

Blue Cross and Blue Shield committed to reform of insurance industry

By now, many of us may be growing weary of headlines and sound bites that include those three little words, "health care reform," but for some North Carolinians, the need for change goes beyond just words.

Medical care costs in this state are high and still rising too rapidly. We still have one of the highest infant-mortality rates in the country. Close to one million of our citizens are uninsured, and many more feel locked into jobs or the welfare system for fear of losing health coverage. This is not acceptable.

On Jan. 1, I became president of Blue Cross and Blue Shield of North Carolina. I look forward to the opportunity to work with and listen to consumers, employers, physicians, hospitals, legislators and other insurers as we face the changes in health care that we all agree are badly needed.

However, no one player, no one piece of legislation can meet all of our state's most pressing needs — access, quality and cost containment in health care delivery. We must work together if long-term solutions are to be found. Blue Cross and Blue Shield of North Carolina believes the best solutions will contain many elements, including not only legislative components, but also private-sector initiatives — most notably in the area of managed care.

On the legislative side, Blue



**KEN
OTIS**

Guest column

exclusionary underwriting and rating practices.

Coverage should no longer be denied or delayed due to a pre-existing health problem. Individuals must be able to keep their health coverage if they lose or change jobs. We enthusiastically support reform which encourages competition based on the ability to manage the cost and quality of care. In addition, a standard set of benefits must be identified to provide consumers with a means of evaluating health coverage. Finally, there must be malpractice reform and administrative simplification.

These reforms can and should be enacted now. A segment of the uninsured would find immediate relief through such measures. However, as we start to address other segments of the uninsured who face more complex barriers such as affordability, and as we seek ways to

Cross and Blue Shield of North Carolina strongly supports the need for reform — beginning with our own industry.

All insurers must begin to play by the same rules. We will all benefit from reform that restricts

reign in costs in general, legislative answers may prove to be more elusive.

To try to deal with cost and affordability, several proposals before Congress, including President Clinton's plan, incorporate the use of global budgets, caps on insurance premiums and the creation of regional purchasing alliances. While we agree on the end goals — cost containment and fostering competition — we have serious concerns about the choice of these vehicles as the means to those ends.

Global budgets would be used to limit health care spending in a given region by both public and private-sector payers. Premium caps would be used to limit the premiums charged by insurers. Both mechanisms represent price controls, which, historically, have not worked in other sectors — most notably petroleum and cable television. They do not reflect cost and demand for care. Thus, we feel these methods would lead to a decline in the quality of care received by patients.

Such restrictions would thwart efforts by insurers and managed-care plans to encourage improved physician practice behavior through innovative payment systems. Fee schedules would eliminate the flexible financial incentives needed to attract physicians into effective networks.

Similarly, premium caps



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would prevent health plans from investing in long-term cost-containment strategies including the development of new data systems needed to identify cost-effective treatment patterns and improve patient outcomes.

Finally, there has been much discussion around the idea of large, mandatory purchasing alliances. Support for this concept has been on the decline in Washington, and that relieves a measure of our concern.

However, we must not lose sight of the consequences that this or other such large, government-mandated initiatives could entail. Increased administrative costs due to duplication of tasks and loss of employer innovation in developing cost containment strategies would be immediate risks. In addition, consumers would have little recourse if they found themselves dissatisfied with the services provided by the alliance.

Given these concerns, Blue Cross and Blue Shield of North Carolina sees managed care as a better way to deal with the issues of cost and affordability, as well as quality.

Ultimately, managed care can provide a comprehensive, humane and holistic approach to care. Doctors and patients can begin to share the goal of keeping patients healthier while making the best and most effective use of health care dollars. HMO models can provide each

patient with a partner, an ally, in the form of a primary care physician who can guide the patient through the system and coordinate total care needs. Prevention and early intervention are important components. In addition, as managed-care systems mature, they gain the ability to track the effectiveness and outcomes of treatment.

In North Carolina, we have already seen an impact on payments as the use of managed-care programs has increased. Last year, per capita payments by Blue Cross and Blue Shield of North Carolina increased by only 1 percent, in sharp contrast to the doubling of payment levels we experienced between the mid-1980s and the early 1990s.

This reduction in trends, attributable to greater use of managed care programs, including special pricing arrangements with providers of health services, points to the cost reduction potential as managed care becomes more prevalent.

The long-term success of efforts to reform our health care system will depend on strong partnerships between those that provide health services, those that pay for them and those that use them. Resolution of issues such as care for the chronically indigent and uninsured are going to require new ways of thinking, new types of partnerships, and new, more cost-effective methods of delivering care.

Blue Cross and Blue Shield of North Carolina is deeply committed to seeking new ways to improve the health of the citizens of our state through responsible legislative reforms, managed care and strong and innovative partnerships. I look forward to acting on this commitment.

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PUBLIC ANNOUNCEMENT

MIDDLE SCHOOL REDISTRICTING PUBLIC HEARINGS

JULY 28, 1994

7-9 P.M.

**NEW HOPE ELEMENTARY SCHOOL
STUDIO**

AUGUST 18, 1994

7-9 P.M.

**C.W. STANFORD MIDDLE SCHOOL
CAFETERIA**

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