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**Series:** Speech File Backup Files  
**Subseries:** Chron File, 1989-1993

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**OA/ID Number:** 13797  
**Folder ID Number:** 13797-009

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**Folder Title:**  
Health Care Event--San Diego [CA] Rotary Club 2/7/92 [OA 7568] [2]

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MR. SINGLETON: Do you have any?

MR. ZAMBONATO: No.

MR. SINGLETON: I appreciate your testimony

and thank you very much for being here.

MR. BAIRD: Thank you.

MR. SINGLETON: Do we have in the house at

this point Theresa Matregrano.

MS. MATREGRANO: You did very well. It

took me about a year before I got it right.

MR. SINGLETON: It's nice to have you with

us. You and I have a lot in common, Ms. Matregrano,

because you are an independent business person. I'm

glad to see one of those. I sometimes feel that I

would like to see someone who is also doing that sort

of thing. We are glad to have you here.

MS. MATREGRANO: Well, thank you very much.

I did not come with anything prepared other

than my testimony which you have in front of you.

Simply, to reiterate, that if the paper

doesn't say so, that myself and the rest of my

compatriots are, I think the correct word is scared

that a mandated health plan would come into effect for

us, for any of us. It's difficult enough when the

economy is good to maintain a balance and to work

towards a black bottom line with the items that you ca

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1 control. Certainly, health insurance has never been  
2 one that we've been able to control.

3 When we speak today of the uninsured and  
4 the poor uninsured, I would venture to say that a very  
5 large part of that population includes the independent  
6 business person and that small businessman. When we  
7 can get and afford that insurance during a good  
8 economy, when the economy is poor, we are no different  
9 than we are at home with our families. One of the  
10 first things that we cut back is what we would consider  
11 a benefit from being in business, which is getting  
12 health insurance. And it's one of the things that we  
13 do cut back for ourselves.

14 So, to be in a position where we would be  
15 forced to pay for that insurance, not just for  
16 ourselves but for our employees is, as I said in my  
17 testimony, particularly at this time, there are so many  
18 of us who would just be out of business.

19 And it's very unfair to think that all the  
20 years that you do struggle and when we go to an economy,  
21 such as we are in now, that takes many of us several  
22 years to recover from after the economy itself  
23 recovers, <sup>so</sup> that just when we are back to earning minimum  
24 wage for the number of hours we put in, then we would  
25 become mandated with an additional insurance premium

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1 that is just too impossible for us to handle.

2 I think Ms. Barrett spoke certainly a lot  
3 more eloquently than myself in representing the  
4 elderly. We could take so much of her testimony and  
5 put that towards children and put it towards that  
6 ~~quote-unquote~~ " middle America. "

7 I don't think there is a living human being  
8 who isn't scared to death of a catastrophic illness.  
9 And that includes very often the insurance coverages  
10 that we already have. That catastrophic illness  
11 coverage is something that you wonder, even with the  
12 insurance that you are paying for, am I covered,  
13 because unless you take a degree in insurance, I think  
14 sometimes you haven't the foggiest idea what you are  
15 covered for anyway until it actually happens and then  
16 you worry about it at that time.

17 But, the thought that there would be a  
18 serious consideration of mandating it to, especially to  
19 an independent, to the small business people in this  
20 country, it's tantamount to saying, we are willing to  
21 do this even if it means for the hundreds and thousands  
22 of people who work in this industry, you are out of  
23 business. And I really truly feel that that's the way  
24 it would be.

25 And I think that's all I have to say.

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1 MR. SINGLETON: Well, that's enough. I  
2 think you've made your point. I appreciate your doing  
3 it. You did submit some written testimony which we  
4 will go over.

5 And I would assure you that this Council is  
6 aware of, consistently aware of the problems that would  
7 be imposed on so called small businesses were those  
8 benefits to be mandated and a requirement made that  
9 employers have to pay for what would be excessive  
10 amounts of insurance coverage. But we are concerned  
11 about that issue.

12 I used to, in another incarnation, go  
13 around making speeches to groups which were foolish  
14 enough to ask me. And one of my patented speeches had  
15 the working title of "The Cost of a Job in the United  
16 States". And when you look at employment from that  
17 aspect, it does take on a different coloration.

18 I haven't looked into it lately, so I don't  
19 know what it costs to hire somebody for a forty hour a  
20 week job these days, but it's obviously more expensive  
21 than the last time I looked. But, you know, we have a  
22 minimum wage to contend with <sup>and</sup> payroll taxes; those are ✓  
23 the biggies. And to add further burdens <sup>is</sup> ~~is~~ could be ✓  
24 potentially dangerous, I think, from an economic  
25 standpoint.

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1 MS. MATREGRAND: In my paper it states that  
2 the company that I run now, I've been running since  
3 1982. It took me five years of taking this company  
4 that was in trouble, turned it around where there was a  
5 bottom line to even be able to say there was a bottom  
6 line. And at that point in time, and it's a fact of  
7 life that I truly believe about most small business,  
8 and that is we take care of our own. We are more like  
9 a family in most instances. Now, we fight and we  
10 scream and we yell, but when it comes right down to it,  
11 for the most part, we take care of our own.

12 When I finally had a bottom line to work  
13 with, one of the first things I did was to investigate  
14 and to secure health insurance. Now, bearing in mind  
15 that up until that point, I didn't have it either. So,  
16 it wasn't doing something or that most of us are doing  
17 things for ourselves that we are not doing for our  
18 employees. That was in '87. It was \$190. In '88 it  
19 was \$275, '89 it was \$376 and 1990, it's \$476 for a  
20 family plan, which is crazy.

21 In that same time period that I've run the  
22 business, we've seen Social Security certainly  
23 increase. And that is, right along with everything  
24 else, is a difficult problem. And my workmens' comp,  
25 in that same time period, went from \$1900 a year to

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1 this year where I will be paying almost \$15,000 a year.

2 Now, mandate a health insurance policy on  
3 top of that and tell me whether my bottom line is good  
4 or not, that I have to do this. And it takes only one  
5 of the few places that the small business person even  
6 has any leverage, because it's not a cost or a fixed  
7 cost that we could even count on. It's not even like  
8 saying that, all right, you are mandated with this cost  
9 and it's going to cost you \$100 a week per employer, a  
10 \$100 a month per employee. There is just no way.

11 When I finally just had our policies  
12 rewritten, when it went up to almost \$500 a month, I  
13 had to go look for a carrier, which took me three  
14 months and was probably one of the worst experiences of  
15 my business life, ~~that I had to go through to find a~~  
16 ~~carrier.~~ I finally was able to find one whose rate was  
17 about <sup>15</sup> fifteen percent lower, but they would only write  
18 it and guarantee me that price for six months.

19 So, when you are trying to control nickels  
20 and pennies, it's very difficult to say, Well here's a  
21 very expensive item, but I can only control it for six  
22 months and be aware of it for six months. After that,  
23 I have to go do it again.

24 MR. SINGLETON: Do you advocate one  
25 approach to answering the health care needs of this

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1 country?

2 MS. MATREGRAND: No, I don't.

3 MR. SINGLETON: Would you agree that if one  
4 accepts your premise, that we can't just willy-nilly  
5 add to the burdens already imposed on, and when I use  
6 small business, what else are we going to say, small  
7 business in this country, that when we don't go in that  
8 direction, we are inevitably pushed in other  
9 directions, one of which is greater federal involvement ✓  
10 or greater governmental involvement. Would you agree  
11 on that? I say one of which.

12 MS. MATREGRAND: I think at some point in  
13 time there's going to have to be. I wish I could be  
14 more eloquent on that, exactly what is.

15 MR. SINGLETON: No, that's all right.

16 MS. MATREGRAND: I don't have an answer to  
17 it. I know that in general most of us are willing to  
18 do something and I don't think it's anything that the  
19 federal government should be burdened in and of itself. ✓

20 I think we are a community of people and  
21 each one of us has children and mothers and fathers and  
22 grandparents and none of us wants to see them in  
23 situations that we certainly hear about and see every  
24 day where they are neglected and uncared for.  
25 Certainly, most of us don't want to be in a position

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1 where we see these things happening in our own families  
2 and are incapable of taking care of them.

3 I think that it will eventually become in  
4 our own self-interest to initiate a plan to which  
5 everyone contributes, the government and business,  
6 small and large business; that everybody will  
7 contribute something to to make it workable.

8 And that whatever that cost is, it will be ✓  
9 in our own self-interest as opposed to totally  
10 federally controlled where we don't have the options  
11 that we want. And you are very right, I don't want to  
12 be told where I have to go. I would rather find some  
13 way to take it out of my pocket than to be told where I  
14 have to go and what doctor I have to see.

15 ~~I mean~~ I'm saying that because I'm an ✓  
16 independent business person, I'm an independent person  
17 and I'm one of thousands. That's part of the backbone  
18 of this country, is how independent and ornery we are ✓  
19 most of the time. We know what we want and we know  
20 what we don't want. But sometimes we have to be told  
21 you can't have everything you want without contributing  
22 and putting something back into it.

