

PUBLIC HEARING

before

ASSEMBLY CORRECTIONS, HEALTH AND HUMAN SERVICES COMMITTEE

on

HEALTH INSURANCE BENEFITS FOR THE UNEMPLOYED

Slenn
Bill

Held:
February 23, 1983
Assembly Chamber
State House
Trenton, New Jersey

MEMBERS OF COMMITTEE PRESENT:

Assemblyman George J. Otlowski, Chairman
Assemblyman Frank M. Pelly, Vice Chairman
Assemblyman Richard F. Visotcky
Assemblyman Nicholas R. Felice
Assemblyman Garabed "Chuck" Haytaian

ALSO PRESENT:

David Price, Research Assistant
Office of Legislative Services
Aide, Assembly Corrections, Health
and Human Services Committee

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ASSEMBLYMAN GEORGE J. OTLOWSKI (CHAIRMAN): The hearing will come to order. My name is George Otlowski. Seated on my right is the Vice Chairman, Frank Pelly. Sitting on the extreme right is Richard Visotcky. Seated over on my left here is David Price, a member of the staff, and seated on my far left is Nicholas Felice, a member of the Committee. We're ready to start.

Before we do, I would like to indicate that this hearing, in our opinion, is a very important hearing, because it deals with a problem, of course, that at the moment is not only plaguing the State, but plaguing the whole country, and that is unemployment, and the relationship that that unemployment has to hospital coverage, what this kind of a situation means to the hospitals generally -- that is one of the questions we are going to probe -- what it means to the insurers who provide coverage, what it means to some of the labor unions that are effected by this and, of course, primarily what it means to the person who is unemployed and whose family is caught in this kind of a situation.

We feel, of course, that neither the national government or, for that matter, the State government has been addressing this with any kind of intensity and bringing this into focus, so for that reason what the Committee is going to be doing here today, we believe, is very, very important.

In looking at the agenda, I am disappointed that none of the Commissioners are here, that they have sent Deputy Commissioners. I think this is the kind of a subject that we would like to talk to the Commissioners about and get their immediate feelings as the heads of the departments, but since they are not here, we will have to deal with the situation as it presents itself. At this point, I want to call on the Vice Chairman to find out if he has any statement to make. Do you have anything, Frank?

ASSEMBLYMAN PELLY: Mr. Chairman, I believe you have summed up our intent rather adequately. We all know that unemployment is a major problem in the State of New Jersey, and certainly we experience greater problems -- or we witness other problems being experienced to a greater extent in some of the other states having very major negative ramifications, other than the obvious fact that a family having experienced unemployment experiences the fact that there is no income coming into that family of any respectable nature -- respectable size. The discontinuance of health benefits is one of the negative impacts of unemployment, and certainly I would be hopeful that we would be exploring that extensively today, and perhaps seeking to hear recommendations from the witnesses assembled here today.

ASSEMBLYMAN OTLOWSKI: Thank you. Assemblyman Visotcky?

ASSEMBLYMAN VISOTCKY: No, I have no comment right now.

ASSEMBLYMAN OTLOWSKI: Assemblyman Felice?

ASSEMBLYMAN FELICE: Just quickly, I would like to add the fact of those that haven't started employment, those that are finishing high school and college, and as of yet do not have employment. In that interim period, many of them that were covered under their parents' hospitalization or whatever, find themselves, especially when they are on their own, without any adequate coverage and, with the guidance of youth, may even feel that they are not going to be sick or anything happen to them, and that is an important part of the overall -- those unemployed or unable to cover themselves adequately with Medicare or hospitalization. Thank you.

ASSEMBLYMAN OTLOWSKI: Thank you very much, Assemblyman. In order to facilitate the hearing, and in order to save time and yet to get the kind of comprehensive picture we are looking for, because we are going to have a record compiled of

I think that is a summarization of some of our concerns, Mr. Chairman and members of the Committee. I will be happy to answer questions.

ASSEMBLYMAN OTLOWSKI: In your presentation here, you point out that you raise more questions than you provide answers. Let me ask you this, the total number of unemployed in New Jersey runs about what at the present time?

MR. VanNOTE: There are about 200,000 individuals who are now collecting. About 150,000, I believe, are on the regular program, and the other 50,000 are on what is called a "Federal Supplemental Program."

ASSEMBLYMAN OTLOWSKI: There are about 200,000 unemployed?

MR. VanNOTE: Two hundred thousand.

ASSEMBLYMAN OTLOWSKI: Out of the 200,000 that are unemployed, what kind of coverage, if any, do they have for hospitalization?

MR. VanNOTE: Mr. Chairman, let me say one thing. The 200,000 are those that are currently collecting benefits -- the number of unemployed.

ASSEMBLYMAN OTLOWSKI: Oh, you mean unemployment benefits?

MR. VanNOTE: Yes -- of that 200,000.

ASSEMBLYMAN OTLOWSKI: But, if they are collecting unemployment benefits, that wouldn't give you any indication what kind of coverage they have, because as you pointed out in your direct testimony here, you may have a spouse who could be working who could provide coverage. So, out of the 200,000, is there any kind of a figure you have of people that are without coverage or people that have coverage -- out of that total number of 200,000?

MR. VanNOTE: No, sir. We do not have information like that at the moment.

ASSEMBLYMAN OTLOWSKI: What department, in your opinion, would have that kind of information?

MR. VanNOTE: Sir, I am not aware of any department that collects that kind of information from people who are unemployed. We do not collect it, and I do not think there are others who, on a routine basis, get statistical data.

ASSEMBLYMAN OTLOWSKI: How, in your opinion, could that kind of data be made available to the Committee?

MR. VanNOTE: If it is possible -- I'm not sure what freedom of information or privacy acts I might be treading on, but it would be possible for us to start collecting data on some statistical basis, which we could then project to get the magnitude of the problem. We would have to start now.

ASSEMBLYMAN OTLOWSKI: If we are all going to know, if we are all going to have any idea of what kind of costs we are talking about here, we have to have some basic figures to deal with.

MR. VanNOTE: Yes, sir, I am aware of that.

ASSEMBLYMAN OTLOWSKI: Without those basic figures, we have no idea of how to approach cost. I would like to suggest that you talk to the Commissioner about the possibility of making those figures available to us.

MR. VanNOTE: Yes, sir, I would be glad to do that, of course, realizing that we would have to start now to begin to collect the data, and I don't know how long it would take or what -- I'm not a statistician; I can't tell you what length of time or what sample we might have to have in order to come up with something the Committee could rely on.

ASSEMBLYMAN OTLOWSKI: From where your Department sits, at the present time have you had any feeling at all about the impact that this has on hospitals, about

ASSEMBLYMAN VISOTCKY: Do you have any idea when we can get some of those stats?

MR. VanNOTE: No, sir. As I said, I don't know how much information has to be collected in order to have something that we would consider, and you would consider adequate enough to make a decision.

ASSEMBLYMAN VISOTCKY: Well, I mean, is there a suggestion, mainly to say maybe take a dollar from everybody that is working. I think in Pennsylvania they are talking about that, to set up a fund to help these people. Is there any type of suggestion at all from the Commissioner's office?

MR. VanNOTE: No, sir, not at the moment. As I said, we do not know the magnitude of the problem and we haven't tried to develop solutions.

ASSEMBLYMAN VISOTCKY: Well, what are you waiting for? Waiting for a Committee meeting? For a hearing?

MR. VanNOTE: You know, there are a whole number of problems with the Unemployment Insurance Fund that we have been trying to address and, while this may be a serious problem, it just is not one that we have put on the front burner.

ASSEMBLYMAN VISOTCKY: I think we are talking about health benefits, not the unemployment insurance. ;

MR. VanNOTE: Well, our concern is with the Unemployment Insurance Fund. It is insolvent; it is of great concern to us; and, it is one we are trying hard to --

ASSEMBLYMAN VISOTCKY: We realize that. We know that is a major problem; we all realize that. The question is, are we thinking in any way about health insurance for the people who are unemployed, or who have lost their benefits already?

MR. VanNOTE: Not in our Department. At the moment, it is not --

ASSEMBLYMAN VISOTCKY: What department should it go to?

MR. VanNOTE: I don't know. I don't want to -- As I said, I don't know the magnitude of the problem, and I don't know what department should, perhaps, try to handle it.

ASSEMBLYMAN VISOTCKY: Well, what department would have a handle on it better than your Department?

MR. VanNOTE: I do not believe there is any department that has a handle on it, because I do not think the data exists to determine how many people are involved.

ASSEMBLYMAN VISOTCKY: Mr. Chairman, I would like to know, who are we talking to? I mean, where can we get these stats?

ASSEMBLYMAN OTLOWSKI: I think that what is developing here is the fact that, as we mentioned from the very outset, really nobody has, so far from what I have been able to see and from what this testimony reveals, a handle on this at the moment and, as a matter of fact, I agree with Assemblyman Visotcky that this is totally divorced from unemployment insurance, but it is related to unemployment and is related to the Labor Department, because the Labor Department would have the responsibility of giving us some basic figures, and at least some basic suggestions of how to approach this problem. But, we are nowhere near that, because we don't even have basic figures -- your Department doesn't even have basic figures.

What I would like to suggest is the fact that your Department gear up to give us some basic figures, and not only gear up to give us some basic figures and the impact that those figures have on the things we mentioned on hospitals, on the insured, on the people who are unemployed -- in my own view, I think that is the

should have been at these hearings, because I have to --

ASSEMBLYMAN OTLOWSKI: Excuse me, Assemblyman, I just want to make this comment. There is an Assistant Commissioner here -- just for your information.

ASSEMBLYMAN HAYTAIAN: Okay. I see it now on the witness list.

ASSEMBLYMAN OTLOWSKI: Of course, I was critical from the outset that none of the Commissioners were here, because I think that this is the kind of a subject that should be discussed on that level directly with us. But, in any event, there is somebody here from the Insurance Department.

