Meeting of the Consumer and Professional Relations Committee (CPR)

of The Health Insurance Association of America (HIAA)

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The Committee met on May 22, 1984 in Chicago, Illinois.

I. Review of Activities on the Federal Level

A risk classification amendment (HR 100) was passed with several amendments exempting individual lines of business and over the opposition of women's groups.

The tax cap issue appears dormant for this year. Defense spending, health and tax reforms are in line for consideration in next year's legislature. Cuts in several spending programs are scheduled for Senate/House conferences in mid June. HR 4170 deals with cafeteria plans applying to health issues. It would make funding for off-site exercise programs taxable. It also eases waiver procedures and regulations for interested states.

The Senate will engage in a nine month study of non-statutory fringe benefits. Changes proposed in the House of Representatives dealing with prospective payment for Medicare and a delay in the phase-in of the program have been rejected. A slow down in the annual rate of increase favored by the Senate is opposed by the Department of Health and Human Services. New regulations for the prospective payment program will be issued by the Secretary of Health and Human Services by June, 1984 containing many technical refinements.

HIAA has been given representation on the Prospective Payment Advisory Commission. A Medicare Incentive Reform Act is in the planning stage providing for physician fee schedules, making acceptance of assignment a requirement for in-patient care and eliminating the need for gap insurance. A Data Disclosure Bill attached to a Manpower bill may move in this session creating a federal clearing house for technical assistance.

A bill introduced in the Senate deals with the issue of medical technology assessment (S 2504). It would establish a private, non-profit Institute for Health Care Technology Assessment. The institute will promote appropriate and approved technologies, and the elimination of obsolete or inappropriate health care technologies. Another bill introduced in the Senate (S 2452) would amend the Public Health Service Act by establishing both a Center for Medical Technology Assessment and a National Council on Medical Technology Assessment. The center would be required to consider the safety, efficacy and effectiveness of the technology together with the cost effectiveness and comparative effectiveness of the technology as well as social, ethical and economic factors.

A new bill, HR 5580, parallelling the National Organ Transplant Act has been introduced. It authorizes a grant program for organ procurement organizations, sets up a national transplant network, creates a scientific registry and bans the sale of human organs. The new proposal eliminates some controversial amendments to the Medicare program which would have granted the Secretary of the Department of Health and Human Services new authority to deny Medicare reimbursement to all but selected patients, practitioners and institutions for any health care technology or procedure, and not only for transplants. It also eliminates the establishment of centers of excellence, which was opposed by the Ways and Means Committee. The previous proposal, HR 4080, has been stalled in the House Ways and Means Committee in the face of strong opposition. The new proposal provides free immuno-suppressive drugs funded through CDC to indigent transplant recipients on an out-patient basis.

HIAA was succesful in opposing a recommendation making commercial carriers primary for beneficiaries of the CHAMPUS program. A limited anti-trust exemption for HIAA is under consideration but may not move in the current legislature.

The Health Care Finance Administration is late in publishing regulations for PRO approvals. Designation of PROs is now scheduled for July, 1984. Business and technical teams are planned to conduct required inspections. Designation as PROs will be available to other than medical groups after October, 1984 or January, 1985.

II. *Status Report on Objectives and Priorities of the Division for 1984-1985*

Several carriers opposed the pooling of data to maximize HIAA's data base on the grounds of anti-trust considerations and loss of competitive advantage. A report by HCFA on the status of all payor systems is due in 1986. It is necessary to develop an insurance industry evaluation of the DRG system and its impact on the industry based on available (one shot) data.

HIAA supports state based utilization review programs to enable the insurance industry to contract for utilization review. It may be necessary to guarantee access to medical records through legislation. HIAA is actively promoting new legislation to assist states in their attempt to achieve health care payment reforms. Assistance is also provided to renew existing legislation in waiver states. There is considerable cooperation with employer coalitions regarding all payor options. Centers of activities for HIAA are currently in Arizona, Connecticut, Maine and West Virginia.

It may be necessary for HIAA to retain an independent agency to evaluate the programs of the four states with all payor systems (Maryland, Massachusetts, New Jersey and New York) to contrast it with the evaluation by the Health Care Finance Administration.

III. *Discussion of All Payor Hospital Prospective (Fair) Payment System: Expectations and Experience*

The all payor states have clearly produced substantial savings for the private sector patient, primarily because of the elimination or reduction in the size of the federal cost shift. In addition, as the incentives to reduce unjustified utilization take hold, we can expect to see a continued reduction in the rate of hospital net patient revenues across all payors.

The all payor states have developed a series of responses to the Blue Cross differential problem, which clearly identifies the criteria upon which the differential can be based and offer all payors the opportunity to meet them. The Blue Cross' ability to obtain a unique differential in all of these states is primarily due to the practice of open enrollment. If the insurance industry develops the concept of pools for the uninsurable on a statewide basis, there is a strong likelihood that participation in such pools would enable carriers to close the gap in the Blue Cross differential in many jurisdictions.

In comparing the overall experience on the parameters identified herein between the all payor states and the non-regulated states, it is important to recognize that the issue is not only the ability of each arrangement to restrain the rate of increase in hospital costs, but the need to simultaneously develop incentives to achieve long-range hospital payment reform, and the problem of continued access to care for the indigent and medically indigent.

IV. *Report of the Health Care Management Committee*

The committee report contains several recommendations which were approved by the Consumer and Professional Relations Committee.