23 And I think it's going to have to be  
24 something to which we all contribute. And if it means  
25 that we contribute, not because we care, but because

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1 economically, it's easier to contribute here to this  
2 program, this much, as opposed to all of it here, all  
3 of it there. ~~And I don't get~~ It's going to hurt,  
4 whatever we do.

5 MR. SINGLETON: I have just one more quick  
6 question, trying to get some specifics on what you do  
7 as an independent business person support.

8 If you assume that the poor in this  
9 country, ~~and that's a loose and I know very difficult,~~  
10 ~~but let's just make that simplistic assumption,~~ it will  
11 be cared for in a public way, what do you think of the  
12 federal government's share being at least partly in the  
13 form of tax credits or some other incentives using the  
14 tax code as the implementaler unit?

15 MS. MATREGRAND: I think that any sort of  
16 tax credit or deduction that would come down to that,  
17 especially for the small business, there are so few  
18 that are there. Now, within our own states and  
19 communities, whatever level of taxation that we put  
20 that is benefiting those poor or leaving them out in  
21 the street, I think that a tax credit for us to help  
22 take care of them in that manner, take care of that  
23 situation--

24 MR. SINGLETON: I wasn't thinking of a tax  
25 credit or deduction as taking care of the poor, I was

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1 thinking that is taking care of the nonpoor.

2 MS. MATREGRAND: I'm saying it's a way of  
3 taking care of it that will keep a small business  
4 person from screaming and crying.

5 MR. SINGLETON: So you have no objection to  
6 that approach?

7 MS. MATREGRAND: No.

8 MR. SINGLETON: Dr. LaBelle, do you have  
9 any questions?

10 MS. LA BELLE: I did, actually.

11 I was wondering that if in your group, you  
12 gave us the specifics in area for your company, and I  
13 would like to address that. Your rates have increased  
14 more than a hundred percent over ~~a few~~ just a handful  
15 of years. But I was wondering if ~~there was,~~ if you had  
16 a negative experience, I mean, was somebody sick during  
17 that time?

18 MS. MATREGRAND: Absolutely not.  
19 Absolutely not.

20 MS. LA BELLE: Because it's certainly  
21 higher than any of the inflation rates for health care  
22 or whatever. And this is a state that is, unlike  
23 Massachusetts, it does not have in vitro fertilization  
24 as a mandate or anything. So this is one of the better  
25 states for mandating.

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1 MS. MATREGRAND: Exactly. And that policy  
2 that those increases are, and those prices do not  
3 include dental. They are straight, I think they are a  
4 \$250 deductibles as opposed to \$500, but there is  
5 nothing exceptional in there.

6 MS. LA BELLE: And for your group, this is  
7 the average in the United States, for 1990, I think, is  
8 <sup>3,500</sup> \$3500 for family. So yours is almost double that also.

9 MS. MATREGRAND: Yes.

10 I don't know why, because ~~I actually~~, when  
11 I saw that the new premium was coming up to almost \$500  
12 a month for a family plan, I panicked. I called my  
13 agent and I said, why, and he said, ~~listen~~, we have  
14 that <sup>some</sup> plan in our office and ~~we are going to~~ we are  
15 dropping it also. So I said, well you better come up  
16 with something else because I'm dropping it.

17 So, how they work, I'm not exactly sure,  
18 except that I know they have access to various ~~houses~~  
19 insurance houses and they get computer readouts.

20 Well, besides going to my own agent, the  
21 one I've been doing business with for so long, I went  
22 to three or four other agents, I also went to  
23 independent insurance companies. And I must have  
24 reviewed at least <sup>20</sup> twenty policies. The one that I've  
25 chosen, which I now have backed down to \$388, but

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1 ~~finally got back down to there, that~~ they would only  
 2 write for three months, was actually the best out of the  
 3 <sup>20</sup> twenty or more that I looked at ~~and~~ <sup>20</sup> that was the best  
 4 price for me.

5 And the only way I got that best price was  
 6 that I had just, (at the first of the year) just hired  
 7 an eleventh person to put me over ten, otherwise, and  
 8 ~~they have to give me that price,~~ otherwise I would have  
 9 added another <sup>15</sup> fifteen or <sup>20</sup> twenty percent to that because  
 10 I was not <sup>10</sup> ten employees or more. And the only benefit  
 11 was that if I have to lay anybody off, which I have to  
 12 and have, they can't adjust it once they've set it for  
 13 six months.

14 But that was the best that I could do.

15 MS. LA BELLE: Thank you.

16 MR. SINGLETON: Mr. Zambonato, do you have  
 17 a question?

18 MR. ZAMBONATO: Yes, I do, very briefly.

19 We note that across the border in  
 20 Massachusetts they've been playing with employer  
 21 mandates. And now that the economy has softened in  
 22 Massachusetts and has actually turned south, they seem  
 23 to have backed off from that. <sup>in</sup> New Hampshire, ~~and~~  
 24 ~~understand,~~ particularly in this area, the economy has  
 25 gotten considerably worse in just a very short amount

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1 of time.

2 Given the marginal nature of a lot of  
3 businesses, what do you think the effect would be on  
4 the economy in this area if the federal government had  
5 mandated employers to provide health insurance?

6 MS. MATREGRAND: I think, if I read the  
7 paper and remembered correctly, it's getting harder to  
8 do that as the year goes by, from day to day, but if I  
9 remember correctly, <sup>^</sup>the number of bankruptcies <sup>sp?</sup> in this  
10 state in the first six months of this year is more than  
11 all of last year. And I think with a mandated policy,  
12 right now, you could, if not double it, half it again,  
13 at least, with a mandated policy.

14 And I don't say that lightheartedly, I  
15 really don't. I truly believe it. And quite frankly,  
16 I'd be gone too.

17 MR. SINGLETON: Well, we thank you very  
18 much for appearing here today. We appreciate the  
19 testimony you have given here.

20 MS. MATREGRAND: Thank you very much.

21 MR. SINGLETON: Our last witness to appear  
22 here today is a most distinguished gentleman, Dr.  
23 Ping Chen, and for many years a major contributor to  
24 the national effort to improve our basic social  
25 insurance system. He was an advisor to one of the

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1 THE CHAIRMAN:

2 Mr. Eddy Mills, is he here? Yes, thank you very  
3 much for being with us. We're very sorry we're  
4 running late. I know you've been waiting a while.  
5 Mr. Mills was the founder and president of the  
6 Mills Anderson Opticians, in business for 21 years,  
7 and we're very pleased to have you with us tonight.  
8 Thank you.

9 MR. MILLS:

10 Thank you, Madam Chairman, distinguished members of  
11 the council. I appreciate the opportunity to be  
12 here today. Welcome to the Sunshine City on the  
13 sun coast of Florida. My name is Eddy Mills, and  
14 I'm president and senior partner of Mills Anderson  
15 Opticians, Incorporated. We own and operate three  
16 retail optical outlets in St. Petersburg and the  
17 vicinity. Currently, we have six employees. I am  
18 here today representing myself as a small  
19 independent business owner, but I am also speaking  
20 for the thousands of small and independent business  
21 owners throughout our nation who are facing a  
22 crisis in providing employee health insurance.  
23 Wherever I travel, Washington, Atlanta,  
24 Tallahassee, Dallas, I hear the same message:

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1 Employee health insurance costs are rising at an  
2 inflationary rate. In my own company, the increase  
3 averaged 25 percent per year from 1980 to 1990. In  
4 two of those years, the increase was 40 percent.  
5 Between March, 1989 and March, 1990 the premium was  
6 \$230.65 per month per employee, with two employees  
7 having dependent coverage. In January, 1990 we  
8 were notified that upon renewal, the new rates  
9 would be \$421.78 per month per employee, or over  
10 \$30,000 per year with no dependent coverage. A  
11 month later we were notified that we would not be  
12 renewed at all. Although no specific reason was  
13 given in writing, we were able to determine,  
14 through conversations with the carrier, ~~that the~~  
15 ~~company was rejected~~ that ~~is~~ my company was  
16 rejected because I am a long-term diabetic. We  
17 have since obtained insurance for our employees,  
18 but I am not covered under the company's policy. I  
19 do not support mandated health insurance. A  
20 mandated health insurance program can only lead to  
21 further premium increases, and ultimately to  
22 bankruptcy for many small business firms. The  
23 nation's economy, already in a tailspin, will be  
24 adversely effected. Not long ago, the small