ASSEMBLYMAN HAYTAIAN: Well, unfortunately, Mr. Chairman, we don't get this witness list. Now, I just came in late, and I'm sitting down for the first time and seeing it. Dave, you could have presented this list to us, at least a preliminary list, a week ago, or three days ago. I'm sure you had an idea of who would be here. I have a problem with that, because we don't get the information ahead of time, and it hits me sitting down, and I have to say someone's not here and then find out someone is here.

ASSEMBLYMAN OTLOWSKI: You're absolutely right. One of the things we discussed this morning, before you came in, was the fact that, hereafter what we are going to do, we're going to ask those people who are going to testify; to submit their testimony in advance, so we can look at it and maybe even raise questions from that testimony. As a matter of fact, we want to make sure that the agenda and the testimony are given to you far in advance so you will have a better grasp of the subject matter.

ASSEMBLYMAN HAYTAIAN: All right. One of the thoughts that I had -- mention was made of Pennsylvania. I just came back from the Johnstown area. There is 27% unemployment in that area. I don't know what type of health benefits they have, but there was a program on T.V., a half-hour program, that gave the different agencies that would help out for health matters, and for other matters for the unemployed.

It may be well for New Jersey to extend that benefit. Now, we don't have our own T.V. station, and we should have that soon, but I think Public Service is receiving money, Channel 13 is receiving dollars from the State of New Jersey, and it may be well for the Department of Labor and the Department of Insurance to start talking to those people, where the media could come out. T.V. is an excellent format to help people with these different problems. I think it was an excellent format they had on the Pennsylvania networks in Johnstown.

One of the questions that you bring up, which I think is very important, and which I think in turn would answer some of the questions that the Committee may have, is on the last page of your testimony: "To what extent should government (Federal or State) be responsible for financing benefits to the unemployed?" I think this Committee must get the answer to that question. I have some doubts as to whether the Federal and State governments should get involved there. We just do not have the dollars. I think we have seen throughout budget problems -- every state in the nation is having budgetary problems. Our Federal deficit is much too high, and to start now asking the Federal or State government to take over the costs of this insurance, is quite questionable in my mind. So, I think we have to answer that question before we can go any further, Mr. Chairman. I don't know who has the answer to that question.

ASSEMBLYMAN OTLOWSKI: Well, I agree with you, in part. But, before we can get to that question, we have to have the primary questions answered. You know, how big is this problem, and what are some of the answers to the problem. With those answers you will get an idea of costs. Then I think you can get into the question

ASSEMBLYMAN OTLOWSKI: Oh, he'll be here later. Is Mr. Jeffrey Warren here, the Executive Secretary for the New Jersey Hospital Rate Setting Commission? (no response) Maybe we should have subpoena power.

MR. FOY: Mr. Chairman, I came in late. I didn't know if I had to sign in. I'm Tom Foy from the AFL-CIO. If you're looking for someone to come up, I'm willing to come up now.

ASSEMBLYMAN OTLOWSKI: Let me just see where I'm going here. Your name is what?

MR. FOY: Tom Foy.

ASSEMBLYMAN OTLOWSKI: Since you are so anxious, will you come up here, Mr. Foy? Mr. Foy, do you want to tell us who you are?

T H O M A S P. F O Y: Fine. Mr. Chairman and members of the Committee: My name is Thomas Foy. I am General Counsel to the New Jersey State AFL-CIO. I appear today on behalf of the president and secretary-treasurer, and our 1,500 local unions and 750,000 working men and women in the State of New Jersey. At the outset --

ASSEMBLYMAN OTLOWSKI: Mr. Foy, excuse me. Do you have any written testimony?

MR. FOY: Yes, I do have.

ASSEMBLYMAN OTLOWSKI: Has it been submitted to the Committee?

MR. FOY: Yes it has, Mr. Chairman. I have a written prepared statement, which I will not read.

ASSEMBLYMAN OTLOWSKI: I am not encouraging you to read it; I just want to make sure that we all have it here. You are going to summarize it?

MR. FOY: Yes, I will, Mr. Chairman. At the outset, I wish to express the appreciation of our organization and its members for this Committee being bold enough to take a serious look at what has become a critical issue for many unemployed working men and women in the State of New Jersey.

I listened intently to the testimony of Assistant Commissioner VanNote, and I'm sure you will agree that at the outset our most serious problem is the fact that we lack basic information about the problem that we believe exists. In furtherance of this Committee's objective of educating itself about the problem, you will find some statistics recited in my typed statement which you may examine, and further for the Committee's information, subsequent to this hearing I will present to your Committee staff a copy of the statement submitted by Douglas Fraser, who is President of the United Auto Workers Union, to the United States Congress on January 24, 1983.

ASSEMBLYMAN OTLOWSKI: Do you have that statement here?

MR. FOY: I have one copy with me; I'll make copies available to the Committee. That statement recites precisely what Federal statistics are available about this problem. I want to talk about the problem in New Jersey, and I want to specifically first address, what may have been a philosophical question about the government's role in addressing this type of problem, which was raised by Assemblyman Haytaian.

It seems to me that there could be a serious question raised in the minds of some people in government as to whether or not it is appropriate for the State of New Jersey to involve itself in programs such as assisting unemployed workers in maintaining their health care benefits. I want to point out that when problems exist, this Legislature does not shrink from attempting to solve them. A perfect example is what I read in the Star-Ledger today about the compromise in terms of establishing an infrastructure bank plan to remedy the problems that exist with

course, who are working, and who are a part of an insurance fund. Do you have any ideas about that? Are you aware of that particular system that is working now? Do you have any ideas about how that system is working, whether anybody is being overburdened? Do you hear any criticisms of that system?

MR. FOY: Well, with respect to that, it is obvious that in the areas where the highest amount of unemployment may exist, and the areas of significant structural unemployment such as our major cities, those hospitals that treat people in those areas are going to be the ones that are most burdened, that have the highest level of treatment without payment, in which they either have to go to suit, or they have to write it off, or some other mechanism is devised for them to be able to receive some sort of credit for the medical care that they provide for which they are not paid by a health care program. So, it becomes a structural problem in that particular sense. I don't have any specific statistics. I'm sure that the health care people may be able to enlighten you with respect to that.

I would point out, since you are aware of the nature of the problem, 85% of all workers who have health care coverage, receive it through a prepaid benefit program through their unions. Of those who are laid off, 60% lose their protection immediately or within thirty days, and only 20% continue their protection under their health care plans beyond ninety days. So, you can see the problem. There are 200,000 people on unemployment right now in New Jersey. All right? And those 200,000 people fit into this national pattern of statistics I have told you. There aren't many people who have health care benefits remaining after they have collected for three months. The real tragedy, okay, at least they are getting \$145 a week on unemployment -- the real tragedy is, what happens when they are finished their twenty-six weeks in New Jersey and their ten weeks of extended benefits and the other four-week kicker, what happens when those forty weeks are over and they can't go back to work?

ASSEMBLYMAN OTLOWSKI: We hope to delve into that a little bit deeper with some of the other people who are going to be testifying. Mr. Foy, before you leave, make sure that you leave a copy of the national testimony that was made to Congress with Mr. David Price here, so that we can make it part of the record.

MR. FOY: I will. I will be happy to answer any questions you might have.

ASSEMBLYMAN OTLOWSKI: We'll come to that. They are forgoing any questions on my right, so Assemblyman Felice, we're going to start with you.

ASSEMBLYMAN FELICE: Mr. Foy, in all the programs that I've seen written in your report, plus your discussion, has any consideration been given to facing this problem in a business sense? For instance, if we go to rent a home, or buy a home, or rent services, a certain amount of money is put into escrow, so that when the time is finished, whether you are renting or buying services, or whatever, -- has any thought been given to, while these people are gainfully employed, having a certain amount of money for a period of time being put into escrow, for this reason only, that if they do have a layoff period, or if they are terminated, that they have this extension of time, because if you say to them, "Well, if you put money away, you would be able to take care of it." Human nature is such that we do not put enough money away for the unexpected. But, in these programs that you have, with the union, with labor, with the employer, what about a program to put, while they are gainfully employed, for a period of time, monies in escrow for this purpose only, to give them that extended period. As you said, thirty days they get normally. By sixty days, half of them have dropped out, and by ninety days, forget it, most of them are out

to their families and to their children, so it should not only be on the employer, or the State, or the union. I'm saying a plan where both contribute and help is the answer. We can't just say the employer and the contract should be the answer. I hear nothing in that way.

MR. FOY: That is the answer for the future, Assemblyman Felice, but for right now, the answer is for this State government to act, to address what hopefully is a temporary, but very grievous problem. We have to act now; we can't go back and rewrite our contracts. We can try it with our new contracts, but we need a healthy economy to get good contracts. We don't have a healthy economy, and we have hundreds of thousands of people out of work with nowhere to turn. They can't turn to their unions; they can't turn to their employers, because we have had record business failures in this recession. Companies are leaving New Jersey right and left. Companies are closing down right and left. We can't say to the people who are going out of business, and going bankrupt, "Fund it." We can't say it to the unions, whose health and welfare funds are depleted now, as a result of their membership being unemployed and not being able to pay dues, or even keep up their health and welfare payments.

The problem is a serious one that requires governmental intervention at this time. I don't want a permanent program like this; I really don't want government interfering into what I consider a certain sacred situation between labor and management negotiating contracts. But, when it is necessary, when this Legislature sees fit that it is necessary, when the public calls for it, it has to be done. We have to sacrifice our ideals, as do management people, when the problem is as serious and as dangerous to the lives of people as this one is.

ASSEMBLYMAN HAYTAIAN: Excuse me, Mr. Chairman. You are the general counsel, and I think you would probably have the figures that I would be looking for. How much does it cost, per employer, for an employee's health benefits for himself and his family?

