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HEALTH POLICY BULLETIN

FOCUS: CON COMMISSION APPOINTEES

Governor John Engler appointed three men and one woman to the CON Commission in early March; the appointees were confirmed automatically when the sixty-day period for action by the Senate expired last week. The new commissioners are Robert T. McDonough, Harold J. Knight, Douglas L. Wood, and Carla O'Malley. They will join Diana Jones, the lone member from the original commission; Jones, who is an attorney employed by Blue Cross and Blue Shield of Michigan (BCBSM), was reappointed by Governor Blanchard in early 1990. The commission's makeup now consists of three Republicans (McDonough, Knight, and O'Malley) and two Democrats (Jones and Wood).

The new commission maintains the same balance of health care professionals and interested community persons as its predecessor. O'Malley is senior vice-president and chief operating officer for the Annapolis-Westland Division of Oakwood-United Hospitals. She is a nurse by professional training and has a graduate degree in health care administration.

Dr. Wood is the first physician and osteopathic medical educator named to the panel. He is a nephrologist and has a Ph.D. in medical education with a specialty in measurement and evaluation. He became the dean of the College of Osteopathic Medicine at Michigan State University in July 1991.

McDonough is a certified public accountant and attorney. He has spent most of his professional career at The Upjohn Company in Kalamazoo; he is currently director of public policy for the company. He is also the chairman of the Michigan Chamber of Commerce Health Policy Committee and secretary and treasurer of the Three Rivers Area Hospital Authority, a public hospital authority composed of the city of Three Rivers and four townships. The Three Rivers Hospital is a 60-bed facility located within 25 miles of two major tertiary care centers—Bronson Methodist and Borgess hospitals in Kalamazoo.

Knight is also a certified public accountant with manufacturing and business interests in East Tawas. He has been a board member and treasurer for the past six years of Tawas St. Joseph Hospital, a small hospital in a rural area that is far from tertiary care centers.

We were able to talk to three of the appointees (O'Malley was out of town and preferred not to talk to us until after the first meeting of the commission) about their views of the commission. While there are no major areas of disagreement among the three commissioners; the most notable area of agreement was their view that the commission—which was an activist commission under former chair and member Lisa Hadden—should remain an activist body. McDonough particularly noted that the commission needs to be an activist group to balance the interests of patients with those of business and providers.

McDonough sees the fundamental issue of access as having two aspects: access to care and access to insurance. "People," he says, "need health care rather than insurance." He would like to see more public health measures such as free clinics, but not the old-style public health clinics, he hastened to add. What he would like to see is the establishment of free clinics located within a hospital or near a hospital; the clinics would be staffed by volunteer physicians and other personnel. Why? "Because the direct provision of care is important," said McDonough. He notes that some protection from medical liability lawsuits would have to be included. He also observed that there is no necessary divergence between the interests of small and large hospitals, but small hospitals will have to be selective about the services they offer. "After all, we'd love to treat everybody here in Three Rivers, but patients have relationships with physicians in Kalamazoo and I'm all for choice by consumers," he commented.

In a very interesting aside and using Three Rivers as an example, McDonough observed that artificial boundaries such as state lines introduce obstacles to care because they interfere with the natural orientation that a group of consumers may have toward work, shopping, and health care; e.g., the community's proximity to Indiana makes it a logical place for many residents to seek health care. In the end, though, he views health care as a process that should be driven by quality not cost.

Harold J. Knight, an accountant and businessman from East Tawas, believes that his appointment gives him an opportunity to work on "what is good for bringing services to the people." Knight says he has two major concerns about health care: providing it for everybody and its cost. He traces his interest to his work as an accountant; he was involved in auditing various kinds of health facilities when the Medicare and Medicaid programs were cre-

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ated in 1965. He notes, "If you are not involved in something, you do not get to understand it." He finds "particularly disturbing the confusion that exists currently about how to offer services and supply needs so that everybody is satisfied." He views his long experience in a rural area—thirty-two years in East Tawas—as providing him with an understanding of the problems of access for patients on the one hand and the survival of hospitals in a rural area on the other. The differences between large and small hospitals, he thinks, are a matter of degree not kind.