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1 business community accounted for 85 percent of non-  
 2 personal tax revenue. Today, it's below 65  
 3 percent, and declining at an alarming rate. Small  
 4 wonder that the federal deficit cannot be reduced.  
 5 Mandated benefits will only further harm the small  
 6 business community and the nation's economy. What  
 7 then is the solution to this national problem? Let  
 8 me suggest to you some possibilities, and request  
 9 that you also consider others that would create  
 10 competition in the insurance and medical services  
 11 marketplace. One, professional liability premiums  
 12 are so high they are forcing many health-care  
 13 providers to increase annually their fees for  
 14 service. We need to search for ways to reduce this  
 15 spiraling cost. One method would be to limit the  
 16 non-economic damages in malpractice lawsuits and to  
 17 allow those damages to be offset by insurance  
 18 payments. Another would be to limit the time a  
 19 plaintiff has to file for recovery, resulting in  
 20 reduced attorneys' fees. Still another is to  
 21 encourage and strengthen the arbitration process,  
 22 and possibly to make it binding. Two, eliminate  
 23 the disability and life insurance portions of  
 24 employee benefits packages. Many insurance

better

better

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1 companies will not write a health insurance plan;  
2 without one or both of the above. Congress should  
3 look at forcing insurance companies to write a  
4 health-only plan. In labor negotiations, limit  
5 insurance to health only. I do not believe that it  
6 is the employer's responsibility to pay for  
7 employees' life insurance, unless they're going to  
8 be the beneficiary. As for disability, the  
9 employee is sufficient -- as for disability, the  
10 ~~employee is sufficiently covered under Workers'~~  
11 Compensation. Three, reduce the abuses of the  
12 disability system. There are far too many  
13 individuals on full disability that are physically  
14 capable of performing many types of work. This is  
15 especially prevalent in the Workers' Compensation  
16 area. Four, federally preempt all state-mandated  
17 health insurance benefits. Doing so would lower  
18 the cost of health insurance for many small  
19 business owners and allow them to purchase an  
20 affordable package for their employees. Five,  
21 repeal COBRA as it now applies to business. While  
22 this is a safety net for former employees, it is a  
23 burden on small business owners. This should be a  
24 responsibility borne by state and federal programs.

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1           ■ Six, focus upon affordability. For example, we  
2           currently pay matching FICA taxes on salaries up to  
3           \$53,400. We often hear the phrase, "The rich get  
4           richer, and the poor get poorer." No further proof  
5           of this is needed than a quick look at the FICA  
6           formula and its payment schedules, but it also  
7           hurts the low and middle income small business  
8           owners through the matching FICA tax. I suggest to  
9           you a formula whereby the FICA taxes would be  
10          lowered to <sup>six</sup>~~6~~ percent on \$40,000, then exempt the ✓  
11          next \$60,000, and then be taxed on all wages above  
12          \$100,000. This will allow many small business  
13          owners to retain enough profit to afford an  
14          equitable health insurance plan for their  
15          employees. ■ Seven, insure that very small  
16          businesses can purchase health insurance at truly  
17          group rates. There's no reason that small  
18          businesses should be rated and priced differently  
19          from their larger counterparts. It would be a  
20          gross injustice to the small business community and  
21          to the nation's economy to enact any comprehensive  
22          changes like national health insurance or mandates  
23          without considering the financial impact on small  
24          employers, and without searching long and hard for

*bullet*

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affordable alternatives. I appreciate your indulgence, and I hope you will give these recommendations serious consideration. I thank you for this opportunity to appear before you today.

THE CHAIRMAN:

We have been fortunate to hear from a number of small businessmen throughout the country, and and invariably, the testimony reads very, very much the same. I you gave us one new twist, at least one new twist. You had several good ideas that I'd like to follow up on, and that is the insurance only write health insurance as long as there's disability and life. Is there a state law in Florida that requires all three to be sold together, or is there just no law that prohibits it?

MR. MILLS:

No, ma'am, there is no law. There is a law which is ~~which is~~ to me, ~~it is~~ superfluous, but there's a law that says that an insurance company must, ~~they must~~ carry out their ~~their~~ plan, ~~that is~~ that is on record at the insurance company's office. If a company ~~if a company~~ adopts a plan and an insurance

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1 company says, we will not sell this without your  
2 accepting the disability, that is their policy,  
3 that is their plan, their formula, and so the  
4 insurance commissioner is bound to see that ~~they~~  
5 ~~that~~ they uphold that portion of it, but that's a  
6 gimmick, as far as I'm concerned, that allows the  
7 insurance companies to manipulate the system. Most  
8 ~~of the~~ ~~the people~~ ~~most~~ of the small,  
9 independent business people that I come in contact  
10 with are the less-than-25 employees. Many of them  
11 are less than 10. And that's where we get into the  
12 problem with companies simply refusing to, or not  
13 willing to write insurance for ~~for~~ less than 10  
14 employees. I have had as many as 11 employees.  
15 When I went from 10 to 11 five years ago, it made  
16 no difference. I still do not have a true group  
17 plan such as a company with 500 employees. ~~Now,~~  
18 one further comment that I'd like to make, in  
19 talking with the Metropolitan Life Insurance  
20 representative, I suggested a large company, that  
21 their rates were so much lower, comparatively, than  
22 ours, and ~~and~~ he admitted that yes, it was. And  
23 ~~I~~ I've owned that the claims though, I bet that  
24 the claims are maybe twenty times higher. He said,

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1 "More like 50," on a percentage basis. "Well, do  
2 you make money from that company?" "Well, I can't  
3 answer that," but he ~~admitted~~ basically admitted  
4 that they do not make any money on that. They make  
5 it up on the small, independent businesses, and  
6 it's ~~it's~~ very difficult for us to get  
7 affordable insurance ~~but~~ contrary to some of ~~the~~  
8 ~~some of~~ the things that you read in the press,  
9 and ~~and some of the~~ contrary to some of the  
10 things that the ~~that the~~ laborer representatives  
11 put out, 80 percent of small businesses provide  
12 insurance for their employees, 80 percent of them.  
13 Thank you very much.

14 THE CHAIRMAN:

15 Dr. Bristow, you have a question?

16 MR. MILLS:

17 Oh, I'm sorry.

18 DR. BRISTOW:

19 I was just going to say, I get the feeling that the  
20 ~~the~~ thrust of your complaint is about the high  
21 rates that they charge for small business, and I  
22 wanted to ask the question, if we could get  
23 community rating instead of the sort of low-balling  
24 that you're getting on your initial bids now, would

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1                   that be helpful to you?

2           MR. MILLS:

3                   Yes, it would. Yes, sir.

4           THE CHAIRMAN:

5                   I think we've got several small business people  
6                   sitting here at the table, and we're all in sync  
7                   with you. Thank you very much.

8           MR. MILLS:

9                   Thank you.

10          THE CHAIRMAN:

11                   Our next witness is Mr. George Rickus. He's been  
12                   with Florida Power since 1985 as vice-president for  
13                   Human Resources, came to Florida Power from Boise-  
14                   Cascade, and prior to that, was employed by the  
15                   Bendix Corporation. He received his B.A. in  
16                   Psychology from Villanova in '63 and his M.A. in  
17                   Industrial Psychology from the University of  
18                   Detroit. I almost read that differently, but I'm  
19                   glad I didn't.

20          MR. RICKUS:

21                   I didn't think you were going to read all that.

22          THE CHAIRMAN:

23                   I almost read the University of Beirut for some  
24                   reason. I thought, that can't be right.

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1 MR. RICKUS:

2 I couldn't get in.

3 THE CHAIRMAN:

4 It's been a long day, I'll tell you. Thank you,  
5 Mr. Rickus, for being with us.

6 MR. RICKUS:

7 Thank you. I want to thank the members of the  
8 National Advisory Council on Social Security for  
9 allowing me and others to participate today. My  
10 written comments will address the Social Security  
11 pension system, so I'm going to move to the health  
12 care aspects of my remarks. <sup>9</sup> The political decision  
13 to shift the primary burden of health care and  
14 Social Security for the elderly from their children  
15 and families to the government was one of great and  
16 still unfolding consequences. What is the extent  
17 of the government's obligation, or to put the  
18 question more precisely, what is the extent of our  
19 common obligation to society using instruments of  
20 the government to provide health care for the  
21 elderly? We must acknowledge, and I believe we  
22 must, that the families of the elderly cannot meet  
23 all of their legitimate needs. Does that mean that  
24 the duties of the government are thus unlimited?

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1 THE CHAIRMAN:

2 Okay.

3 MS. THULBERY:

4 I just have to get over here.

5 I'm Nancy Thulbery. I'm a resident of Tampa,  
6 Florida, and since I'm not a professional public  
7 speaker, I hope you'll excuse me if I read my  
8 statement. Can you hear me?

9 THE CHAIRMAN:

10 Yes, that's fine. Thank you.

11 MS. THULBERY:

12 All right. I was widowed at age 43 in 1973, and at  
13 that time, had three children ages 12 through 17.  
14 I was able to convert the health insurance that I  
15 had through my husband's employer; however, the  
16 coverage was very limited and certainly more costly  
17 to me. From 1982 to '89 I worked for a small  
18 realty company, which employed only two  
19 individuals. There was no health insurance  
20 available through my employer. Once I reached age  
21 55, in 1984, I was additionally able to purchase  
22 the hospital insurance offered by AARP. The AARP  
23 insurance pays a flat rate per day for every day  
24 spent in the hospital. In January, 1989 I had a

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1 stroke and was hospitalized for one week. In  
2 February of that year I was hospitalized for  
3 another week because of complications.  
4 Fortunately, the stroke was not too severe, and I  
5 improved enough to return to work part time in  
6 June, 1989. I hadn't been back to work a month  
7 when I fell and broke my left hip, which required  
8 surgery and another week's stay in the hospital. I  
9 have not been able to return to work since. The  
10 hospital bills for the three weeks I was in the  
11 hospital totaled about \$22,000. Doctor bills and  
12 lab fees totaled an additional \$8,000. The health  
13 insurance coverage paid a total of only about  
14 \$3,900. I am currently paying \$640 per month to  
15 pay the hospital bill. In addition, I have paid  
16 \$6,000 of the \$8,000 in doctors' bills. Presently,  
17 my income is a combination of Social Security  
18 benefits, \$570 per month, and investment income.  
19 In order to pay my medical bills, I have had to  
20 liquidate a large portion of the CD's and stocks I  
21 had accrued. Any financial planning I had done to  
22 take care of my needs during retirement have been  
23 altered greatly because I was not able to afford  
24 adequate health insurance. Thank you.