MR. FOY: I have no particular way of telling that without examining a given negotiated benefit plan for a particular local union.

ASSEMBLYMAN HAYTAIAN: All right. The reason I'm asking --

MR. FOY: The Blues can tell you what their cost is each month, or Aetna, or anybody else.

ASSEMBLYMAN HAYTAIAN: Well, we may be able to get that from some of the representatives here. The reason I'm asking this is, I think, and don't misunderstand my statement, I think it is easy for us to say government should get involved without knowing the price tag, but until we know the price tag --

MR. FOY: Oh, I agree, we need a data base.

ASSEMBLYMAN HAYTAIAN: -- we cannot come out and say we must get involved, because what we are doing then at that point, is raising the hopes of people when there is no hope because the dollars are not there.

MR. FOY: Nobody wants you to sign a blank check.

ASSEMBLYMAN HAYTAIAN: Well, that is correct. I have one additional point, only on a partisan remark, and I don't like to do that, but you call it the Reagan recession. I hope you will call it the Reagan recovery, as it is going to be.

MR. FOY: If he is president when this country recovers, I will be happy to give him that appellation.

ASSEMBLYMAN HAYTAIAN: Fine, okay.

ASSEMBLYMAN OTLOWSKI: Mr. Foy, thank you very, very much.

MR. FOY: Thank you, Mr. Chairman and members of the Committee. I wish you luck.

degree in the future. We need to, as a Committee, address both of these issues, because they are both going to be important. Then comes the question which was posed earlier, and then responded to by Mr. Foy, the question should government, Federal and State government, get involved? I am suggesting that, absolutely, government has to be involved with the acute segment of our problem, the problem as it now exists. The Federal government is involved, perhaps too enthusiastically involved with the military, and what it perceives as being adequate military build-up to protect our country, to protect our people, and perhaps we have compromised, or are going to be compromising what we need to respond to a medical crisis that could be developing in our country due to improper medical care. Then what happens? Who cares who comes to destroy us? We're destroying ourselves due to the fact that we are really not giving our children and our adults the proper medical attention. I'm talking about the acute medical attention, number one, and I'm talking about the preventative medical attention, number two, that we have to give our children, the basic inoculations against disease, which we will compromise if we are unemployed. We're not going to give our kids the basic inoculations against these basic diseases that we have eradicated in our country, and through a great deal of pain, effort and money no longer exist in our country, and I can see if we do not address this acute issue, they are going to come back. We are going to have the polio, we are going to have the diseases we have eradicated in this country if we don't address this critical issue.

Then, as Assemblyman Felice points out, there needs to be private sector participation in the overall future health benefit programs for the State of New Jersey. So, I see that as being the thrust of what we have to address here today, and deal with, and respond to. Perhaps others see it differently, but certainly I wanted to make sure that it is clearly understood in my eyes that there has to be, at this point in time, government participation. I thank you for calling these matters to our attention.

ASSEMBLYMAN OTLOWSKI: Thank you very, very much, Mr. Foy.

MR. FOY: Thank you, Mr. Chairman and members of the Committee.

ASSEMBLYMAN HAYTAIAN: Mr. Chairman, before Mr. Foy leaves -- One suggestion you made, and I think it deserves a response because it is important, the revenues from the casinos for the extra hours, if that occurs, that revenue is committed to senior citizen programs and, unfortunately, because of a Constitutional amendment, cannot be used in other areas, and that is the only way it passed, if I remember correctly, that it was only to be used for senior citizen programs. So, in essence, it can't be done for the program you're asking for.

ASSEMBLYMAN OTLOWSKI: Excuse me. Mr. Foy, before you answer that question, Assemblyman Visotcky was talking to me this morning, and we will probably get into that later when we hear from the insurance people, and when we hear from the Department of Human Services -- Assemblyman Visotcky was talking about financing some of these costs, and particularly the costs for senior citizens, those who could qualify as senior citizens under a medical program. That possibility could be explored as far as going into the casino monies for this purpose. Assemblyman Visotcky will probably develop that later on when we get into Human Services' testimony, and with the Insurance Commissioner's testimony.

Assemblyman Haytaian, what you are talking about is something that is real, but there is a possibility that that can be tied in and may come out of this hearing.

That, however, leaves the near poor, who are not eligible for welfare programs, or who do not qualify as indigents for hospital care purposes, without protection. Our concern extends especially to those marginally poor who are not destitute enough to qualify for Medicaid or for hospital care as indigents. It is this group of individuals with limited resources who find themselves caught in the middle, so to speak, and this requires that the Department of Insurance act discreetly when granting approval to increases for health insurance.

In reviewing the rate applications, the Department must carefully weigh the increases in premium against the increased medical and hospital costs, so as not to make the coverage unaffordable for the marginally poor. It is essential, here in New Jersey, that we retain a viable, residual health insurance market mechanism and that such a mechanism provide comprehensive coverage at affordable prices.

As you may know, any health insurer in New Jersey that provides comprehensive health insurance at affordable rates, may apply for a hospital payment differential, or a discount if you will, by making application to the Hospital Rate Setting Commission. To date, only Blue Cross has qualified for such a differential because of their role as a residual health insurance market mechanism.

We would like to take this opportunity to inform the Committee that as of this time, there are no regulations or statutes that control the continuation or conversion of group health insurance plans, except in the event the employee is totally disabled. It is our understanding that legislation in the form of S-1007 has been prepared to require group health insurance policies to provide for a mandatory conversion privilege. The Department is on record as being in favor of this bill. Thank you.

ASSEMBLYMAN OTLOWSKI: Let me ask you this question, Mr. Hanssler. At the present time, would the system that is in operation -- those people who are working and who have coverage now are absorbing the hospital costs of the unemployed. Is that so?

MR. HANSSLER: Those people who have coverage now, indirectly are absorbing the costs of those who cannot pay, yes.

ASSEMBLYMAN VISOTCKY: How much?

MR. HANSSLER: That I cannot tell you.

ASSEMBLYMAN VISOTCKY: According to Mr. Fraser's report here, it is as high as \$30.00 a day that is underwritten by the insurance companies -- that people are paying. You say in here that it is affordable. What is affordable for the unemployed? Unemployed we're talking about now, or those who have no monies coming in. What is affordable?

MR. HANSSLER: If they have no monies coming in, then affordable is, as you suggest, a meaningless term.

ASSEMBLYMAN VISOTCKY: Affordable is \$302.00 a month, or \$200.00 a month, that's in Michigan. I don't know what it is in New Jersey. But, you know, you're not telling me anything. What is affordable?

MR. HANSSLER: I did not come here to tell you what is affordable, sir.

ASSEMBLYMAN VISOTCKY: You came here to tell us something to solve this problem.

MR. HANSSLER: I came here to tell you --

ASSEMBLYMAN VISOTCKY: You are telling us it is affordable, sir -- wait a minute, excuse me. You're telling us it is affordable -- I want to know what is

to work, in view of the kind of crisis that is imposed upon the system?

MR. HANSSLER: It is under pressure, without question. I have received no complaints that it is under such a strain that it is going to fall apart, and I'm hoping that it will continue and, as recovery takes place, it will survive.

ASSEMBLYMAN OTLOWSKI: Then, are you saying that the system that we have in place now is working and can carry this load without any serious injury to the system? Is that what you're saying?

MR. HANSSLER: I think with refinements, as we go down the line, that the system will survive. It will carry this so-called load that you are speaking of.

ASSEMBLYMAN OTLOWSKI: What kind of refinements do you foresee that have to be done to maintain this system?

MR. HANSSLER: Well, one of the shortcomings of the rate control system, the way I see it, is the so-called unbundling of services, where the profitable cost centers are contracted out to private groups. By doing this we lose control over the regulation of the charges that are being made. That is one of the main problems I see at this time.

ASSEMBLYMAN OTLOWSKI: The main problem is what that you foresee?

MR. HANSSLER: The unbundling of services by hospitals to private groups, such as radiology, anesthesiology, whatever it may be.

ASSEMBLYMAN OTLOWSKI: You mean they'll start cutting them out?

MR. HANSSLER: Right. They have private contractors performing the services, instead of the hospital billing directly for the services performed.

ASSEMBLYMAN OTLOWSKI: Let's take a specific case, so that we can understand it in view of internals. Let's take a specific case. Let's assume that I'm unemployed, that all of my coverage has run out. I become afflicted with the possibility of a very serious disease, and I go to a hospital for admission. One of the first questions they are going to ask me is if I am covered. That will be the big question. I will tell them that I am not covered. They then will ask me what kind of assets I have. I will then tell them I have just lost my house, and that I don't have any assets. The hospital at this point, from some of the complaints that I hear, will be very reluctant to admit me. What happens under those circumstances? What mechanism is there to treat that situation?

MR. HANSSLER: Actually, Mr. Chairman, this question should be raised of a representative of the Department of Health, but I'll just answer it from my personal point of view --

ASSEMBLYMAN OTLOWSKI: No, I'm satisfied with that answer.

MR. HANSSLER: -- and that is, that the hospital would admit the patient and, if the patient is not able to pay, then the costs would be absorbed through the uncompensated care element in the financial structure of the hospital. And, as I said before, that cost would then be distributed amongst all the payers.

ASSEMBLYMAN FELICE: Would or must?

MR. HANSSLER: Must -- under Chapter 83, Laws of '78, yes.

ASSEMBLYMAN OTLOWSKI: Assemblyman Visotcky, do you have any questions?

ASSEMBLYMAN VISOTCKY: You know, you paint such a rosey picture of the whole situation, I wonder what we are doing here. You say -- the Department of Insurance says, "Here in New Jersey when a person finds himself or herself without coverage, there are options available." I want to know what options are available to me, and I have no money. And don't tell me again it is going to be a welfare recipient, where everybody

ASSEMBLYMAN PELLY: You suggest that here in New Jersey when a person is without coverage, one option available is Blue Cross and Blue Shield through their Co-op. What would it cost a family under the family plan for that program?