Recommendation

The Committee endorsed the position of the Group Committee in support of the National Organ Transplant Act (HR 4080). It agreed, however, that the Secretary of Health and Human Services (HHS) should be required to exercise her authority to limit the number of transplant centers.

Recommendation

The Committee endorsed the following position on the payment of uncompensated hospital care:

"Uncompensated care is defined as the cost of treatment rendered by a hospital for which no payment is received. It is broadly separated into charity, which is the cost of care to indigent patients; bad debt, which is the cost incurred by patients who refuse to pay their bill after reasonable collection efforts are made by the hospital and courtesy care, which is defined as services for which no charge is made by the hospital. The HIAA believes that providing charity care is a community responsibility and should be funded through a variety of means such as the tax system, philanthropic contributions or equitable contributions by all payors of hospital services. Bad debt is a normal cost of doing business and should be treated as an overhead cost shared equitably by all payors in proportion to their volume of business. Any cost providing any courtesy services should not result in increased payment rates for other payors."

Recommendation

The Committee endorsed the following definition:

"The HIAA believes that capital should be included in a hospital's price. Return on equity must be earned from net gain from operations rather than calculated as a specific add-on. In the short term, Medicare payments for capital should be included in DRGs and should not vary by region, sponsorship or teaching status. Special provisions must be made to phase into the system in a way that equitably recognizes the existing capital obligations of hospital during the transition system."

V. *State Hospital Prospective Payment Activity Update*

All Payor Program Implementation

FLORIDA — The Health Care Access Act was passed. It contained several deficiencies, some favorable to the Blue Cross, many onerous to the insurance industry.

MAINE — Initial reviews of the Maine prospective payment system are anticipated by November, 1984. Union Mutual Insurance Company and Arthur Young are conducting a differential study. A waiver application will be submitted to HCFA.

MARYLAND — Hospitals are against PPO development. Maryland is under an existing waiver from HCFA. An RFP has been issued to study the rate of increase to keep it below predetermined levels and to retain the waiver.

MASSACHUSETTS — During the first year of waiver net patient revenue increased on the average of 8.1%. This is below the national average of 11.9%. Approved budgets for 1984 have been registered at 5.4%.

NEW JERSEY — The increase in cost of 13% for 1984 is higher than the anticipated federal increase. The Blue Cross differential stands at 6.8%.

NEW YORK — The Blue Cross differential was reduced to 15% on January 1, 1984. Differential below 12% cannot rise above 12%. A study of the differential is mandated by law to be completed in June, 1985.

WASHINGTON STATE — The Hospital Commission is developing a target rate of increase. There is no Blue Cross differential.

WEST VIRGINIA — A waiver application is being developed, including a rate setting methodology.

WISCONSIN — The voluntary rate review program will be replaced by new legislation effective 1/1/85. Legislation is limited, especially relating to uniform reporting and the need for utilization review.

Pending Legislation

ARIZONA — Organized labor and business coalitions support the concept of health planning and prospective payment.

CONNECTICUT — Insurance industry, Blue Cross, employers and hospitals support legislation for DRG phase-in.

ILLINOIS — A report of the technical advisory panel to the Senate Select Committee on hospital cost containment deals with revenue cap, contracting, data base, utilization review and hospital hardship relief fund. Efforts are in progress to gain support from business, labor and consumer organizations. The Medical Society is opposing many recommendations.

VI. *Report of the Medical Relations Committee*

At its meeting in March, 1984, the Committee reviewed provisions of the National Organ Transplant Act and the legislation for the Center for Medical Technology Assessment. HIAA supports the center as long as its activities complement, but do not duplicate, the activities of the Institute of Medicine, Medical Technology Assessment Consortorium, and it designates representatives of the private health insurance industry as well as from the employer community.

VII. *Report of the Dental Relations Committee*

At its meeting in January, 1984 an alloy classification system involving manufacturers, laboratories and dentists was outlined. American Dental Association representatives acknowledge their responsibility to educate its members regarding the classification system.

The American Equilibration Society's request for $25,000 for clinical research of TMJ disorders was considered more appropriate for individual company response, not for HIAA action.

VIII. *Report of the Claim Procedures and Forms Committee*

The Committee previously recommended against the development of a carrier paypoint ID file. HIAA's legal staff recommends that any company interested in pursuing possible peer review activities with the American Podiatry Association first review the APA's proposed program with their own legal counsel before proceeding.

IX. *Report of the Medicare/Medicaid Claim Issues Committee*

This Committee did not meet since the last meeting of the CPR Committee.

X. *Report of the Allied Health Services Committee*

The report referred to renewed interest in home health services. In the course of discussion it was pointed out that carriers may wish to review policy construction and language and to liberalize coverage by extending it to practical nurses and medical attendants. Restricting coverage to registered nurses only is an invitation to utilize more expensive resources frequently overqualified for the services required. The use of home health services as an alternative to continued hospitalization can go a long way towards cost containment.

XI. *Report of the State Council Advisory Committee*

The State Council Seminar was held in Chicago, March 26-28, 1984. It was well attended and well received.

XII. *New Business*

There was an expression of interest in the HIAA Board's activities regarding punitive damage risks.

The next meeting of the HIAA Committee on Consumer and Professional Relations is scheduled for Washington, D. C. on October 2, 1984.