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# Rotary Club of San Diego

DATE: 1/31/92

TIME: 1 PM

TO: Jennifer Grossman

COMPANY: Research

FAX NUMBER: 202-456-6218

FROM: Chet Lathrop

COMMENTS: 2 articles from this morning's San Diego Union. Confering phone call.

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FAX 619/299-3340

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- Executive Director  
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\*\*If you do not receive all of the indicated pages, please call.\*\*

Friday, January 31, 1992

# The San Diego Union City News

Tom Blair

## Creeping urban scrawl



After Pres. Bush's State of the Union address Tuesday, most critics were giving his oratory high marks. But not every-

body was impressed, apparently. At yesterday's downtown Rotary meeting, president Craig Evanco made the announcement about next week's special Friday breakfast meeting. "We won't have a speaker," he said, "because President Bush will be here."

**S**an Diegans' Ink: Director Jack O'Brien's "Two Shakespearean Actors," on Broadway at the Cort Theater, is winning praise from New York's toughest. *NY Magazine* critic John Simon offered up a rave this week (even if he did misspell the name): "The large cast has been incisively,

## Parents lambaste child services p

By JEFFREY J. ROSE, Staff Writer

LA MESA — The heads of the county Probation Department, Social Services Department and Juvenile Court heard parent after parent ridicule, lambaste, cajole and plead with them last night for reforms in the system that aims to protect children from abuse in the home.

Most of the parents had personal stories to tell of how they and their children were, in their view, victims of overzealous social workers and judges seeking to protect children from problems that didn't exist. Some broke into tears.

One unusual voice was that of social worker Gail Powers, who said many of her col-

leagues shared the parents' concern and were sorry for the families who had been needlessly torn apart by the child protective services system. Many of those cases have been reported over the past months in *The San Diego Union*, and the system is under investigation by the county grand jury.

"There are workers who are very sad about what we have read about in the paper," Powers told the parents. "We also realize that we have screwed up and that many families probably have been mistreated.

"I can't speak on behalf of any social worker but myself, but . . . I do want to say that what you all are saying is being heard.

There are workers who are glad that changes are going to be made."

But some parents still expressed bitterness.

"It doesn't bring my children back," he shouted one.

More than 120 people crammed into Court Hall, each seeking a three-minute audience with Cecil Steppe, the county's chief probation officer; Jake Jacobsen, director of the Department of Social Services; and Napoleon Jones Jr., presiding judge of Juvenile Court.

The three were present for a town hall meeting on the county's child protective services system, sponsored by the San Diego Juvenile Justice Commission and the Hear-

## Just kidding, says suspect in hijacking

By PHILIP J. LaVELLE, Staff Writer

Accused hijacker Curley Compton Jr. snickered, sneered, gave a rambling speech and donned a grocery bag yesterday as the case against him came to a close in U.S. District Court.

In a scene that was at times hi-

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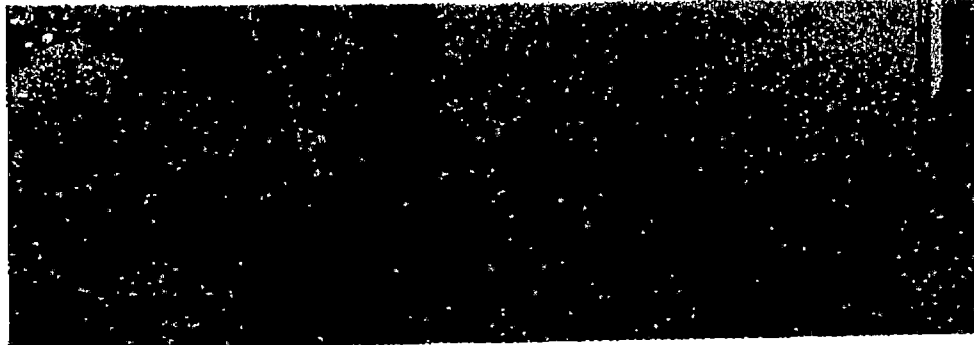
P. 02  
JAN-31-92 FRI 12:56 SanDiegoRotaryClub

government is not going to give me \$13 million and send me to Cuba!"

Later, Compton pulled a brown grocery bag over his head as Burns gave his closing argument. Holes were cut out for eyes and nose, and Compton cocked his head in defiance — his nose jutting out of the hole — as Burns spoke.

"There have been moments when it's been humorous," Burns said, gesturing toward Compton, "but I submit there was nothing funny at all" when the flight crew learned of the Compton note.

See Hijacking on Page B-4



The San Diego Union / TONY DOUBEK

Dennis Jenks, general manager of the Chart House in Cardiff, left, and Angel Alvarez position pipes to support nets to ward off surf-tossed boulders. Heavy surf has been generated by a distant Pacific storm.

services," Stallings said, referring to the 25 percent she made in her District 6 office budget after de-

See City on Pa

## Parking fees for Old Town put

By DANIEL C. CARSON, Staff Writer

SACRAMENTO — State officials have shelved to charge for parking at Old Town San Diego Historic Park in trade for a promise by Assemblyman Mike Gotch to help line up new funding for the city's beleaguered Parks and Recreation Department. Gotch, D-San Diego, who spearheaded the controversial parking fees, has a letter signed by Donald W. Murphy, the department director, agreeing to postpone any consideration of Old Town parking fees until next year.

"I have decided to drop the department's plans for developing paid parking at Old Town San Diego State Historic Park until January 1991," Murphy said.

Murphy, a recent appointee who spoke to Gotch in recent weeks about the Old Town project, voiced appreciation of the assemblyman's "concern for the department's fiscal situation and your strong commitment to rally support among your colleagues."

See Old Town on

## Incumbent-basher wants to wipe slate

By GERRY BRAUN, Staff Writer

President Bush has a tough act to follow when he addresses the San Diego Rotary Club next week.

Groundwork for the presidential visit was laid at yesterday's club meeting by "Mr. Mad As Hell" himself — Jack Gargan, a determined Washington-basher whose every sentence could be punctuated with an exclamation point.

"When George Bush found out I was going to be here this week," Gargan told the Rotarians, "he called to see if he can get in here next week — for damage

control."

Gargan, 61, is on a national speaking tour for Throw the Hypocritical Rascals Out (THRO), a non-profit organization he founded to channel public outrage at Congress into a grass-roots movement to dump all incumbents.

And though the presidency has term limits already and is not on the THRO hit list, Gargan could not resist a potshot at the chief executive.

"Keep in mind when you hear his speech, this is also the same guy who said, 'Read my lips — no new taxes.' That's the best comment I can make,"

Gargan said.

Gargan's crusade began two years ago when, angry at the savings and loan crisis, he sunk his life savings into six full-page newspaper ads listing the faults of Congress under a blaring headline: "I'm Mad as Hell and I'm Not Going to Take It Anymore!"

From donations the ads generated, Gargan said, he recouped his \$45,000 investment and raised \$1 million for more

See Basher on Page B-4

## Superconductor theory may spur development

By DAVID GRAHAM  
Staff Writer

A new theory about what makes materials superconductors of electricity could hasten the development of novel superconductors and their practical application, the author of the theory said here yesterday.

"We're confident we've identi-

proved high-frequency microwave communication devices, coils that could store energy without loss to heat, even more efficient refrigerators.

Johnson's theory, which he described at a meeting of the Superconductor Applications Association, a trade group, may guide scientists in predicting new materials that



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Friday, January 31, 1992

# .I. Diego

- ferral Institute, 5029 W. Point Loma Blvd.
  - BMW Motorcycle Club of San Diego, 8 a.m. tomorrow, Mr. G's Restaurant, Clairemont Mesa Boulevard at Ruffin Road, Kearny Mesa.
  - Saturday Savants Toastmasters, 8 a.m. tomorrow, San Carlos Townhouse Apartment, recreation room, 6867 Golfcrest Drive. Information: 465-7986.
- MONDAY'S MEETINGS:**
- San Diego City Council, 2 p.m., 202 C St., 12th floor.
  - Recovery Inc., 2 p.m., Pacific Beach Presbyterian Church 1675 Garnet Ave.
  - Recovery Inc., 7 p.m. First United Methodist Church, 2011 Camino Del Rio South.
  - Men's HIV Positive Support Group, 5:45 p.m., Center for Social Services, 3780 Fifth Ave.
  - University-San Diego Kiwanis, 7 a.m., 6502 El Cajon Blvd.
  - Vapor Trails Toastmasters, 6:45 p.m., International House of Pancakes, State Route 163 and Clairemont Mesa Boulevard.
  - Point Loma Toastmasters, 7 p.m., Cabrillo Recreation Center, 3051 Canon.