MR. HANSSLER: Blue Cross and Blue Shield representatives are here, but I can just in general say -- I don't have the rate card -- it is in excess of \$1,000 a year, if that will give you any indication.

ASSEMBLYMAN PELLY: A family of husband and wife under the plan --

MR. HANSSLER: With maternity benefits and so forth, right -- a family plan. It's \$290 a quarter I understand.

ASSEMBLYMAN PELLY: And the maximum unemployment benefit that a person could get weekly, would be what?

MR. HANSSLER: I am not familiar with those figures. That is not part of our function in the Department of Insurance.

ASSEMBLYMAN PELLY: I heard the figure \$145 or \$140 mentioned here earlier.

ASSEMBLYMAN VISOTCKY: \$158.

ASSEMBLYMAN PELLY: \$158. So, the point I make, and what I am concerned about, and I think what this Committee is concerned about, is the person who -- the family which has been working, having perhaps one person working in that family of four or five, and maybe that person is making \$15,000 or \$16,000 a year -- under \$20,000 certainly -- and through struggling has gotten a house, a mortgage and, perhaps, has put some equity into that home to the extent of maybe \$10,000, or even \$12,000 if that person has been struggling and diligent for a long period of time, and then suddenly that person becomes unemployed, and the person who becomes unemployed has four mouths to feed and gets \$158 a week, assuming that person gets that maximum. Out of that \$158 a week, that person has to continue to make the insurance payments, and certainly has the option of going to the private plan at a cost of \$290 a quarter; has to continue with the mortgage payments, and everything that we need to do in order to survive. I see that person not having too much opportunity to survive under those conditions. I see only one alternative; maybe you may see others.

I see one alternative. That person is going to have to sell his equity in that home in order to continue surviving and, certainly, in our society there has to be another alternative to that person, who through no fault of his own becomes unemployed, has no options other than to sell his house, or perhaps not be insured. I can see a person saying, "You know, I want my family to have a home. I'm willing to risk not being insured and, if I'm not insured and I become critically ill, I'm willing to forgo medical treatment in an effort to do something better to make it better for my family." I can't see us, in our country and in our State, wanting to put people in that position, people who truly want to work. I'm talking about people who really want to work and who, as I say, through no fault of their own become unemployed. I think we have to provide an alternative to that. And, if you agree, maybe you could help us by suggesting an alternative to that.

MR. HANSSLER: While you were speaking, Assemblyman Pelly, I couldn't help but reflect back on Governor Kean's infrastructure and what I suggest to you now goes along those lines. I was thinking of granting the unemployed person the right to finance his insurance premiums, either directly with the insurance company through an installment plan, or something, or, if the State wishes, here they could set up a revolving fund and allow the unemployed person to borrow money during this trying period

us?

hospital situation -- the New Jersey Hospital Association, if he is here. I think this is important. It all sounds, you know, very good, but it is amazing. I know other Assembly people are hitting the same thing. People call up, "I took my mother," "I took my uncle who is very old to the hospital, and I was refused unless I would sign over everything that I would be responsible for this or that," or those people themselves were turned away and they had to go to other hospitals or find some kind of treatment. I wonder if you have any answers to that? I'm just questioning.

MR. HANSSLER: Well, I'm not the expert at this, but I can give you my impression that under the Hill-Burton Act, and I couldn't even recite it to you, or give you a reference for it, but it is a Federal act -- this Act requires the hospital to provide care to anyone.

ASSEMBLYMAN OTLOWSKI: If they took Hill-Burton monies -- if the hospital took Hill-Burton monies, that was the agreement that the hospital would have to sign to qualify for the Hill-Burton monies. But, in many instances, of course, that is no longer applicable, because hospitals are not taking Hill-Burton monies.

ASSEMBLYMAN FELICE: So, there are openings where these people cannot get the type of service that we're talking about.

MR. HANSSLER: In view of the system that's in place, that I tried to inform you of this morning, I see no excuse on the part of any hospital not to take anyone into their fold, because they do have the opportunity to spread those indigency costs amongst all payers.

ASSEMBLYMAN OTLOWSKI: Excuse me. I wish that Assemblyman Felice would hold that question until later on for somebody from the Hospital Association, who would be in a better position to answer that. Thank you very, very much. We appreciate your testimony.

May we have Mr. Farrell from the Public Relations Division of Blue Cross?
J O S E P H F. F A R R E L L: Good morning, Mr. Chairman. How are you? I have with me Art Fried, who is the Director of Public Relations for New Jersey Blue Cross, seated to my right. We certainly want to thank you, Mr. Chairman, for inviting us to tell you and the Committee what Blue Cross does make available to those who are unemployed, those who are unhealthy within the State of New Jersey.

To first respond to a question that Assemblyman Visotcky first alluded to -- "How can we make health insurance affordable to those who have no funds to pay the premium?" We certainly don't have an answer to that question.

ASSEMBLYMAN OTLOWSKI: You certainly what?

MR. FARRELL: We certainly do not have an answer in response to that question. Certainly, faced with other factors of cost of living and just surviving day to day, certainly health insurance premiums are high, as you heard Mr. Hanssler say. The price is approximately \$290 per quarter for Blue Cross and Blue Shield coverage with Rider "J."

ASSEMBLYMAN VISOTCKY: Excuse me. That is a private plan, how much --

MR. FARRELL: Yes, that is a private plan.

ASSEMBLYMAN VISOTCKY: -- is it in a group plan, like a State of New Jersey employee?

MR. FARRELL: The group plan may vary. It may be higher or lower than that.

ASSEMBLYMAN VISOTCKY: Roughly?

MR. FARRELL: It is at least equal to those amounts -- at least equal to.

Workers, and General Motors and Ford groups -- continue to pay the premiums for these individuals for some cases up to a year's period of time.

With employer concurrence, we permit the upgrading of contract types to include a spouse who was not previously included on the subscriber's coverage. We feel this additional access to coverage has helped many laid off workers to be covered immediately. We offer each laid off person from a company having Blue Cross the opportunity to purchase continued coverage with us, without any waiting period or without any physical examinations through a group conversion contract. As Mr. Hanssler alluded to, we have a continuous open enrollment program where we take on all subscribers, all individuals, regardless of their health. We continue to offer non-group or direct payment coverage that can be purchased by any employees, regardless of the type of coverage they had with their former employer. Through our direct payment program, those individuals who have the contract directly with Blue Cross, we cover over 877,000 subscribers in the State of New Jersey. This, I might add -- the availability of this type of coverage on an individual basis is shrinking, as many of your major insurance companies are leaving this type of market.

In addition, we make available major medical coverage, which Assemblyman Visotsky alluded to earlier, which again is available to individuals. Although we have many coverages available, again, the paying for this coverage can be a burden for the unemployed and, in fact, I'm sure it is a burden. Faced with other essential priorities, such as food and shelter, the cost of insurance just may be too high to afford.

A recent article in the Star-Ledger attributes the significant increase in hospital bad debts over the last year to the growing number of unemployed in New Jersey. Under our State's hospital rate setting law, these bad debts are passed on to those who pay their bills, meaning Blue Cross and other commercial carriers, in the form of higher hospital charges. A number of states have passed legislation designed to fund and make available what they call "catastrophic or comprehensive" coverage to those citizens who can't otherwise afford this type of coverage. They do this through a risk-pooling arrangement, where a number of insurance companies gather together, come up with a program, and sell it to those who need it. There are several drawbacks in these pooling arrangements. First is the question of who participates in this pool. Current ERISA regulations exempt some plans from participating, especially those self-funded programs or multi-employer trust programs. Secondly, the pools do not provide affordable coverage. They make the coverage available, but, again, it is usually at a very high cost.

In New York we have recently seen a bill introduced titled, "The Unemployment Health Insurance Protection Plan of New York." The bill seeks to provide coverage to those who are unemployed. The premiums to pay for that would be deducted from the unemployment checks. The bill does not address the affordability, or what occurs should that pooling arrangement end in a deficit. There is also another bill of a similar nature in the State of Pennsylvania.

On a Federal level, you may well be aware of Senator Riegle's bill known as S-307, Health Insurance for Unemployed Workers Act, which was introduced the end of January, 1983. The bill's objective is to assure that health coverage would be continued for at least one year after the individuals were laid off.

ASSEMBLYMAN OTLOWSKI: Who would pay the difference in the course of that year?

MR. FARRELL: That would be left up to the pool. In other words, the pool arrangement, all those insurance companies that join in this pooling arrangement.

MR. FRIED: Mandated benefits are benefits that are mandated by the Legislature that we must provide. For instance, marriage counseling services, alcoholism --

ASSEMBLYMAN OTLOWSKI: Do you have to tell us what we did to you?

MR. FRIED: What?

ASSEMBLYMAN OTLOWSKI: Do you have to tell us what we did to you? Mandated services are what?

MR. FRIED: Mandated benefits.

ASSEMBLYMAN OTLOWSKI: Or, mandated benefits are what?

MR. FRIED: For instance, Assemblyman Otlowski, you recall recently there was a bill before the House that would mandate that Blue Cross and other insurance companies provide coverage for marriage counseling. It all adds up to the premium. It all keeps adding, and adding, and adding. That is in addition to the normal trend of inflation. Excuse me for interrupting.

MR. FARRELL: Mr. Chairman, that concludes my remarks. We would certainly be willing, as a major insurer in the State of New Jersey, to work with your Committee in coming up with something that would be available to the unemployed.

