

Business

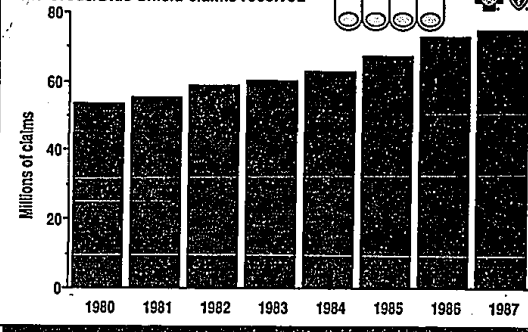
Marilyn Fitchett editor/591-2300



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Blue Cross/Blue Shield claims received



The total cost of health care is related to two factors, the unit price for each medical service multiplied by the number of times the service is provided, according to Blue Cross and Blue Shield of Michigan. Officials said total costs will continue to increase as the number of claims for benefits increases. Although Blue

Cross/Blue Shield enrollment has dropped from 5 million in 1980 to 4.7 million in 1987, the number of claims filed has increased. The dollar amount for benefits paid by Blue Cross and Blue Shield in 1987 was \$4.2 billion, almost double the \$2.3 billion in benefits paid in 1980.

Employers struggling with health care costs

By Pat Murphy
staff writer

If Joe Dokes, a typical K mart employee, goes to the hospital for an appendectomy next week, he will suffer twice. First from the appendectomy, second from bad timing. If Dokes had surgery before Jan. 1, he would have had to pay very little, if any, of the doctors' fees, hospital expenses or related costs. His health care insurance would have paid most necessary and customary procedures.

But after Dec. 31, Dokes has to pay a \$200 deductible plus 20 percent of the remaining expenses.

The Troy-based corporation has gone from having what one executive termed the "Cadillac" of health care coverage to the "Pontiac." The changes were analyzed and provided employees with the option of traditional pay-for-service coverage or membership in a health maintenance organization, or HMO. But with either option, Dokes is now obligated for a deductible and co-pay. "We still provide excellent benefits for employees and their dependents," said Donald L. Morford, K mart assistant director of benefits. "But we could no longer provide first dollar coverage."

He said the high cost of providing health care benefits forced the corporation to take a hard look at its insurance program and to make adjustments.

K mart isn't alone. Faced with the prospect of premiums doubling over the next five years, companies are being forced to look for ways to cut costs or to provide health insurance coverage while containing costs.

"THE WORD 'containing' is significant because employees no longer talk about cutting or maintaining costs. Health care expenses increase so rapidly, most would be happy to, as one company executive put it, 'get our arms around costs.'"

Switching to some kind of deductible — along with a co-pay for remaining costs — is the solution most companies try to contain costs. And probably the most effective, according to most analysts.

The Big Three automakers — Michigan's standard-setters for benefits and compensation — switched to a deductible and co-pay years ago. Even so, their expenses have increased dramatically.

The General Motors Corp., Ford Motor Co. and Chrysler Corp. reported paying nearly \$5 billion for employee health care in 1988. And costs are rising nearly three or four times the normal rate of inflation.

"We expect costs to increase between 15 and 20 percent per year," said Jack K. Shelton, manager of employee insurance at Ford. "That means existing costs (already staggering) could double within six years."

While this seems bothersome for workers at the auto companies, it is more onerous for those with less bountiful coverage. Trends are bothersome for employees with "Pontiac" health care benefits. But they are more worrisome for those with "Model T" coverage.

SPIRALING HEALTH care costs are even worse for the estimated 37 million Americans who have no health care benefits, either because they are unemployed or work at jobs that don't provide health care benefits.

Reasons for the increase in health care costs are as complicated as they are nebulous. Some experts blame overutilization; that is, employees seem to be using health benefits more frequently.

Sometimes physicians are involved in the overuse, ordering what some believe are unnecessary tests and diagnostic procedures because they are unsure of their own capacities or feel obligated to protect themselves against malpractice litigation.

But good doctors don't do that, according to Laurence M. Gelman, principal with Mercer Medidier Hansen, a Detroit management consulting firm. "Doctors who know what they are doing and have confidence in their own ability don't order needless tests," he said. "And they don't need extra procedures because they are afraid somebody will sue them."

Others say overcapacity is the culprit — too many doctors, too many hospital beds, too many expensive diagnostic tests for demanding, health-conscious patients.

The United States had 40 percent more doctors in 1988 than in 1975, according to John Marakas, chairman of the Health Insurance Association of America (HIAA), "all of whom need to make a living one way or another."

"In most areas and in most specialties physicians are able to increase both the demand for their services by encouraging return visits and their income by raising their fees," Marakas said in a speech on cost containment delivered Oct. 31.

"Since physician earnings account for about 20 percent of total health care costs and are responsible for about 70 percent of total health care outlays, close scrutiny is in order," Marakas said.

ONE STATISTIC the HIAA said seems suspicious is that U.S. women undergo three times as many hysterectomies as women in other parts of the world. Many cancer patients will elect to undergo chemotherapy — despite debilitating side effects — even though the treatment is rarely successful.

But it's wrong to point to any single factor as the major cause of skyrocketing health care costs, said Jack Shelton, manager of employee insurance at Ford. "So many factors enter into it."

Society may, in fact, be the victim of its own success by prolonging life and life expectancy, he said. Illnesses or complications that were usually fatal years ago are now considered treatable, if not preventable.

Polio is an example, but by no means the most dramatic. A health scourge in the 1950s, polio has been virtually wiped out by a vaccine.