Send items at least eight days in advance of publication to For Your Information, The San Diego Union, P.O. Box 191, San Diego, Calif. 92112-4106. Compiled by S.P. Smullen.

## Basher: Crusader says throw 'em out

Continued from B-1

ads, which ran in 245 newspapers and periodicals throughout the country.

Gargan takes some credit for the drop in incumbent re-election margins in 1990, but his goal is not discomfort, it's dislocation.

"This entire nation is in crisis!" he said. "Every segment of our society — the banking system, the infrastructure, the Social Security system, the educational system, the health care delivery system, you name it — it's not just in trouble, it's in crisis. I lay the blame right on the people who are supposed to be minding the store, the Congress of the United States.

"It's not just that everybody else's congressman is a bum and ours is a saint," he said. "Ours is a bum, too. But I can't vote yours out, and you can't vote mine out."

THRO's goals are twofold: term limits for Congress and a balanced budget. A retired financial planner, Gargan is galled by deficit spending and the ever-mounting national debt.

"When you're going to go off the cliff in a runaway train, don't you hit the brakes?" he asked. "These guys and gals up there hit the ac-

celerator!"

Gargan, who lives in Tampa, Fla., said he works 12- to 18-hour days, seven days a week, keeping THRO moving. His latest advertising campaign takes a "help wanted" tack, seeking congressional candidates ("No experience necessary") who have attributes not found in Washington: "Love of country, backbone, integrity and common sense."

Only freshmen are exempt from THRO's wrath, and during a radio appearance, Gargan picked sides in a feud between two San Diego Republicans.

Of Rep. Bill Lowery, the six-term incumbent, he said, "Let's get him this year!" Of freshmen like Randy "Duke" Cunningham, Gargan said, "Let's be fair with them. We need time to see whose side of the fence they're on."

Gargan's philosophy is, "Desperate situations require desperate measures," which he admits "sounds kind of negative" to some people.

"I'm not a wild-eyed radical, and I'm not an alarmist," he said. "I like to say I'm just a kindly old grandfather. Believe it. I'm just a guy who recognizes a danger to my nation."



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## McGrory confirms budget shortfall

ably will result in service reductions.

Councilman Ron Roberts, however, accepted McGrory's assurances.

"I've got a lot of confidence in Jack McGrory," Roberts said. "I expect in fact we will be able to do this."

Mayor-Maureen O'Connor is out of town and could not be reached for comment.

The biggest reason for the budget deficit, McGrory said, is a recession-related lack of growth in sales tax revenue. Sales taxes, which account for 20 percent of the city's

population continues to increase.

"It probably goes back to the Great Depression since we've seen this kind of" economic slowdown, McGrory said.

The city manager explained that among the reasons he believes service levels can be maintained is that the slide in economic activity reduces the need to fill jobs in certain areas.

For example, if the city is going to be buying far fewer goods and doing little hiring for the next five months, not as many people are needed in the purchasing and personnel departments.

reduced, McGrory said, although there may be fewer people working in them.

McGrory said that if city unions agree to waive their right to accept cash for unused leave time, the city will save about \$3 million.

Other economy measures being imposed include the elimination of virtually all overnight travel.

McGrory said the economy could yet rebound and help reduce the extent of the estimated shortfall.

He also noted that while he believes the city can weather the rest of the fiscal year without service reductions, a lingering recession

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In this regard, a number of witnesses testified in favor of a return to "community rating" by insurance companies. Community rating calculates an average premium based on the cost and experience of all members of an insurer's community into a pool to protect each member against the high cost of an illness of any member. By recognizing that illnesses occur randomly, risk can be spread over a large number of people. With community rating, everyone insured by a given carrier in an area pays the same premium regardless of health history.

Some groups testified against community rating because it would significantly increase the rates for younger, healthier employer's groups. And because most small employer groups are healthy, a community rating would subsidize higher income, older workers. Small employers are price-sensitive about health insurance and are likely to drop insurance if the cost is too high. Both the Blue Cross and Blue Shield Association and the Health Insurance Association of America oppose calls for a move to community rating, while acknowledging that changes may be needed to address the small-employer market.

Experience rating is the process of determining the premium rate for a group's risk, wholly or partially on the basis of that group's experience.<sup>14</sup> Groups exhibiting a high risk of large health expenses generally find risk-based premiums excessive compared with community-based rates. Groups with better risk would find experience-rated terms financially preferable and self-select away from community-rated plans.

Some insurance companies use occupational exclusions and medical underwriting to protect against large financial losses. As Jan Meisels, state

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<sup>14</sup> Source *Book of Health Insurance Data—1990*, Health Insurance Association of America, p. 115.

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findings of NFIB, which found in its 1990 member survey that the high cost of health insurance remains the primary criterion in the decision-making process for small employers.

## **Risk Selection**

Another factor contributing to the reduction in available or affordable health insurance coverage for small employers is risk selection. Two types of risk selection that insurance companies engage in are occupational exclusion and medical underwriting.

Occupational exclusion, practiced by some insurance companies, is the practice of refusing to insure companies or individuals based on the nature of the industry, the occupation involved, and geographical location. For example, insurance companies sometimes are hesitant to cover construction workers, asbestos workers, hairdressers, and farmers because of hazardous conditions, high turnover, seasonal or part-time employment patterns, and employee lifestyles.<sup>12</sup>

Through medical underwriting, insurance companies select and rate those they insure.<sup>13</sup> This practice involves detailed analyses of the health characteristics of small-group members to determine whether the group presents an acceptable risk. The underwriting process in some instances also requires companies to enroll a minimum number of employees in the plan.

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<sup>12</sup> Advisory Council on Social Security, *Private Health Insurance, Critical Issues in American Health Care Delivery and Financing Policy*, December 1991.

<sup>13</sup> *Ibid.*

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Insurers also have difficulties in adhering to and administering State mandates. Bernard Tresnowski, president of Blue Cross and Blue Shield Association, recommended to the Council that ". . . ERISA be amended to preempt the application of State health benefit mandates to insured employee health benefit plans in the same manner that the law currently preempts their application to self-funded plans."

Don Scott of IBA reported that: "Many mandates are well intended, but also, many mandates were pushed by special interests wanting to get their services covered under programs, and by making it a law of the State they accomplish this. In many cases it increased the costs of insurance." Jane Ramshaw-Reed, president of Jane Ramshaw-Reed, Inc. and an independent insurance broker, testified that ". . . mandates increase premiums anywhere from 17 to 27 percent depending on the State." Smaller firms doing business in more than one State face the additional difficulty of a multiplicity of State-mandated coverage.

This 17 to 27 percent increase in premium costs due to State-mandated benefits could provide the margin whether or not a company decides to offer health care insurance. John Motley, vice president of federal government relations with NFIB, testified that 42 percent of member businesses surveyed in 1990 said, ". . . they would go into the market and purchase health insurance, if the cost of health insurance could be reduced 20 percent." Similar concerns were expressed at all of the hearings. Witnesses said that were it not for the spiraling cost of medical insurance and the rising premiums, they probably would provide insurance. Jan Meisels, state affairs associate with the Health Insurance Association of America (HIAA) testified that ". . . a recent study by the University of Illinois estimates that as many as 16 percent of the uninsured small employers fail to offer coverage because of the added cost of State mandates." Testimony was consistent with

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among witnesses from the business community and the insurance industry. Several argued that the costs of State mandates precluded them from offering health insurance coverage. Jan Meisels, state affairs associate for HIAA pointed out that "there are over 800 different State-mandated benefit laws nationwide, ranging from acupuncture and Chinese medicine to pastoral counseling and mental health benefits, from wigs to in vitro fertilization."

Businesses that purchase insurance for their employees and do not self-insure must absorb the cost of State mandates and State premium taxes. Over 70 percent of large businesses (e.g., those with 1,000 or more employees) exercise the option of self-insurance.<sup>11</sup> This percentage is about 50 percent for midsized businesses, typically those with 500 or more employees. According to testimony, self-insurance is not a very viable option for smaller employers. Don Scott, who represented Gary Smith, executive director of the Independent Business Association (IBA), testified that the 6,100 employers with membership in IBA in the State of Washington, have an average of four to five employees. Gary Smith in written testimony said that: "Most small businesses cannot avail themselves of health care funding options like self-insurance because of their limited financial and administrative resources."

According to testimony, the businesses that self-insure avoid State mandates, State premium taxes, and do not contribute to State high-risk pools. Thirty percent of large businesses that do not self-insure and that operate in more than one State, incur the same costs as the small employers because of State mandates.

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<sup>11</sup> KPMG Survey of 1,003 Midsized and Large Firms, 1991, Health Insurance Association of America, 1991 Employer Survey.