ASSEMBLYMAN OTLOWSKI: You know, you're here from a vantage point. The vantage point, of course, is the fact that you are in the business. You see all the problems probably more acutely than any one of us, because really that is your business. Now, from where you sit now, with the crisis we're in with the unemployed, obviously it is affecting your system because it is costing your people more money -- the people who are in your system, it is costing them more money. And, as we indicated, they are going to be pressed more and more as this problem gets larger, and their share of payment will be larger. From that point of view, and in thinking of your own survival, because you are only going to go up to a point and then, as I said, you are going to kill off the people who are a part of your system -- for your own survival, have you anything to suggest, do you see some of the things that have to be done, for your own survival, some systems, of course, that Assemblyman Visotcky was talking about, some alternative system that can take care of the crisis, that can take care of the long-run program? Have your people -- The one thing about planners, I was told, is that they have been consistently wrong for the last fifty years and that is why we're in the mess that we're in. But, have you thought this out? Have you any suggestions of how to save yourself?

MR. FARRELL: Well, we haven't planned for that kind of program at this point in time. We do make all the coverages we have available to the unemployed, to those regardless of health, whatever. We are probably by far the least expensive program in the State of New Jersey when comparing ourselves -- in other words, Blue Cross as opposed to commercial insurers.

ASSEMBLYMAN OTLOWSKI: I'm not saying that. What we're saying, is that your costs are escalating because you are carrying a bigger load now. A load is being imposed upon you.

MR. FARRELL: Yes. That load did not exist -- in fact, it only started to exist in 1978, when, through that hospital rate setting mechanism, we picked up those bad debts and indigent accounts.

ASSEMBLYMAN OTLOWSKI: Yes, but the fact of the matter is that we are in a very acute crisis now. Its depth, you know, hasn't been measured. Obviously, from what people have said here this morning, its depth hasn't been measured. Its

MR. FARRELL: Yes.

ASSEMBLYMAN VISOTCKY: Isn't he or she included in the hospital day, and now it's a separate bill. Don't tell me no; it happened to me. Isn't it a separate bill now?

MR. FARRELL: The radiologists are billing through --

ASSEMBLYMAN VISOTCKY: When was that ever deducted from the hospital day? The daily use of the hospital? That was automatically in it right along?

MR. FARRELL: Yes.

ASSEMBLYMAN VISOTCKY: I didn't see the rates go down because radiologists aren't included in that.

MR. FARRELL: That I do not know. Perhaps someone from the --

ASSEMBLYMAN VISOTCKY: You know, everything goes up, nothing goes down.

MR. FARRELL: I don't get involved with rating or actuarial figures, but perhaps someone from the Hospital Rate Setting Commission, who I think is on your schedule today, could address that topic.

ASSEMBLYMAN OTLOWSKI: Assemblyman Pelly?

ASSEMBLYMAN PELLY: I have no questions.

ASSEMBLYMAN OTLOWSKI: Assemblyman Haytaian?

ASSEMBLYMAN HAYTAIAN: On the question of quarterly payments, it was mentioned that approximately \$290 was the cost on a private plan.

MR. FARRELL: Yes.

ASSEMBLYMAN HAYTAIAN: Could you, or do you have a breakdown of the actual dollars of that \$290 that go to the patient for hospital use and the dollars that are used for administrative costs in the plan? Is that broken down?

MR. FARRELL: If you're talking about premium --

ASSEMBLYMAN HAYTAIAN: Yes.

MR. FARRELL: You're talking about premium. I do have the breakdown. I could provide you with the premium for Blue Cross, for Blue Shield, and for Rider "J," that would compose that \$290 figure.

ASSEMBLYMAN HAYTAIAN: The reason I'm asking that question, I think it's important. The question was asked -- I think Richard asked it, or Frank asked it, I'm not sure -- about the fact of coverage on a private basis versus the group coverage. If we are really interested, this Committee and this State, are really interested in helping those that are unemployed, then I would be in total agreement that we would look at the administrative costs, be able to possibly pick up those administrative costs in State government on a premium basis, versus the actual cost of hospital care for those people who are unemployed, and let them find a means and way of paying that part of it, so that it is a joint payment -- a compromise, and that's really what government is all about, so that we can look at that aspect of it. The only way I know to be able to even put that in bill form, if we would agree on something like that in bill form, would be to have cost breakdowns, and that is, administrative costs on one end versus the actual cost for the hospital care out of a \$290 quarterly payment. I would appreciate that kind of information.

MR. FARRELL: I can tell you this, if you're interested in administrative costs, and I can only speak for Blue Cross. Our administrative cost is only \$.04 on every dollar of premium that we generate. In other words, \$.96 of every premium dollar that comes into us -- I'm sorry. For every dollar that comes into us, \$.96 goes out in the form of hospital benefits; \$.04 on every dollar is maintained by us to administer our whole operation -- to support our employees, computer hardware, and things

forth, and if it gets to that point, you are going to have a government-controlled program, and that is certainly something none of us would like to see. We would like to see people in industry helping themselves.

MR. FARRELL: Yes.

ASSEMBLYMAN FELICE: Every time you turn around, it looks like you're going down that path. It frightens me, quite honestly, because looking at the reports of other countries and socialized medicine, that wasn't the answer either. I hear these things, and it gets me a little alarmed. Thank you.

MR. FRIED: I'm very sorry we can't explain the affordability as far as this is concerned, other than the fact that we do make it accessible.

ASSEMBLYMAN VISOTCKY: That is not affordable.

MR. FRIED: I know we're not telling you anything that you want to hear.

ASSEMBLYMAN OTLOWSKI: Frankly, I'm disappointed; I thought you would have a bigger contribution to make. That's no reflection on you, but maybe it's that I expected too much from you, because being in the business I thought you would have a better handle on the total picture. But, really, you're interested in running a good operation, notwithstanding everything that is being thrown at you. But, in any event, I don't want you to go home depressed, because it will only increase the cost.

MR. FRIED: No, we promise we won't. As you well know, we are a well regulated company. The Department of Insurance sets our rates, and the Department of Health indicates what we pay the hospitals through the Rate Setting Commission. We're like a flow-through, really.

ASSEMBLYMAN VISOTCKY: Maybe they ought to sit down and talk more often.

MR. FRIED: I beg your pardon.

ASSEMBLYMAN VISOTCKY: Maybe they ought to sit down together and talk more often.

ASSEMBLYMAN OTLOWSKI: And not only that, I would recommend that you leave quickly, and quit while you are ahead, before you get Assemblyman Visotcky on your back.

MR. FRIED: Thank you, gentlemen. Thank you very much.

ASSEMBLYMAN OTLOWSKI: Thank you very much. Is Michael J. Greer here? Michael, you hold yourself out as a citizen; you want to testify as a citizen. Sit down, citizen, and give us your name and your address.

M I C H A E L J. G R E E R: Thank you very much. My name is Michael J. Greer. I live at 82 Varsity Road, Newark, New Jersey. I happened to have the pleasure, and maybe by accident, of getting involved in the health care system in New Jersey. My star guide, Bill Naples, was involved in planning neighborhood health centers in the City of Newark. He then became Assistant Administrator and Director of Planning at United Hospitals in Newark; then worked on the Penderdell Report in Philadelphia, where we did research study on benefits, where corporations wanted to know with the high cost of hospitalization where it was going, and what they could do about controlling costs in hospitals, and what have you.

ASSEMBLYMAN OTLOWSKI: Michael, I think you have given us sufficient identification. Let me ask you this question which seems to be bugging the Committee here. If a person has no coverage, no assets, no money, and he goes to a hospital for admission for a, say a serious disease, what has your experience been in those situations with hospitals generally?

MR. GREER: Because I know the hospital system, there are two things you can do. You can go to the emergency room and get admitted to the University

problems with the unions because --

ASSEMBLYMAN OTLOWSKI: Yes, but Michael, you're talking about a cost containment program, which undoubtedly would be a very complex program.

MR. GREER: The cost containment programs on the Voluntary Committee of New Jersey, which I read not too long ago, are still on the books -- I mean, they are still suggestions, and I don't think that if you did any studies on preadmission testing, on utilization review, you'd find that --

ASSEMBLYMAN OTLOWSKI: But, you have no other suggestion to make to meet this crisis at the moment, other than better cost containment programs? Isn't that what you're saying in effect?

MR. GREER: Well, monitoring them, yes.

ASSEMBLYMAN OTLOWSKI: Monitoring. And how would you monitor them?

MR. GREER: Well, you would take all the programs that Blue Cross/Blue Shield uses, or the Hospital Association uses, and really go out into the hospitals with a team. Basically, right now, I think the Department of Health does it just on the auditing side, but it doesn't do it in terms of -- like, take for instance -- let's take Bergen County. Let's give you a hypothetical example, Bergen County. You would take all the industries in Bergen County and find out their benefit programs and the hospitals -- you would look at all the hospitals, and then you would, through regionalization, you would find out what hospitals do the best in, let's say renal dialysis. And you would say, well for those corporations who have the benefits of renal dialysis, they should be using one facility, instead of having three or four facilities with the same renal dialysis. If we did more regionalization and more cost containment, then maybe we could save some money to deal with the other issues of unemployment, and those people who do not have money to pay for that, because if you do not -- The same thing happened in Newark with a medicated waiver. You had something like 90,000 people who were in between Medicaid, -- who were working, but who could not afford health insurance because their employers did not provide it for them. We're talking about employers with maybe fifty or below employees, who cannot afford to buy the health insurance and their employees don't have it. So, what they do is, they go to the emergency room and cause bad debts, and it is going to cost New Jersey more as opposed to having an effective management system.

ASSEMBLYMAN OTLOWSKI: Michael, you are primarily talking about cost containment. Thank you very, very much. May we have Mr. Archer Cole, who is the President of District 3, International Union of Electrical, Radio and Machine Workers, AFL-CIO?

Mr. Cole, you are going to have Mrs. Policastro supplement your testimony?

