



"The world is divided into those who want to become someone and those who want to accomplish something. There is less competition in the second category."

Jean Monnet 1888-1979

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PROPOSALS FOR OBTAINING QUALITY & AFFORDABLE HEALTH CARE  
IN NEW JERSEY

Submitted by the  
New Jersey State AFL-CIO

1. Create an independent task force with sufficient funding and subpoena powers to undertake a full-scale review of Blue Cross-Blue Shield management and auditing operations. Specifically, the task force should study and evaluate:
  - BCBS forecasting and overall auditing procedures which were severely criticized in both the Ernst & Whinney and Chang & Co, reports.
  - The issue of demographic rate setting by BCBS, in regards to its legality and impact upon affordability and individual subscribers.
  - The reasons behind the Blues monumental \$280 million deficit and how it could be amassed, practically without notice, in only two years time.
  - The possibility of creating or naming another health insurer "of last resort" for New Jersey's so-called high risk, individual subscribers.
2. The BCBS Legislative Study Commission which completed its duties in July 1989 was severely curtailed in its deliberations and unduly influenced by Blue Cross and the State Department of Insurance. It failed or refused to study several key issues, and the AFL-CIO representative on the commission was forced to submit a minority report. Still, several of the eight recommendations offered by the commission have merit and should be pursued, specifically numbers 3,4,5,7 & 8. Also, the study commission concurred with several of the findings of both the Tillinghast and Ernst & Whinney reports regarding BCBS management and auditing shortcomings. Strong action should be taken to resolve these problems since they ultimately lead to increased premium costs.

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3. The new administration and legislature should require a more thorough and documented explanation from the Blues on their various rate hike requests, and a more detailed explanation from the Department of Insurance for granting increases. There has been little in the way of documentation of numbers and statistics presented to the public or legislature in recent years.
4. Initiate a means of obtaining complete financial disclosures and tracking from hospitals and nursing agencies. The Department of Health and the Hospital Rate Setting Commission need accurate information if they are to be able to realistically set DRGs and assess rate hike requests. The lack of reliable financial reporting can also result in various abuses, such as hospitals transferring surplus revenues to for-profit subsidiaries, then claiming to have deficits when seeking rate hikes from the HRSC.
5. Study the feasibility of revising or disbanding New Jersey's DRG system as unworkable and a failure. Health care costs climbed 20% in New Jersey in 1988, compared to 10% nationwide and an overall 4.5% inflation rate.  
 Consider alternatives to the DRG, such as the program recently initiated in Connecticut which ties hospital revenues directly to the overall inflation rate.  
 Also, study the reasons for New Jersey's 20% increase in health care costs, twice the national average. Are there legitimate reasons, or is it simply profit-taking.
6. Study and evaluate the failure of BCBS and other health care insurers to institute effective cost containment measures, and propose solutions, such as more rigid claims review procedures. For instance, it has been conservatively estimated by managed care groups that up to 50% of all claims are inaccurate and excessive, yet BCBS, for one, only undertakes a random review of 4 or 5% of the claims they receive. The others are approved and passed through without question. In effect, the insurers are acting only as administrators and not monitoring provider fees.
7. Pursue legislation to create a data review agency within state government that would compile and publish regular and thorough reports on claims and utilization of services. It could serve as an effective means on judging an insurer's performance and fiscal integrity.
8. Create a JCAH-type organization (as a part of state government and not controlled by the hospitals) with authority to set tight licensure standards for acute care facilities; to enact improved staffing and manning requirements for hospitals, and to assume broad monitoring powers.  
 Such an agency is needed to insure quality of care and to institute working conditions that will attract more qualified nurses. In addition, the state might begin licensing nursing agencies and consider placing a cap on their fees as still another means of relieving New Jersey's current nursing shortage. Incentive programs should be developed to help our hospitals attract and retain adequate staff.

9. Restructure the Department of Insurance to increase the number of licensed actuaries on staff. The number is now only four, hardly enough to adequately handle the heavy workload of rate adjustments requested of the department.
10. Study and evaluate New Jersey's uncompensated care system with an eye towards its overall impact on BCBS premiums. Since the Blues include almost 50% of all non-government payors in the state, they are forced to pay an inordinately large portion of the uncompensated care coverage. Is there any way this can be rectified?  
Also, how many of the 400,000 subscribers that BCBS lost in 1988 alone, because of excessive rates, are now uninsured and adding to the state's uncompensated care expenses? Recommendation #7 of the Blue Cross Study Commission Report directly relates to this issue.
11. Pursue legislation to lift the ban against prescription drug discounts in New Jersey, now the only state in the nation to have such a ban.

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