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Eddy Mills, president of Mills-Anderson Opticians, Inc., testified that "a mandated health insurance program can only lead to further premium increases and ultimately to bankruptcy for many small business firms." Another witness, Bert Fridlin, NFIB representative noted that if health insurance coverage were mandated, "employees will be the big losers. Other benefits would be cut back. Salaries and wages would suffer. Jobs would be lost. Many companies would probably close their doors." Gerry Harkins, owner of Southern Pan Services, a commercial construction company in Georgia and Florida, testified that: "If we mandate health benefits, we put me out of business, and we put my 500 people out of work, and then they become a problem—or at least the majority of them become a problem for government—because there is no employer then to provide health benefits."

Reezin Swilley, assistant vice president for benefits at BellSouth, a regional telecommunications company with 102,000 employees in Atlanta, testified that employer-mandated health insurance will create greater problems. "Primarily, we feel that the problems it would create would be unemployment, which has got to be worse than not having a job, than not having the coverage," he said. Mr. Swilley also said: "BellSouth provides medical coverage for its employees and their dependents, and about 335,000 people depend on BellSouth for medical coverage. He testified that "BellSouth does support expanding the employer based programs to expand coverage; however, we are against mandated coverage."

## State Mandates

State mandates are laws or regulations that require insurers selling policies in that State to include coverage for specific types of services, such as mental health or chiropractic care. State mandates are another source of indignation

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way to provide coverage while maintaining the basic features of the delivery system that Americans prefer, such as freedom to choose one's doctor.

However, the hearings revealed a myriad of problems associated with mandating employer provided health insurance, especially for the small employer. "I strongly oppose mandating health insurance provisions by employers," said Rod Starkey, president of Pacific Messenger Services. Teresa Matregrano testified that she and her colleagues were "scared that a mandated health plan benefit would come into effect for us. It is difficult enough when the economy is good to maintain a balance and to work towards a black bottom line with the items that you can control. And health insurance has never been one that we have been able to control." Several witnesses also argued that mandated benefits would increase unemployment, as more businesses are forced to close their doors. Rod Starkey testified that if employers are forced to offer health insurance, "we would either go out of business, lay off employees, or become independent contractor operators to avoid the costly impact such a mandate would have."

Jan Meisels, state affairs associate with the Health Insurance Association of America (HIAA), testified that "the problem with the small employer is they very often work on small margins. When we saddle them with one more thing that they have got to pay for, many small businessmen and women will not be able to afford this." George Friberg, the president and chief executive officer of Tetra Corporation, contended that most employers want to do well by their employees, "but the first question is, do I provide health insurance or do I provide employment? If I can't pay their salary, then I don't pay their insurance, and so the first approach is how do I take care of my employees and most us say we've got to provide a paycheck. Then if there is something left, we look at insurance."

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altogether." Ms. Matregmo testified that small businesses "not providing coverage report that they are unable to locate an affordable policy or that coverage at its current inflated price is simply beyond the means of business. These business owners and their employees are left bare in a world where one accident could bankrupt the business or the family without the insurance as a buffer."

## **Employer Mandates**

Most of those testifying before the Council agreed that America has a tradition of providing health insurance through the workplace. Therefore, access to health care insurance is often linked to coverage by employers. According to testimony, this linkage is reflected in some reform proposals by States, associations, and others to require employers to offer health care insurance.

Proposals mandating employer-based coverage require all employers to offer health insurance coverage. Some proposals require that employers who do not provide coverage directly pay a tax (generally a payroll tax) to a public plan that would cover their employees. Massachusetts and Hawaii, for example, have imposed employer mandates. Several associations, including the American Medical Association and the American Society of Internal Medicine, recommend and endorse employer-mandate proposals. Robert McAfee, M.D., vice chairman of the Board of Trustees of the American Medical Association and general surgeon from Portland, Maine, testified that: "The cornerstone of Health Access America (an AMA proposal) is expanding access to the over 20 million employed but uninsured by requiring employer-based health insurance for all full-time employees and their dependents." Supporting witnesses argued that employer mandates would be the easiest

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company with six employees and three retail optical outlets in the St. Petersburg, Florida, vicinity, illustrated the negative effects of the rising cost of health insurance premiums. He said that premium increases "averaged 25 percent per year from 1980 to 1990. In two of those years, the increase was 40 percent. Between March 1989 and March 1990, the premium was \$230.60 per month per employee, with two employees having dependent coverage. In January 1990, we were notified that upon renewal, the new rates would be \$421.78 per month per employee or over \$30,000 per year for all employees but with no dependent coverage. A month later we were notified that we would not be renewed at all."

*Rising costs*

Teresa Matregrano, owner of Blue Star Glass, a full-service commercial glazing house in Hudson, New Hampshire, with 11 employees, testified about the burdens of securing affordable health insurance coverage. She said that when the premium for her 10 employees went up from \$190 in 1987 to almost \$500 per month per family, the company began to search for a more affordable insurer. "Because my company does not have a benefits administrator, I undertook to learn and analyze the various plans myself. It took me three months and was probably one of the worst experiences of my business life that I had to go through. I finally was able to find one whose rate was about 15 percent lower, but they would only write it and guarantee me that price for six months," Ms. Matregrano said. She added that her health insurance premium rates were increased even though no one in her company became sick during this timeframe and no claims were made against the policy.

*see testimony*

Ms. Matregrano reported that in September 1990, "we were forced to tell our employees that they would have to pick up half of the cost of that insurance because of the high percent increase in premium costs. I hope that the time does not come that the cost of those premiums forces me to drop coverage

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testified that "I suspect that many of my workers, particularly those who are young and healthy, would prefer to have the money in their pockets rather than health insurance."

John Motley, vice president of Federal government relations for the National Federation of Independent Business, testified that according to an NFIB 1990 survey, ". . . 65 percent of our membership provides health insurance for their employees. Two-thirds of the one-third that do not provide health insurance would like to purchase it in the market place and can't . . . I think the number one reason for that is cost . . . ."

### High Health Care Premiums

At the hearings, several witnesses from small businesses expressed the view that the high cost of premiums either prevents them from purchasing health care insurance for their employees or has the potential to affect their ability to remain competitive. For example, Rod Starkey, president of a parcel delivery service firm with 65 full-time workers, testified that his company offered and paid 100 percent of the cost of health insurance for the employees' personal coverage until a few years ago. "Because of premium increases averaging 20 to 25 percent every year, we have revised our policy and will pay the first \$100 per month in premium costs . . . I cannot raise my rates 20 to 25 percent each year to cover health insurance increases. If I did, I would lose my customers to the big companies and eventually go out of business. Our employees may not be able to or want to continue to shoulder the increased premium costs."

On the issue of high health care premiums and the ability to offer insurance to employees, Eddy Mills, president of Mills-Anderson Opticians, Inc.; a \*

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## AVAILABILITY AND AFFORDABILITY OF PRIVATE HEALTH CARE INSURANCE FOR SMALL BUSINESSES

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At the regional hearings, the Council heard testimony from a number of witnesses that the majority of Americans have access to health insurance. For example, Robert McAfee, M.D., vice chairman of the Board of Trustees of the American Medical Association and general surgeon from Portland, Maine, testified that "our system serves the vast majority of Americans and approximately 215 million (or 87 percent) of all Americans enjoy access to health services through public or private insurance. Over two-thirds of these Americans are covered by employer-sponsored health plans." Nonetheless, as Dr. McAfee said: "Our system is imperfect . . . as physicians we find the most serious flaw in our health care system to be inaccessibility of health care coverage for some 33 million Americans." More than half the uninsured are employed persons and/or their dependents.

Employed, uninsured persons have been the focus of great discussion. The profile of this group is complex. They often work for businesses with fewer than 25 employees that offer no health insurance.<sup>9</sup> Or, they may work for employers who offer health insurance whose premiums are so high that employees choose not to purchase the coverage.<sup>10</sup> Some employees don't purchase insurance even if they could afford it (i.e., young, single males in their twenties). Rod Starkey, the president of Pacific Messenger Service, a Southern California family-owned and operated parcel delivery service,

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<sup>9</sup> Employee Benefits Research Institute, *Uninsured in the United States: The Nonelderly Population Without Health Insurance*, Washington, DC, April 1991.

<sup>10</sup> John Motley of National Federation of Independent Business, testimony before the Advisory Council on Social Security regional hearings, Washington, DC, June 12, 1990.

El Greco Leather Products, a small to medium sized shoe company (60-100 employees) in suburban Long Island, New York, had an employee who, unknown to company management, developed AIDS. Before her death, the employee incurred over \$100,000 in medical expenses. Because of her illness, the insurance company cancelled the company's policy elsewhere and the company had to seek alternative coverage for its employees. This occurred about three years ago, and the company has since gone out of business.

Am above story in from Susan McVally  
 re the company her memory worked at in  
 New York.

Bill Silverstein, President, Gulf Aluminium.  
 tel: 913 - 531 - 0411.