MR. COLE: Well, I brought her down here, and she wants to speak. She is one of the victims.

ASSEMBLYMAN OTLOWSKI: All right, let's see where you're going. Just for the record, do you want to identify yourself?

A R C H E R C O L E: My name is Archer Cole, and I am President of District 3 of the International Union of Electrical, Radio and Machine Workers, AFL-CIO.

ASSEMBLYMAN OTLOWSKI: Would you just hold it one minute?

MR. COLE: Sure.

ASSEMBLYMAN OTLOWSKI: I'm sorry.

MR. COLE: I'm also First Vice-President of the New Jersey Industrial Union Council, AFL-CIO, a federated body of industrial and public sector unions.

plant in Edison, and discovered that coverage for a husband, wife and two children, with maternity benefits included, came to \$190 per month, which exceeds, of course, the weekly unemployment insurance in New Jersey by far.

3. The laid-off worker and his family are left without any coverage whatsoever.

In this connection, a study made by the Congressional Budget Office early this year revealed that in the United States today, there are eleven million unemployed without health coverage, affecting over thirty million individuals.

In preparation for this hearing, in order to ascertain for ourselves what the condition in New Jersey actually is, the Industrial Union Council, this past week, sent out teams of interviewers into six unemployment insurance offices. We were in Trenton, New Brunswick, Perth Amboy, Newark, Hackensack, and one other office, having received permission and cooperation from the New Jersey Department of Labor for the survey -- a copy of the survey form is attached, by the way.

Each of the unemployed in being asked these questions, was told that he did not have to give his name if he chose not to.

ASSEMBLYMAN OTLOWSKI: Excuse me. Is that survey completed?

MR. COLE: Yes.

ASSEMBLYMAN OTLOWSKI: Did you make it available to the Department of Labor?

MR. COLE: We just finished it. I have the results here with me today.

ASSEMBLYMAN OTLOWSKI: And you are going to make it available to them?

MR. COLE: We will make it available today. We had 800 -- 800 people were covered.

ASSEMBLYMAN OTLOWSKI: And will you make it available to the Committee? Will you mail it to David Price?

MR. COLE: I sure will. I have some preliminary figures, because we just finished it.

Most of the unemployed did give their names, and complimented the union for their interest and concern over their plight. With over 750 returns already tabulated and more to come, we find the following trend among the New Jersey unemployed:

1. Of those surveyed, their unemployment averaged around four months duration. That's very high.
2. Close to 60% have no coverage whatsoever for medical and hospital bills at the present time.

ASSEMBLYMAN OTLOWSKI: Sixty percent have no coverage at all?

MR. COLE: Whatsoever.

ASSEMBLYMAN OTLOWSKI: Of the 230,000?

MR. COLE: Of the 750 surveyed. So, of course, in 750 you can project. In fact, all the trends in the six offices were similar. Some were 55%, or 59%, but they were close to 60%.

3. Around 30% have coverage as a result of their spouse's employment. So, if their spouse works, they get covered as a dependent.
4. In addition, around 10% are paying for their own coverage in amounts ranging from \$50 to \$150 per month, depending on the plan they are attached to.

I am encouraged to learn from Congressman Torricelli, with whom I met last Friday, that he is cosponsoring a bill which would provide medical-hospital coverage for the unemployed.

We should get behind this legislation through the action of the State Legislature as proposed above, and publicize the results of this Committee's findings so that a ground swell will develop in this State, as it has already in others, for Federal action in these critical times.

I think it would also be fruitful if, in the course of this hearing, we could explore to see if some emergency funds could be allocated immediately by the State, to deal with this matter until the Federal government acts.

ASSEMBLYMAN OTLOWSKI: Mr. Cole, your questionnaire is not going to show age, is it? It doesn't show age.

MR. COLE: No, we didn't do that, and that is a failing, I can see that, and yet we felt --

ASSEMBLYMAN OTLOWSKI: Yes, because I'll tell you, one of the things we were talking about, you know, there may be an answer for age, because of the fact that we could probably take advantage of the casino monies. But, this survey will not show that. You are pointing out that there are about 230,000 unemployed in New Jersey?

MR. COLE: Two hundred and ninety-eight thousand.

ASSEMBLYMAN OTLOWSKI: How many?

MR. COLE: Two hundred and ninety-eight thousand.

ASSEMBLYMAN OTLOWSKI: Two hundred and ninety-eight thousand?

MR. COLE: Yes.

ASSEMBLYMAN OTLOWSKI: But, you have no idea of the age groups of those 298,000?

MR. COLE: We can easily find that out through the Department of Labor. They would give it to your Committee without any trouble.

ASSEMBLYMAN OTLOWSKI: Could you get that from the Department of Labor?

MR. COLE: I sure can; I'll bet you have better access than I.

ASSEMBLYMAN PELLY: We found out not.

ASSEMBLYMAN OTLOWSKI: We don't have any access at all; we found that out this morning.

MR. COLE: Okay. Yes, I promise to get that then, if you don't have access.

ASSEMBLYMAN OTLOWSKI: Would you get that for the Committee?

MR. COLE: Yes, let me make a note.

ASSEMBLYMAN OTLOWSKI: And mail it to David Price?

MR. COLE: Yes, I will.

ASSEMBLYMAN FELICE: Mr. Chairman, a point of interest on the questionnaire. I have to run in a minute, but you did a questionnaire survey of 700 people.

MR. COLE: Yes, almost 800.

ASSEMBLYMAN FELICE: Right, okay. On your questionnaire, you said, "Did you have medical-hospital coverage in your previous job?" What percentage of that 700 or 800 did not have coverage?

MR. COLE: A very small percentage.

ASSEMBLYMAN FELICE: Well, then it is not 60% of that 700, is it?

MR. COLE: It's 60% of all those who answered that they had previous coverage.

MRS. POLICASTRO: Well, its \$177 every three months.

ASSEMBLYMAN OTLOWSKI: A month?

MRS. POLICASTRO: No, every three months.

ASSEMBLYMAN OTLOWSKI: You're paying what, about \$800 or \$900? Let me ask you this. Since you are unemployed now, how do you manage to get that kind of money to pay that?

MRS. POLICASTRO: This is what I was bringing out, too. I was using my own personal savings to pay for this.

ASSEMBLYMAN OTLOWSKI: So, you're using your savings?

MRS. POLICASTRO: Right. In two months, I will be out of my savings, I will not be able to pay it, and I will have no insurance.

ASSEMBLYMAN OTLOWSKI: And those savings will be depleted shortly?

MRS. POLICASTRO: Right.

ASSEMBLYMAN OTLOWSKI: And when those savings are depleted, you will be out of business. Then what?

MRS. POLICASTRO: The only thing that people have suggested is that I go to welfare, because I do not have any other income. I'm living with my sister and, you know, she's taking care of me. ;

ASSEMBLYMAN OTLOWSKI: Let me ask you a very personal question. You don't have to answer; I know how sensitive girls are. How old are you?

MRS. POLICASTRO: I'm fifty-eight.

ASSEMBLYMAN OTLOWSKI: You're fifty-eight?

MRS. POLICASTRO: Right.

ASSEMBLYMAN OTLOWSKI: And right now, of course, what you are afraid of is the fact that you are going to exhaust your savings and you will not be covered?

MRS. POLICASTRO: Right.

ASSEMBLYMAN OTLOWSKI: And there is nothing that you foresee, or nothing that has been suggested that would give you that kind of coverage?

MRS. POLICASTRO: Nope.

ASSEMBLYMAN OTLOWSKI: What do you think the Committee can do by way of legislation to cover people like you?

MRS. POLICASTRO: Well, I don't know. I was reading an article in the News Tribune, and they said if anybody was interested in this --

ASSEMBLYMAN OTLOWSKI: Where do you live?

MRS. POLICASTRO: I live in Avenel.

ASSEMBLYMAN OTLOWSKI: You're in my district.

MRS. POLICASTRO: Yes.

ASSEMBLYMAN VISOTCKY: That's why they brought her.

ASSEMBLYMAN OTLOWSKI: Well, if you had said that right off the hop, I would have given you unlimited time. Let me ask you this. Have you any suggestions to make to the Committee?

MRS. POLICASTRO: No, not really as far as suggestions. I just wanted to give my story to, you know, let you know what average people are going through on the unemployment bit.

ASSEMBLYMAN OTLOWSKI: As a matter of fact, your story is a very poignant story, and it brings this whole thing to light. Here you are, about to exhaust your savings, and after that, you know, where do you go?

MRS. POLICASTRO: Right, that's what I asked at the end of my thing. What do I do? Help me.

just write me a letter about that, and let me go into that on that basis. Let's not take up the time of the Committee. You write me a letter about that problem, and let me get into that. Okay?

MRS. POLICASTRO: All right, thank you.

ASSEMBLYMAN OTLOWSKI: Thank you very, very much. May we hear from the Department of Human Services?

FROM AUDIENCE: We have Mr. Thomas Russo, who is Director of the Division of Medical Assistance, and Mr. Edward J. Dailey, Assistant to the Commissioner.

ASSEMBLYMAN OTLOWSKI: All right, who is going to go on first?

MR. RUSSO: I will.

ASSEMBLYMAN OTLOWSKI: May we have your name and your title, and the department you are representing?

T H O M A S M. R U S S O: I'm Thomas M. Russo, and I am the Director of the Division of Medical Assistance and Health Services in the Department of Human Services.

ASSEMBLYMAN OTLOWSKI: Do you have any written testimony?

MR. RUSSO: I have pieces of written testimony; however, I will provide you with a document later on.

ASSEMBLYMAN OTLOWSKI: All right, they will be part of the record -- whatever you say.

