

Eye on Washington by Nicholas F. Benton

Health insurance giant faces bankruptcy

In an interview during an awards ceremony on Capitol Hill here Feb. 2, Louis Levine, corporate vice president of Empire Blue Cross and Blue Shield health insurance company of New York state, told this reporter that America's "health care delivery system faces a dire crisis."

Levine said that unless Congress finds some answers, the United States is going to become like Great Britain, where insured health services have become virtually nonexistent, with enormously long waiting periods and lack of access to new technology. There, he noted, there are simply not enough kidney dialysis machines to meet the public need, making them unavailable to anyone over age 65 who cannot afford to pay for the use of one out of his own pocket.

With the shifting demographic trends of the U.S. population toward a larger share of older citizens, the burdens on health care delivery systems here will create a similar condition, he warned. "We might wind up with the kind of solutions that someone like former Gov. Richard Lamm of Colorado advocates, which is simply to tell people they can't receive medical treatment if they're past a certain age," he said.

Yet Blue Cross and Blue Shield, a confederation of not-for-profit companies that cover 80 million Americans, is itself considered a pacesetter in methods to chisel its clients out of comprehensive, state-of-the-art health care.

Known as the Blues, the Blue

Cross and Blue Shield confederation now insists on a second opinion by a physician of their choice, before they will cover elective surgery or hospitalization. Also, a year ago, they announced that they would no longer cover 15 commonly used diagnostic tests, including blood tests and strep throat cultures.

Levine insists that the Blues have been forced to restrict their coverage because of rising health care costs and because by the comprehensive tax reform law in 1986. The tax reform, he said, removed the exemption for all not-for-profit companies, putting the Blues into a 20% tax bracket.

By contrast to the Blues, which provide comprehensive coverage for its subscribers to receive treatment by the physicians and hospitals of their choice, the new tax law gave a special tax exemption only to "health maintenance organizations" (HMOs), which dictate which physicians and options for treatment are covered under their programs.

"We were singled out for this treatment," Levine said. "The Congress said it estimated it would collect \$800 million in taxes from us over five years. Well, let me tell you, they'll be lucky if they get \$200 million."

He said this was because the congressional study was based on the revenues for 1983-84, which have dropped precipitously since then. He said that most Blues are now in very serious financial trouble, and that some of them could go "belly up."

Despite their cost-cutting tactics, the Blues are unique for opposing efforts by other insurance companies to make taking an AIDS test a mandatory precondition for obtaining a health insurance policy.

Levine maintains that this is because of the Blues' sense of public duty, being chartered as not-for-profit

companies. "Our view is that AIDS is a major fact of life, with millions of people infected. So you can't deny coverage because of exposure to the virus," he said. "Otherwise, what do you propose to do with all those people? What's the alternative?"

Not only have the Blues opposed mandatory AIDS testing as a precondition for insurance, but in New York state, the company there has adopted the only universal acceptance policy in the United States, which offers to cover anyone who walks in off the street and applies—except for a pre-existing condition, which will be exempt from coverage for the first 11 months.

Under these terms, a pre-existing condition does not include exposure to a virus, but only overt symptoms of disease. This is especially significant in New York, given the relatively high numbers of AIDS victims in that state.

Asked about what such a policy does to the cost of premiums for all subscribers, Levine conceded that there will be a greater divergence of costs in the two-tier system that already exists: between the cost of a group policy (where the individual is insured under a policy taken out by his company, for example), and the cost to an individual subscriber.

The fact is that the cost of insurance is increasingly prohibitive, while the restrictions on the coverage make it virtually useless to more and more of the nation's sick and elderly.

With 37 million Americans currently without any form of health insurance, only an effective government-directed universal health insurance program—with severe draw downs on debt liabilities of health facilities and limits on medical malpractice awards—can prevent the kind of restraints on care that the Blues, much less their competitors in the "for profit" HMOs, are imposing.