Douglas L. Wood, D.O., Ph.D., has practiced medicine and spent fifteen years in hospital administration and several in medical education, experience that he feels will enable him to make a significant contribution. Wood views the state and the nation as being in a health care crisis. He says that medical schools and groups like the commission can have an important role in solving the problem; in fact, it was this perception that led him to accept the appointment. While philosophically he believes in the ability of the market to adjust itself, he recognizes that some limits must be placed on institutions. He is particularly concerned about the proliferation of open-heart surgery units in the state. "Generally, when there are too few cases [fewer than 100 per year] in a unit, the morbidity and mortality statistics go up," he observed. Wood is also concerned about the proliferation of expensive diagnostic and treatment equipment, but he admits, "I'm not at all sure about how to balance out the proliferation/access equation."

No date has been set for the commission's first meeting.

FOCUS: MORE ON THE BLUES

Several issues emerged in the hearings on Public Act 350 convened by Representative Mary Brown on May 4 and 11. After a brief overview of P.A. 350 by Frances Wallace, director of health benefit plans, Michigan Insurance Bureau, the questions began.

Representative David Hollister was interested in the senior citizen subsidy or plan viability charge (a special one percent surcharge on Blue Cross and Blue Shield certificates that is designed to subsidize coverage for senior citizens) and in the fact that, according to Wallace, the Blues administrative-services-only clients were not paying the charge. (Note: Administrative services contracts account for 55 percent of the Blues' business and appear to be subject only to the federal ERISA law; thus, the state cannot regulate these contracts).

Rep. Alvin Hoekman was interested in how provider reimbursement rates are set and in the composition of the Blues' board. Upon noting that only two members of the Blues' board are from West Michigan, he said, "We are not getting a fair shake at all."

Representative Brown tackled access to coverage; she observed that some employers were offering employees money to decline their group coverage, and that when these persons sought to buy individual coverage from BCBSM, the company would turn them down on the grounds that they were eligible for coverage in a group plan. She commented, "We wrote the statute so that the Blues would have to cover everyone."

By the end of the hearing the Blues had promised to provide data on the geographic and income distribution of children covered by the Caring for Children program and their administrative costs by lines of business.

Monday, May 11, was Provider Day. Multiclient lobbyists and their provider-employers focused their objections to P.A. 350 around (1) their displeasure with the appeals process contained in the act, (2) the Blues' practice of withholding funds from doctors who attempted to exercise their rights under the appeals process, (3) the low level of reimbursement to physicians by the Blues in Michigan compared to surrounding states, (4) the establishment of the "evidence of need" system by BCBSM, and (5) the "state-sanctioned monopoly power" of the Blues. Chuck Ellstein, group vice-president, Health Delivery and Finance, Michigan Hospital Association, noted that over half (55 percent) of the Blues' business does not come under the purview of P. A. 350.

Another hearing is scheduled for May 18, when BCBSM is expected to present data requested by the committee at the May 4 hearing.

OF INTEREST

In the next 30 days, look for the House Committee on Public Health to take up and report out two Senate bills (SB 304, uniform definition of death, and SB 515, changes in the schedule for surveillance and evaluation of nursing homes and laboratories) and eleven House bills: HB 4663, county medical examiners and autopsies; HB 4838, revises Medical Waste Regulatory Act; HB 5144, informs patients of blood storage options; HB 5152, regulation of utilization review companies; HBs 5268–70, bone marrow donations; HB 5298, nursing home delicensure; HB 5480, release of information for verification of credentials; and HBs 5529 and 5530, health professionals' clearinghouse. The committee is scheduled to meet every Thursday through June 11. The Senate Committee on Health Policy will take up SB 305 (chiropractic scope of practice) and SB 901 (prescriber dispensing) on May 19.

—Frances L. Faverman, Editor

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