYS	21.25	3.03	1.80	21.88	14.25	2477
USLIFE Corp.	NYS	41.13	5.11	23.68	42.[illegible]	26.88	838
Washington National	NYS	28.50	0.88	3.64	30.75	25.13	274
Zenith National Ins.	NYS	26.75	2.88	-2.28	28.38	23.00	30
Zurich Reinsurance Centr.	NYS	37.88	0.00	21.20	38.75	28.38	86
INSURERS/REINSURERS	AVERAGE		0.97	3.38			
HEALTH MAINTENANCE ORGANIZATIONS							
FHP International	NDQ	36.25	1.40	-2.36	37.75	21.75	681
Healthsource Inc.	NYS	13.25	0.00	0.95	40.38	9.75	3269
Humana Inc.	NYS	19.00	1.33	0.00	28.38	15.00	3654
Oxford Health Plans	NDQ	54.38	4.82	-7.15	62.25	27.69	6589
Pacificare Health Sys.	NDQ	75.50	3.56	-7.08	98.75	59.63	330
Safeguard Health Enter.	NDQ	16.50	0.00	-5.71	22.50	11.50	1
Sierra Health Services	NYS	27.38	7.35	11.17	36.00	22.38	682
United Healthcare Corp.	NYS	48.75	2.90	8.33	69.00	30.00	5656
Wellpoint Health Networks	NYS	33.00	-3.30	-4.00	39.13	23.38	607
HMOs	AVERAGE		2.05	-0.65			
ALL COMPANIES	AVERAGE		1.43	1.34			

Top advancing issues: Penn-America Group Inc., Selective Ins. Group, RenaissanceRe Holdings Ltd. Leading decliners: AFLAC Inc., American Indemnity/Fin'l, Reliance Group Holdings. Most active issue: Travelers Corp. The BI Index fell 1.8%; the Dow Jones 30 Industrials gained 1.7%; the S&P 500 increased 2.0% and the NYSE Composite gained 1.6%. Average P/E: Brokers, 16.4; Insurers/reinsurers, 32.8; HMOs, 33.0.

System design: Nordby International Inc.

HEALTHCARE



The impact of many variables, including the political and economic aspects of reform will change administrative structures, professional responsibilities and levels of accountability within the healthcare industry. As a result, the insurance requirements of its professionals will change.

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