MR. RUSSO: The Department of Human Services, Mr. Chairman, is pleased that you are holding this hearing today because, as you well know, the Department operates the Medicaid program, and we have been very interested in the potential effect of unemployment on the rolls in reference to Medicaid eligibility. I have some statistics that you may be interested in today in that respect. Also, as I was sitting here listening to the other testimony, I jotted down five recommendations and suggestions that you might be interested in, as to ways you might want to address this problem.

First of all, as you know, under recent Federal changes, there have been less persons eligible for the Medicaid program, and we have been witnessing over the past months a continuing decline in the number of eligibles. In reference to unemployment, we are especially interested in two-parent families, because this basically is the employable group. Our figures show that there has been a downward trend in Medicaid eligibility in this group, and we have taken some figures from February of 1982, August of 1982, November of 1982, and so forth, to the present time. However, as of January of this year, and beginning basically with this month, we have seen an upward trend in the number of two-parent families which now are becoming Medicaid eligible. It is not a tremendous increase, but there are an additional 812 individuals who have been added to the rolls from about an additional 190 two-parent families.

Now, whether or not this is the beginning of a trend or this is some abnormality, we really do not know at this point, but it is the first break that we have seen in Medicaid in this group since the basic decline has begun.

I'm just trying to go over this so I do not read all of this. The question for us is whether unemployment is responsible for the new increase in Medicaid eligibility or not. We really do not know that answer at the present time.

ASSEMBLYMAN OTLOWSKI: You haven't made that kind of a fine analysis yet?

MR. RUSSO: Well, it's really too early, because we're just seeing this increase in the two-parent family eligibles, and whether or not that is going to continue next month and the month after that, we really do not know.

are some suggestions as to how the State of New Jersey might want to address this problem. Needless to say, you can't do it for nothing. They all have some costs to them. First of all, we have, as you know, the PA&D program, the Pharmaceutical Assistance to the Aged and Disabled Program. Some of the people, if they are over sixty-five, might possibly qualify for that program, but then again, that number is probably relatively small because of the age limit. That program could be amended to provide some sort of a special provision in it for the unemployed. You would, obviously, have to drop the age limit down to something less than sixty-five, but then you would have to put in some sort of control safeguards, so you only need provide benefits -- drug benefits to the fully unemployed, and you would have to have some criteria. For example, they would have had to have exhausted all their unemployment benefits, there would have to be some certifications that they have no other health insurance coverage, and there would have to be some kind of a needs assessment where you say, "Well, you have reached a point where you now can qualify for at least drugs during the period that you are unemployed."

Another thought that I had was to have the State, for example -- again, when you define the person as being eligible, to somehow pay the premium for private insurance coverage for this special group, and that could be under a contract with a private carrier. You might be able to piggyback, for example, in some way on the New Jersey State employees' program, where you have a large group already, and you might be able to piggyback and actually get a premium benefit out of that, because you are increasing the volume of the program and the number of enrollees. That is just another thought. Again, you would have to really specify who is eligible for it.

The State could, for example, set up on some temporary basis, some clinics in the neighborhoods, and staff them with State physicians who could be there to provide primary medical care and some basic routine care that these individuals might need and, again, you would have to qualify who could use that. Taking a look at the unemployment situation, there are unemployment benefits, and possibly somehow you could put some sort of a surcharge on those unemployment benefits and payments that are made into the unemployment fund, which could be set aside for a health care fund, and that health care fund might be used to pay premiums to a private carrier to buy some catastrophic insurance coverage for the unemployed. I was on vacation in Nova Scotia a few years ago, and after having dinner in one of the restaurants there I got my dinner bill, and there was a tax on it, and it was a health tax. I said, "What is this for?", and he said, "Well, that is a tax that the government of Nova Scotia in Canada puts on restaurant bills and it helps to pay for health care for the people of the province." It's a thought; I know no one wants taxes, and I don't like to talk about it, but I'm just throwing out some ideas.

Another thought I had as I was simply sitting there, was the fact that you might be able to, by legislation, and, again, this would get into the Department of Insurance area, and the carriers probably may not like this very much, but you might say that anyone who writes health insurance in the State of New Jersey would have to guarantee coverage for some minimum period of time after the last premium payment. Now, what period of time that may be, I'm sure it probably varies now from thirty days to forty days, but you might write in some minimum, say after the last premium payment, that insurance coverage remains in effect for a period of, say ninety days, or something of that sort. That would only provide some temporary relief, but it would be some sort of help.

improve this situation, or to better it, or to provide some kind of a remedy. I would hope that you would make sure that your Department keeps an open mind and a watchful eye, and will give us any data you might think would be pertinent and that would be helpful to us as we continue with this hearing.

MR. DAILEY: I assure you, Mr. Chairman, that I will convey that to Commissioner Albanese, but I can assure you without waiting for a reply from him, the answer is in the affirmative.

ASSEMBLYMAN OTLOWSKI: Thank you very much. Is there anybody else from the Department? (negative response)

MR. DAILEY: Thank you.

ASSEMBLYMAN OTLOWSKI: We're going to recess for lunch for forty-five minutes. We'll be back here at a quarter to two. We'll resume at a quarter to two. I would like to wrap up by a quarter after three.

(RECESS)

We are also concerned that the provisions in our program that provide for uncompensated care should not in any way be construed as an unlimited financial resource that can be tapped every time there is a dislocation in the economy, or the reversal of a commitment by Federal, State or local government to fund hospital programs for the needy. In this regard, the Commission has regularly, as I said before, voiced its concern about county government and municipalities that have reduced grant dollars and appear to be renegeing on traditional financial support to hospitals that provide local indigent care.

Clearly, the extent to which the Commission should step in and assign the responsibility for these costs to hospital ratepayers is a matter for debate.

The other issue I would like to speak to concerns the "Cap" provision of our DRG system. As you are well aware, we have full participation by all payers, including Medicare, and were the State to lose that waiver and the "Cap" to be excluded, it is possible that the provision for uncompensated care as we know it today would likely not exist. So, it is important that the State make every effort to continue the waiver and maintain the program, so that this benefit that we are finding now, which is in essence a kind of safety net for the unemployed, can continue.

ASSEMBLYMAN OTLOWSKI: I suppose we could save a lot of money if we put doctors under the same plan that hospitals are, where their costs would be fixed by the illness, not based upon the Chinese system, where you don't pay the doctor when you're sick, you only pay him when you're well. That would, I suppose, be unacceptable to the doctors. They would be screaming socialism, I suppose?

MR. WARREN: I suspect that that would not be palatable to the medical societies, that they would not be in favor of such a system.

ASSEMBLYMAN OTLOWSKI: Is it working well for the hospitals?

MR. WARREN: It appears to be working well for the hospitals. They seem to be managing under the system. Preliminary indications are that the system is saving the ratepayers money, and that the intent of Chapter 83 through the DRG system is working; also, that length of stay appears to be dropping, that hospitals are responding to the incentives in the system and are managing their institutions better. So, in that regard, I think we have a very good system. In fact, you may be aware that the Federal government is moving toward a national DRG system in October, 1983. I understand that the Administration's legislation in that regard was to be delivered to Speaker O'Neill sometime this week.

ASSEMBLYMAN OTLOWSKI: Because it is in the hospital's interest now to get somebody out of the hospital as quickly as possible.

MR. WARREN: That's right, to cut their costs.

ASSEMBLYMAN OTLOWSKI: To cut their costs. I see in your testimony that you mention the fact that one of the fears you have is that this present crisis could hurt the present system, which was never devised to deal with this kind of an unusual situation. You say the costs are rising, particularly in the areas that have been impacted by unemployment?

MR. WARREN: That is correct. Again we, like everyone else sitting here today, really need to do some definitive research.

ASSEMBLYMAN OTLOWSKI: But, your system is holding up under it anyway?

MR. WARREN: It's holding up, yes.

ASSEMBLYMAN OTLOWSKI: And you're talking now about looking into it to make sure that you are not hurt by --

ASSEMBLYMAN HAYTAIAN: Just to continue that, Mr. Chairman, if I may. At the present time, for instance, my county may say an appropriation in the budget to both hospitals in the county.

ASSEMBLYMAN OTLOWSKI: Your county hospitals?

ASSEMBLYMAN HAYTAIAN: No, they are not county hospitals; they are privately owned, but they still have a large item in the budget.

MR. BARTLETT: There are very few. Since the DRG system, they decreased it.

ASSEMBLYMAN HAYTAIAN: No, that's not -- They can do it. Oh, yes, the donation is there. It is a line item in the budget and, in the past, it has been for indigent care, but now it can be used for anything in that hospital, especially for capital and what not.

MR. BARTLETT: Yes, and that's where the hospitals need it.

ASSEMBLYMAN HAYTAIAN: That's really where it is being used.

ASSEMBLYMAN OTLOWSKI: I'm just astounded by that amount, \$91 million. How many hospitals is that, Oliver?

MS. READ: Forty-five.

ASSEMBLYMAN OTLOWSKI: How many?

MS. READ: Forty-five.

ASSEMBLYMAN OTLOWSKI: Do you want to develop your theme? I'm sorry that I interrupted.

MS. READ: No, that's quite all right. I went through all the hospitals that we had three years' worth of information for. I wanted to see if what we were hearing from --

ASSEMBLYMAN OTLOWSKI: Oliver, can you give Ms. Read a microphone there?

MS. READ: We wanted to see if what we had been hearing from the hospitals was going to be substantiated by the numbers that they had been turning in on their cost reports. The numbers turned out, as you can see from the finding, that, in fact, their bad debt costs as part of their uncompensated care have really jumped quite a bit. I think this would tend to bear out the fact that hospitals have been continually saying to us, that they are really experiencing a great increase in the number of unemployed people that they are serving right now.

ASSEMBLYMAN OTLOWSKI: The increase from 1979 to 1981 is absolutely astounding.

ASSEMBLYMAN VISOTCKY: Yes, but by the same token, the daily rate for the hospital has gone up too.