The story as I recall is that he found out

through a News Program about a couple going blind to  
 Simonne Kline and the large amount of Dollars that it  
 was going to cost the insurance company. When Silverstein  
 went to work the next day, he found out the  
 couple worked for his company? on a health  
 his insurance being either cancelled or increased  
 his premium beyond his ability to pay.

In a telephone poll of 1,005 adults nationwide last December, more than 15 percent of those contacted said they or a family member had changed jobs or remained in a job because of health benefits. (The poll, conducted by International Communications Research for The Assisted Press, had a margin of sampling error of plus or minus three percentage points.)

Workers with a history of cancer, diabetes or heart disease, or those whose spouses or children need expensive longterm treatment, often find themselves locked into job and insurance they had when the medical condition began because any new insurer will reject coverage for a pre-existing condition, either for several years or indefinitely.

Counselors at cancer support groups tell of a Hollywood executive who turned down a tantalizing job at another studio without telling his wife, who had cancer, after he realized that the insurance at the new job would not cover her treatment.

Similarly, a New York social worker recounts the story of an unhappy corporate vice president who raised capital for a new venture of his own, but gave it up after realizing that he could not get insurance to cover his 4-year-old son's treatment for a heart defect.

And Dr. Work, the California researcher afraid to leave her job at the City of Hope, originally thought she could get around the insurance issue by getting coverage under the policy covering her husband, a cardiologist who joined a private group practice for her cancer treatment. When he joined the practice, the group policy covered cancer recurrence costs two years after the original cancer treatment ended. But when the two years was up, and they applied, Dr. Work and her husband found that it had been extended to five years.

"I did everything right, I found the lump early, I had it taken care of, but I'm still being penalized," Dr. Work said. "Insurance is supposed to about sharing the risk, but nobody wants to share with the people who need sharing with."

### The Job-Seeking

## When Past Ills Get in the Way

Others with a history of medical problems find that insurance concerns make it difficult to find employment.

Betty Moore, 60, of Alpharetta, Ga., said she was unable to find a job in 1970 after her first round of heart surgery to replace a valve weakened years earlier by rheumatic fever.

"Everybody said they couldn't put me on their insurance because of my old and they said I couldn't work out insurance, so I finally got a small business loan and bought a florist shop," she said.

At the time, Mrs. Moore was still covered under the insurance policy provided by her husband's job at the Lockheed Corporation, which paid for a second round of heart surgery in 1979.

But when Mr. Moore left the job because of a disability, Mrs. Moore was left without insurance and the medical debts began to pile up.

"We have \$1,000 on the credit card from when I had to go to the hospital for a kidney problem for 11 days, and we're paying that off by the month," Mrs. Moore said. "We owe our doctor \$1,600, and I still owe \$400 from when I fell off a ladder in November. And then my husband owes some, too. We've gotten so far behind on the doctor bills, it's going to be a while to get caught up."

After calling 10 insurance companies, Mrs. Moore finally found a \$179-a-month policy for herself last November, but it will not pay for any heart-related problems for the first year.

So Mrs. Moore is hoping with a quiet desperation that she will not need further heart surgery any time soon.

"It can happen any time that a hole in the valve gets too big and it has to be fixed," she said. "I'm just hoping that it doesn't get bad soon. I don't know what would happen if it does. You can't be sure there will be a surgeon who will take you if you can't pay."

Mrs. Moore said she would not really rest easy until she reached 65 and the safe harbor of Medicare.

### The Family

## Juggling Ailments And the Bills

But it does not take the threat of heart surgery to worry the uninsured. Even minor illnesses or injuries can pose huge problems.

Last month, when William Price hurt his ankle playing basketball, he and his wife, Paula, went through the informal process of family triage that is becoming all too common in their Mebane, N.C., household.

The Prices have no health insurance

for themselves and their two sons because Mr. Price is self-employed and they have decided they cannot afford the available policies. So with each new medical problem, they juggle their priorities and their budget. Over the winter, they spent \$35 or \$40 every two weeks for their son Ben, 7, to see a doctor about his allergies.

More recently, the Prices had to decide whether it was more pressing to take Ben to the dentist to get a cavity filled, to get Mrs. Price an ultrasound scan that might help diagnose her abdominal pains and fertility problems, or, as they decided after overnight ice packs left Mr. Price still unable to walk, to get an X-ray of the hurt ankle.

"My wife said I had to see a doctor, so we tried to figure out whether it would be cheaper to go to the doctor, and pay \$50 right away, and then probably get sent to the hospital for an X-ray, and have to pay another bill, or just to go to the emergency room and do it all in one visit," Mr. Price said. "That's what I did, and I think it was the cheapest alternative, but the bill was \$140."

The Prices already have more than \$1,000 in medical debt to pay off, but their real worry is how they could afford treatment for an emergency. Indeed, concern about being uninsured caused a good part of Mr. Price's hesitation earlier this year, when he left the job he had held for five years and went out on his own selling satellite dishes.

"I really wanted insurance in case something major happened," Mr. Price said. "I looked into buying my own insurance a while ago, but it was \$350 a month for a family, and that's more than we can manage. I'm hoping that the place where my wife works will get a group policy, which they're trying to do. Until then, we just have to hope the family stays healthy."

NYT 4/28/91

...tens of millions more have been...  
ited policies that they are at risk of  
financial devastation.

Even those numbers underesti-  
mate how many people are at risk  
and the scale of public insecurity. In a  
recent 28-month period, a Census Bu-  
reau study found that more than one  
four Americans went at least a  
month without coverage. The propor-  
tion was higher still among black and  
Hispanic Americans.

Dr. Blendon said several polls have  
shown that most Americans worry  
about their insurance coverage, espe-  
cially in the future.

"If you ask people about their  
coverage, 30 percent say they're not  
sure their current insurance would  
cover a major bill, but if you ask  
about the future, 60 percent say  
they're not confident about their in-  
surance," Dr. Blendon said. "Insur-  
ance costs are doubling every seven  
years, and what employers are doing  
to contain costs, principally, is cutting  
back benefits. Working people are al-  
ready paying more for less coverage,  
and they know that in the next negoti-  
ation, the company will take back  
more benefits."

The American health insurance  
system is based primarily on group  
coverage provided by employers. But  
as the costs of insurance policies  
have risen, to keep pace with medical  
bills, employers have tried to shift  
more of the burden to employees,  
forcing them to pay larger deducti-  
bles, higher co-payments and in  
many cases an ever-larger portion of  
their own premiums.

And an increasing number of work-  
ing families work for companies that  
offer no health insurance at all. Small  
businesses and service businesses

are especially likely to not provide in-  
surance, and even large companies  
are hiring more part-time and per-  
day workers who are not eligible for  
benefits like insurance.

"Our health insurance system is  
based on the idea that employers pro-  
vide insurance, but more than three  
out of four uninsured Americans are  
either workers or dependents of  
workers," said Nancy Barrand, a sen-  
ior program officer at the Robert  
Wood Johnson Foundation of Prince-  
ton, N.J.

Insurers, faced with the ever-  
higher costs of medical technology,  
are trying to limit their risks by seek-  
ing to exclude people most likely to  
need expensive care. In the process  
they are undermining the very notion  
of insurance as a strategy for spread-  
ing risk.

Insurance fears press especially  
hard on those who have already suf-  
fered a serious health problem like  
cancer or a heart attack and find  
themselves unable to get any insur-  
ance to cover the condition. Cancer  
patients, even those who have long  
been free of the disease, may face  
waiting periods as long as 20 years  
after applying before their insurance  
will cover a recurrence. Other people  
who are deemed health risks may be  
forced to consider policies with deduc-  
tibles as high as \$20,000.

## The Part-Time Worker

### Staying Healthy Is a Daily Worry

Maintaining adequate health insur-  
ance has become a worry even for

many workers who have never spent  
a day in a hospital and have always  
taken for granted that health insur-  
ance would be there, free, as a fringe  
benefit of their employment.

Hope Chasin, 44, says she never  
thought twice about insurance in all  
the years it came with her job, but  
now that she works on a per-day basis  
at a New York record company and  
has no employer-paid benefits, she is  
obsessed with the topic.

"Not a day goes by that I don't  
worry about insurance," Ms. Chasin  
said. "When I start thinking about it  
in any way, shape or form, I get too  
scared. It seems very bleak. I'm sav-  
ing my money for a mammogram,  
and this sounds ridiculous, but I'm  
praying, please, let me not need root  
canal work right now."

Ms. Chasin, who earns less than  
\$25,000 a year, said she researched  
every possible insurance policy for  
which she was eligible when her for-  
mer job at Time-Life Inc. was moved  
to Cincinnati.

But the comprehensive coverage  
she wanted cost about \$2,500 a year,

more than she could afford, so she  
bought only a Blue Cross-Blue Shield  
hospitalization plan, for which she  
pays \$250 a quarter and which does  
not pay her regular doctor bills.

That was the approach most fami-  
lies used to take, until the advent of  
employer-paid health insurance in  
the 1950's.

But the hospitalization insurance  
that used to provide genuine protec-  
tion to so many families is not much  
of a buffer against the price of medi-  
cal care these days, when bills for one  
visit to a specialist's office, together  
with fees for tests and procedures,  
can be many hundreds of dollars.