"We are living longer and demanding more medical attention," Shelton noted. "It's a very complicated and perplexing problem."

While experts have varying opinions about the cause of increasing health care, there seems to be a growing consensus about what companies will be forced to do as a consequence.

More and more companies, like K mart, are switching to "Pontiac" coverage with the deductible and co-payments. If the company is employee-conscious, however, the deductible and co-pay will be reasonable.

The new K mart coverage, for example, requires a \$200 deductible with the employee also paying 20 percent of expenses thereafter. Some experts say deductibles and co-pays could range much higher as companies try to reduce their expenses.

"There is a direct relationship between the amount of the deductible and use of benefits," said Franklin J. Elias, health care benefits consultant. "People think twice about going to the doctor when they have to pay part of the cost."

THE OPPOSITE occurs when the employer simply increases the workers' share of the premium, Elias said. "When the employer increases the amount of money somebody must pay, the general reaction is to use the benefits more often to make sure they get their money's worth."

Perhaps more significant than deductibles and co-pays are the new buzzwords, "medical case management," according to Elias and other experts who say that will be the health care trend of the 1990s.

In its simplest form, medical case management boils down to the patient getting approval before surgery, before going into the hospital or even before undergoing certain diagnostic tests, explained Gelman of consultant Mercer Medidier Hansen.

"It's generally between the physician and the health care provider," he said. "But it means the doctor must check with the insurance company before he obligates the patient. The doctor must pre-certify that the surgery or the hospitalization is necessary."

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Contractors, unions sign pact

By Pat Murphy
staff writer

Evaluating anything by its goals is risky business.

But in the absence of a track record or anything more concrete, goals are perhaps the most convenient way of trying to assess the past signed last month between unionized contractors in Wayne, Oakland and Macomb counties and the building trades.

Supporters, like Michael R. Haller, senior vice president of the Walbridge Aldinger Co. of Livonia, use terms like "historic" to describe the pact that was formalized Dec. 12 during ceremonies at the Detroit Chapter of the Associated General Contractors.

The agreement will "help area contractors be more competitive," said Raymond T. Glowki, secretary-treasurer of the Greater Detroit Building Trades Council.

The pact is known by the acronym MUST, or Management and Union Serving Together and was negotiated between the Associated General Contractors, with hundreds of member companies, and the Detroit Building Trades representing more than 30,000 tradesmen.

Haller and Glowki are co-chairmen on the MUST executive committee and said the agreement has enormous importance and potential.

"We didn't go into this lightly," said Haller. Both parties discussed the need for a cooperative agreement for months before it was signed. Each side contributed \$70,000 for expenses like hiring an executive director for MUST and related administrative costs.

"That's commitment," Haller said.

MUST'S MISSION, according to Haller and Glowki, is to maintain or increase market share for unionized contractors. That, of course, is the traditional, bread-and-butter goal of labor-management agreements: "more business to provide more jobs."

Haller said that will entail some specific goals such as 1) Dispelling some myths about unionized contractors, 2) communicating with the users of construction services — the developers, companies or public entities that build shopping centers, libraries, etc. — and 3) joining in the effort to attract or expand business in metropolitan Detroit.

"I can see two MUST members (one union and one management) going to another state or area of the country to help economic development agencies attract business to this area," said Haller.

None of those goals can be accom-



MUST co-chairmen Raymond T. Glowki (left), secretary-treasurer of the Greater Detroit Building Trades Council, and Michael R. Haller, senior vice president of the Walbridge Aldinger Co., Livonia, receive a declaration from Gov. James Blanchard marking Labor-Management Cooperation Day, presented by Labor Department director Betty Howe.

plished overnight, Haller acknowledged. "But they are important to the continued success of our industry."

One of the biggest problems is the general impression that southeast Michigan has a bad labor and business climate with overpriced union workers who frequently do shoddy work.

"That's simply not true," Haller said emphatically. "And we must communicate that to the general public as well as the people looking to build."

HALLER ACKNOWLEDGED that compared with their non-union counterparts, union workers are frequently paid higher wages and enjoy greater fringe benefits, expenses that are generally passed along in the form of higher prices by unionized contractors.

"But they (union workers) earn them," said Haller, a civil engineer. "I've worked on projects around the country and seen workers from different areas. I know that union workers here are skilled and productive."

Cost and productivity are more timely issues on the job, he said. Efficiency also involves the number of units produced within a time frame and the quality of those units. "All things considered," he said, "unionized contractors have better workers. That's something we must communicate."

Glowki said improved communications between labor and management is perhaps the key goal of the

MUST. "We've got to understand one another and work together," he said, because that's the only way to improve quality and keep costs down.

Haller, Glowki and other officials recognize that MUST may need some victories or accomplishments before anybody will notice that anything is different within the area's construction industry. But they insist the commitment is there.

"MUST is something like a marriage," said Joseph F. Neussendorf, media contact for MUST and director of membership services for the contractors association. "Its ultimate success will be determined by the good will of the partners."

IMPLIED IN THAT analogy, of course, is that some marriages blissfully lead to happiness, while others are marked with bickering and suspicion ultimately leading to disaster.

In her comments at ceremonies formalizing the agreement, Elizabeth P. Howe, director of the Michigan Department of Labor, had similar thoughts.

"We know changes in employment relationships don't occur overnight," Howe said. "Only long-term commitment and hard work by both labor and management will ensure significant progress."

Details about how MUST will accomplish its goals have yet to be worked out, Haller and Glowki said. But the commitment is there, they said.

MUST offices are at 14801 W. Eight Mile Road, Detroit. Its phone number is 341-2629.

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