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HEALTH POLICY BULLETIN

FOCUS: CERTIFICATE OF NEED COMMISSION

Almost six months of suspense and negotiation ended with the appointment of the new Certificate of Need (CON) Commission by Governor Blanchard. The appointment is the last piece of the CON reform package passed October 1, 1988, to be put in place.

The three Democratic appointees are William S. Hoffman, Diana C. Jones, and Lisa Hadden. From the beginning, all observers agreed on the inevitable nomination of William S. Hoffman, director of the Social Security Department, United Auto Workers, and a member of the boards of Blue Cross and Blue Shield of Michigan (BCBSM) and the Greater Detroit Area Health Council. Hoffman will serve a term expiring January 1, 1992. Diana C. Jones, case management coordinator for BCBSM, has been with the Blues since 1974. Jones, whose term expires January 1, 1990, is the sole minority appointee. Lisa Hadden, executive director, Thunder Bay Community Health Services, is vice president of the Michigan Primary Care Association. Familiar with the delivery of health care in rural areas, Hadden will serve a term expiring January 1, 1991.

William Himmelsbach, president and chief executive officer, St. Mary's Health Services, Grand Rapids, and Paul Keyhoe, retired vice-chairman, W.K. Kellogg Company, are the two Republican appointees. Himmelsbach, whose term expires January 1, 1992, is cognizant of the problems facing large urban hospitals. Keyhoe, a well-regarded figure from Battle Creek, was strongly supported by Senator John Schwarz (R-Battle Creek), the only physician in the legislature. A mechanical engineer, Keyhoe is interested primarily in cost control. His term expires January 1, 1991.

Reaction to the commission is uniformly positive. Dennis Paradis, vice president, governmental affairs, the Michigan Hospital Association, said, "The MHA thinks the commission represents a balance of the forces that have to be included for good policy decisions to be made. All of the actors represent cost, quality, and access to health care in varying proportions on different issues. Overall, we think the governor did a good job of balancing geographical and political demands." Paradis noted that the most pressing issue before the commission is reviewing and acting on the interim CON review standards, a task made more pressing by the statutory requirement that criteria be adopted by the commission's third meeting.

Kevin Kelly, assistant executive director, Michigan State Medical Society (MSMS), sees the commission as a solid group that will receive useful input from various advisory groups. "Our concerns revolve around (1) the need for the Michigan Department of Public Health (MDPH) to appoint the ad hoc advisory committees to assist in developing standards and (2) the development of good working relationships between the committees and the commission. We would urge the department and the governor's office to move forward quickly in appointing appropriate persons to the committees, especially the committee on new technology." Kelly also commented that the MSMS has concerns about the absence of a physician appointee but "our view is that we anticipate active physician participation in the new technology, services, and equipment groups."

Larry Horwitz, executive vice president, Economic Alliance for Michigan, is pleased with the commission, principally because it is expected to support two goals important to the alliance: more effective cost containment and the maintenance of access to quality services. Horwitz commented: "Health providers need quickly to have updated and specific standards by which the MDPH will decide on their CON applications .... The Alliance looks forward to the new standards being developed by the cooperative approach reflecting the concerns of the interest groups and state regulators that led to consensus on the new CON law. We all want and need a more cost-effective CON program that will properly balance the critical objectives of more affordable health services with assured quality and accessibility."

The biggest question for the commission, according to some observers, is the timetable in the statute for action on the review standards. CON reviews now rely for interim standards on the planning policies in the *State Medical Facilities Plan* (1986), portions of the *Administrative Guidelines for the Certificate of Need Program* (1987), and volume II, chapter 2 of the *Michigan State Health Plan, 1983-1987*. The statute requires the commission, within three months of its for-

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mation, to begin holding public hearings on the interim standards to determine whether they promote efficient, accessible, and quality health services. Within five months of the hearings, the Office of Health and Medical Affairs and the MDPH must make specific recommendations on the interim standards to the commission. The commission then must choose by its third meeting (the commission is required to meet quarterly but may hold special meetings) to approve, approve with modifications, delete because the services and equipment should no longer be governed by CON, or review and revise the recommended standards. These standards then are submitted to the legislature and the governor, each of whom must act within 30 days of submission if they wish to disapprove the standards, which otherwise stand. How rapidly the commission can move depends on the MDPH's progress with its revisions to the current planning policies.

FOCUS: STATE EMPLOYEE BENEFITS

Recent surveys by Foster, Higgins, a national benefits consulting firm, indicate that state and local governments have not trimmed employee health benefits as sharply as has private industry. The national average cost for state employee health benefits in 1988 was $2,300 per employee, an increase of 18 percent over 1987; local governments were even more expensive at $2,390. The average cost for private sector employees was $2,150. A 1987 Bureau of Labor Statistics survey showed that 94 percent of all state and local government employees were covered by health insurance; 65 percent pay nothing for their own coverage, and 29 percent pay nothing for family coverage.

Why the discrepancy between state and local governments and private sector employers? According to Gerald Miller, executive director of the National Association of State Budget Officers, there are two principal reasons: (1) Public unions are growing and (2) an increasing number of politically powerful state retirees are lobbying their former employers for more coverage at less cost. Governments also have failed to pursue actively cost-cutting alternatives such as HMOs, PPOs, utilization review, second opinions, and outpatient care—all of which are standard in the private sector. Comparisons are misleading, however, says John Luehrs, program director for health policy, National Governors' Association, because public employees generally are paid less than their counterparts in the private sector.

How do Michigan's state employees' benefits stack up? Michigan has 63,940 classified state employees; 59,120, or 93 percent, have health insurance. The state is fully self-insured and requires all its employees except the state police to pay 5 percent of premiums. Approximately 23,170 employees are enrolled in HMOs, down from 42 percent of employees in 1988 to 36 percent as of March 1989; 57 percent, or 36,750, are enrolled in a traditional plan. Dental and vision coverage are elected by 93 percent and 92 percent, respectively. Vision care is fully covered for all state employees, while the state contributes 95 percent of the dental coverage premiums except for some union members who pay 10 percent of their premiums.

According to the Michigan Department of Civil Service, the state's 21,894 retirees have all of their benefits fully paid by the state; vision and dental coverage were added January 1, 1988, with a change in the State Employees Retirement Act. Vision coverage was elected by 18,810 and dental coverage by 18,387. Coverage of mammography and PAP tests is being added for retirees this year.

The state has four contracts for third-party administrators (TPAs): two with BCBSM, one with Delta Dental for dental care, and one with Aetna for disability insurance. Most of the variances in coverage among state employees are the result of collective bargaining agreements between the state and various employee unions.

OF INTEREST

The legislature returned from its Easter break this week. In the next 30 days, look for the

- House Appropriations Subcommittee on Social Services to continue hearings and begin decision-making on the FY 1990 budget. The Social Services budget bill was reported out of the Senate Appropriations Committee on April 5.
- House to complete action on the MDPH budget and the Senate Appropriations Subcommittee on Public Health to hold hearings April 12, 19, and 26.
- Senate Health Policy Committee to take up SB 74, the medical waste incineration bill, the last in the six-bill medical waste package to be acted upon.

In addition, Senator Sederburg is working on draft legislation for an essential provider strategy designed to encourage physicians to locate in rural areas through various state-sponsored financial plans.

— Frances L. Faverman, Editor