Even as the insurance system's  
gaps widen, medical prices all but as-  
sume that an insurer is paying bills.  
And Ms. Chasin, who says she cannot  
afford to see a specialist about a pain  
in her arm that has bothered her for  
months, knows it.

"As you get older, you realize all  
the things that can happen, that to-  
morrow morning you could wake up  
with some serious illness and enor-  
mous medical bills," she said. "I  
never thought I'd be in this situation,  
and now that I am, I'm noticing how  
many of the people around me have  
no insurance at all. I'm also noticing  
that whenever I talk about it, people  
get all heated up."

## The Single Mother

### No Coverage For the Children

Dr. Blendon and most other experts  
believe that the number of uninsured

workers is likely to continue rising.

"The small businesses that are the  
fastest growing part of the economy  
universally don't offer fringe bene-  
fits," he said. "So you leave your job  
at Apple and go work for Apple  
Lookalike, and you lose your insur-  
ance."

Medicaid provides insurance for  
the poorest families, but covers less  
than half of those below the poverty  
line nationwide. In all but a handful of  
states, a family of three must have a  
yearly income less than \$7,000 to  
qualify for the state-Federal pro-  
gram. (Pregnant women, infants and  
those with special medical needs can  
often qualify for Medicaid with a  
somewhat higher income.)

Children are especially likely to be  
uninsured. Indeed, about half of all  
uninsured Americans are under 25,  
and about a third are under 18.

"In the same period that the num-  
ber of uninsured over all rose 24 per-  
cent, it was 40 percent for kids, al-  
most all among working families,"  
Dr. Blendon said.

Dana Van Putten, a New York  
theatrical wardrobe worker, is in-  
sured through her union. But her  
month-old son, David, and her 5-year-  
old daughter, Dina, have no coverage  
at all because Ms. Van Putten, a sin-  
gle mother, cannot afford the extra  
\$400 a month it would cost to convert  
to a family policy.

Ms. Van Putten, 30, who is diabetic  
and had a difficult pregnancy, has  
been living on a \$280-a-week unem-  
ployment check since January. She  
says she has been worried about in-  
surance ever since she found out in  
November that her union coverage  
would not pay for the baby's hospital  
costs.

David's bills turned out to be  
particularly steep, because he was in  
intensive care for five days.

"I just got the bill, which was  
\$16,195, and I clutched my hand on  
my heart when I saw it," Ms. Van  
Putten said. "I'll never get that paid  
off, and I'll never be able to save  
money to buy a house. What are you  
supposed to do, go bankrupt?"

## The Job-Locked

### Insurance Governs Career Choices

The rising number of uninsured  
families sends ripples through the  
health-care system.

"As the number of uninsured peo-  
ple goes up," Ms. Barrand said, "it af-  
fects everybody else because people  
without coverage still need health  
care, so they go to the hospital and  
end up getting uncompensated care,  
which forces the hospital to shift  
those costs onto those who have  
coverage."

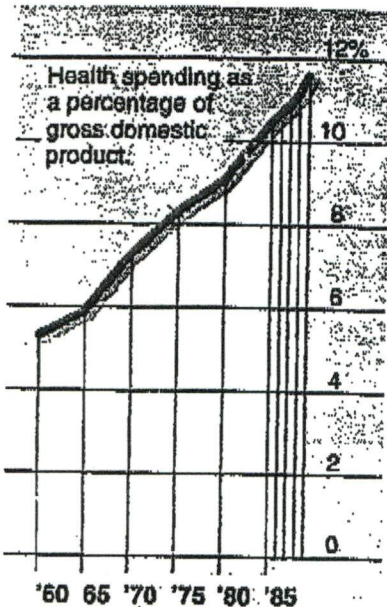
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# High Medical Costs Affect Broad Areas of Daily Life

## The Price of Health

First of five articles.



### A Bigger Drain on Income

See Health Care Financing Administration

The New York Times

Questions of access and cost: a portrait of the ailing health system, pages 28 and 29.

NYTIMES

4/28/91

By TAMAR LEWIN

Long a gnawing worry of the poor, medical expenses and health insurance are now a source of mounting anxiety for millions of middle-class Americans - healthy or sick, insured or not.

For a growing number of people, insurance status has become the pivotal factor in important personal decisions, trapping some people in jobs they do not want and forcing others to forgo needed medical care.

One spreading phenomenon is known as "job-lock" - fear of changing jobs because of a medical history that, in today's more stringent insurance market, would probably prevent a worker's acceptance by a new health plan. Cancer patients or those with chronic diseases are most vulnerable.

Anna Wu Work, a 36-year-old molecular biologist, says it is only her health coverage that keeps her working full time as a researcher at the City of Hope National Medical Center in Duarte, Calif., when she would rather spend more time with her daughters, Elizabeth, 4, and Kelsey, almost 1. She is afraid to leave her job or ask for part-time work, because she was treated for an early stage of breast cancer three years ago, and needs health insurance in the unlikely event of a recurrence.

### Shaping the Health System

"It's a special time," Dr. Work said, "and I want to be with my children, especially since I know I might not be there forever. But the one thing I can't do now is quit, because I have insurance here and I'm uninsurable if I leave."

Most Americans still have health insurance. But as the nation's medical costs soar, more and more people are being squeezed financially or abandoned altogether by insurers. Their fears, and the vaguer disquiet of many well-insured people who see awesomely high bills for common medical procedures, are becoming important new forces for change in the nation's health system.

"We've gotten to the point where everybody is scared," said Robert J. Blendon, a professor at the Harvard School of Public Health who is an expert on public opinion and health policy. "Everyone has heard these terrible stories about some middle-class working person they can identify with who had no insurance and got into an awful situation."

### One Nightmarish Story

If concerns about health insurance are an emerging obsession for America's middle class, it is stories like Brent McRae's that shape the worst nightmares.

Mr. McRae was 27 years old and only two months into the new sales job that made him move to California from Texas in 1988 when he began to lose weight and feel ill. After five weeks of testing and finally surgery, he was found to have colon cancer.

The bills were more than \$100,000. But after his release from the hospital, he found out that the insurance he was still paying for through his former employer in Texas had been canceled because the employer had not sent his premiums to the insurer.

"To this day, I have no idea who kept the premiums," Mr. McRae said, "but that was just the beginning."

During his time in the hospital, Mr. McRae passed his new employer's 90-day waiting period and became eligible under the company's insurance for coverage of the six months of chemotherapy that he faced, at \$700 a week - or so he thought.

"Five weeks into the chemotherapy," Mr. McRae said, "with a catheter imbedded in my chest, I walk into my oncologist's office, and he sits me down, puts his hand on my knee and

tells me there's been no payment because John Hancock is denying coverage, saying the cancer was a pre-existing condition, even though it hadn't been diagnosed when the coverage began. Then he said he could no longer bankroll my treatment."

Mr. McRae went without chemotherapy until he got new insurance, and last year had further surgery because the cancer had spread to a new part of the colon.

"At one point in the middle of the whole thing, I hit bottom, between having cancer and being told I had no insurance, and I tried to commit suicide," he said.

But his story has a happy ending: for the last year he has been cancer-free, and last month, in an out-of-court settlement, the former employer and the two insurance companies paid his medical debts and legal fees.

### The Uninsured: Overview

## 33 Million Lack Basic Protection

- Most Americans still have health insurance coverage, either through their jobs or, if they are elderly or poor, through Medicare or Medicaid.

But some 33 million Americans, 13 percent of the population, most of them lower-income workers or their families, live without this basic necessity of modern American life. And

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affairs associate with the HIAA in California, testified: "Private health insurers, the Blues and the commercials combined, lost \$5.7 billion in 1987. 1988 was almost as bad, losing \$4.8 billion. In 1989, the commercial industry lost an additional \$2 billion." She explained that the "effect of these losses is such that on the small-employer market it provides one of the most vivid examples of how health care cost inflation continues to afflict our society. Competitive pressures combined with unrelenting demands to hold down health care costs have led to many of the practices which you have heard about."

According to testimony before the Council, an imbalance can occur when one insurer employs community rating and another experience rating. Clark Dumont, vice president of public affairs for Blue Cross and Blue Shield of New Hampshire, expanded on this point: "Underwriting practices by insurers have resulted in a risk-selection phenomenon, whereby the insurer seeks to move the higher risks within a group to a different risk pool. In some instances, we were in this risk pool until we started to employ restricted underwriting practices to protect the pocketbooks of our customers. The end result of all of this has been increasingly adverse selection for those insurers who were not employing these underwriting and risk-selection practices, such as ourselves, and those with few options to get their health insurance otherwise, namely small business and individuals."

Melvin Sorensen, J.D., representing Washington's Medical Bureau's, Blue Shield plans, and Blue Cross of Washington and Alaska, said, "Market segmentation and predatory insurance practices have led to aggressive medical underwriting and risk selection, which leaves out those who most need health insurance. Conflicting Federal and State insurance regulations have caused small groups to shoulder costs which large self-insured groups can escape."

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