MR. BARTLETT: Yes, that's 32%. The reason why it has gone up is because it is saddled with bad debts.

ASSEMBLYMAN OTLOWSKI: Yes, exactly. It's reflected in the hospital rate.

ASSEMBLYMAN VISOTCKY: What about the regionalization of our hospitals, like the CAT scan, for argument's sake? Don't you think that is incurring some of this large amount of monies too?

MR. BARTLETT: But, we're just talking about bad debt.

ASSEMBLYMAN VISOTCKY: Now, wait a minute, that is still included in the bad debt because that -- It isn't?

ASSEMBLYMAN OTLOWSKI: No.

MS. READ: This is strictly --

ASSEMBLYMAN OTLOWSKI: These are unpaid bills.

ASSEMBLYMAN VISOTCKY: -- spending a day in the hospital -- no question about it, so the daily rate has gone up too. No question about that. Agreed?

ASSEMBLYMAN OTLOWSKI: But, for the moment, you don't have anything --

MR. BARTLETT: We do not have anything in writing.

ASSEMBLYMAN OTLOWSKI: We are going to be in touch with you to keep working on this. If the Committee members don't have any questions --

ASSEMBLYMAN VISOTCKY: How about the radiologists I brought up before? Are we going to have everybody become a specialist in the hospital now, and decide to have his or her own contract which doesn't come under the hospital care? Doesn't come under Blue Cross and Blue Shield? (Mr. Bartlett interrupts here) All right, let me finish. You know, it is getting to be ridiculous now. Everybody has a private contract, and you're never going to stop.

MR. BARTLETT: I think that is where you get into the private practice of medicine, and I think that is --

ASSEMBLYMAN VISOTCKY: Wait a minute. How can it be the private practice of medicine, when right along, up until about a year ago, it was all part and parcel of my hospital day care. Now, all of a sudden, I have to pay an extra bill. Why?

MR. BARTLETT: Rather than answer that (inaudible)

ASSEMBLYMAN VISOTCKY: I had to pay an extra bill; I was in the hospital only in September.

MS. READ: Please understand that radiology care is a contract with a group. The cost that the hospital averaged before, having radiologists on the staff, is eliminated from the hospital's costs now.

ASSEMBLYMAN VISOTCKY: Who did that, the Hospital Association?

MS. READ: That is part of the regulations. That is part of the way the Chapter 83 regulations work, so you pay a separate bill just for the radiologist.

ASSEMBLYMAN VISOTCKY: The way I understand it is that the hospitals agreed to sign another contract with the radiologists -- for argument's sake, I have to use radiologists -- and Blue Cross and Blue Shield always paid that, if I am correct, as part of my hospital day care. Am I correct? What made this change? Are we going to do this with everything, and before we know it, it is not going to be \$91 million, it is going to be \$150 million?

MS. READ: I believe the radiologists went to court several years ago, and asked to direct themselves.

ASSEMBLYMAN OTLOWSKI: You're saying -- excuse me.

ASSEMBLYMAN VISOTCKY: Who makes the rules here? The courts are making the rules or the Legislature?

MR. BARTLETT: I think a little bit of both here sometimes.

ASSEMBLYMAN VISOTCKY: You know, I get kind of turned off by this.

MR. BARTLETT: I understand what you are saying; we hear you.

ASSEMBLYMAN VISOTCKY: That means everybody -- eventually a nurse is going to sign a contract; we're going to pay her separately, as opposed to my --

MR. BARTLETT: We hope not.

ASSEMBLYMAN VISOTCKY: -- wait a minute. That's coming; you know it's coming.

MS. READ: You might feel --

ASSEMBLYMAN OTLOWSKI: You're saying that they're constantly making --

ASSEMBLYMAN VISOTCKY: They're making contracts, yes.

MS. READ: You might feel better to know that there are some hospitals which have decided that they would rather have control, and there has been some small --

ASSEMBLYMAN OTLOWSKI: As a matter of fact, we are going to devote some time to this particular aspect, because this could be a very dangerous thing which could jeopardize even the present system.

MR. BARTLETT: That is all I have; I just wanted to give you some statistics, and let you know that we feel that, from the standpoint of the situation we have with unemployment, that it has driven up debts, and if we can help, we will be happy to do so.

ASSEMBLYMAN OTLOWSKI: Oliver, thank you very much.

ASSEMBLYMAN VISOTCKY: May I ask another question?

ASSEMBLYMAN OTLOWSKI: Wait, there is another question here.

ASSEMBLYMAN VISOTCKY: You know, we in New Jersey are very proud of New Jersey, and I'm sure you are, too.

MR. BARTLETT: Yes, I am sir; I've been here all my life.

ASSEMBLYMAN VISOTCKY: But, why aren't we doing anything to really specialize in New Jersey? I say this, and I have repeated this a hundred times. You know, for a children's hospital, other than the one we have in Newark, I think our college, we have to go to New York or Philadelphia. We in New Jersey do not have any specialized hospital. We make every hospital a general hospital, which shouldn't be -- on which we agree.

MR. BARTLETT: Right.

ASSEMBLYMAN VISOTCKY: But now, all of a sudden, we are having problems. Now, everybody wants a dialysis machine in their place, and you know that a hospital with dialysis right now, it only costs \$1,000 more for a machine, as opposed to maybe \$30,000 putting it in another hospital. And I think the Hospital Association, itself, is fighting for this. All you are doing is putting the cost per day in a hospital higher to the patient -- because you know when you start with dialysis, you need social workers, you need this -- you're talking about \$30,000 a machine as opposed to \$1,000 a machine with a dialysis hospital right now.

MR. BARTLETT: You have two questions; one about specialized hospitals, I think. We have two children's specialized hospitals, and I'm quite sure the Hospital Association, and the hospitals, are aware of the problem about which you are concerned. However, it takes money to start up a specialized hospital. We have Deborah Hospital; we have the Newark Beth Israel, where they perform heart surgery. I think if you look down, I think --

ASSEMBLYMAN VISOTCKY: Yes, but if you look at my county alone, Bergen County, every hospital wants to be a dialysis hospital all of a sudden, you know, and they are about four miles apart. And the law is sixty miles apart. Am I correct?

MR. BARTLETT: I don't know.

ASSEMBLYMAN VISOTCKY: Sure it is.

MR. BARTLETT: I'm not sure about how far apart they have to be.

ASSEMBLYMAN VISOTCKY: It is. And all of a sudden now we're six miles apart, and all of a sudden the Department of Health wants to change the regulations. You know, I don't even know what is going on here. They have everybody confused. I think it is very important.

MR. BARTLETT: I guess it is important. As I said before, anything the legislators ever say to me, I take back to the Association and we do listen and evaluate it, and we will be back in touch with you.

ASSEMBLYMAN OTLOWSKI: Oliver, thank you very much. Thank you very much, Val. May we have Edwin Soeffing from the Health Insurance Association?

MR. DICKLER: That's another chapter, sir. But, most laid off workers don't really have coverage under the group policy for more than one or two months, and generally, they have to pay the premium. Now, some employers will make an arrangement whereby the employee can stay covered for six months or eight months, provided the employee pays the group premium. The advantage here is that the money is coming out of the employee's pocket, but it is at a group rate, not an individual rate. But, I rarely --

ASSEMBLYMAN VISOTCKY: What is the difference in the rate?

MR. DICKLER: Oh, it's considerable.

ASSEMBLYMAN OTŁOWSKI: Excuse me, is it substantial?

MR. DICKLER: Yes. Coverage under an individual --

ASSEMBLYMAN VISOTCKY: You know, we have been trying to ask that question all day. You know, we hear it is \$290 a quarter. What would be the difference in a group rate as opposed to a private rate?

MR. DICKLER: Well, it's difficult --

ASSEMBLYMAN VISOTCKY: We understand a private rate is \$290.

MR. DICKLER: I have to point out that it's apples and oranges. A group rate, sir, is a one-year term rate, whereas most premiums for individual health insurance policies are level term rates to age sixty-five. In other words, barring the need for a rate increase, a thirty-five year old would pay, if he buys an individual policy, the same premium for thirty years until he was sixty-five. It is like life insurance, personal life insurance. You pay --

ASSEMBLYMAN VISOTCKY: The question is that it is \$290 a quarter for a private policy. Now, if there was legislation, or if there was something done by the industry to say, "This person can have hospitalization for one year, and pay it himself." What would that be -- a group rate?

MR. DICKLER: A group rate -- I believe the figure you are talking about is Blue Cross and Blue Shield.

ASSEMBLYMAN VISOTCKY: Yes.

MR. DICKLER: I might be ignorant here, but I don't think that includes physician home or office visits, or prescription drugs, or private duty nursing.

ASSEMBLYMAN VISOTCKY: No, it doesn't.

MR. DICKLER: A commercial, comprehensive medical expense plan would include that. It would probably run about \$2,000 a year for a family, about \$800 a year for an individual. This would be an average age of forty, an average head of a family, for one year. That's about what you would have to pay today in New Jersey for good, comprehensive medical expense coverage at group rates. Now, if you --

ASSEMBLYMAN OTŁOWSKI: At group rates, how much do you have to pay?

MR. DICKLER: A typical family today, sir, runs about \$2,000 a year. This is for hospital, surgical, physicians in and out of the hospital, prescription drugs, private duty nursing --

ASSEMBLYMAN VISOTCKY: Now, you have something here that says, "In recent years, several states have passed legislation setting minimum standards for benefit levels provided under group conversion policies." Do we have that in New Jersey?

MR. DICKLER: No sir, you do not.

ASSEMBLYMAN VISOTCKY: Can you show us what states have something like this so we can look at it? Can you get it to us?

ASSEMBLYMAN VISOTCKY: Suppose the State is the agent?

MR. DICKLER: In other words, somebody could apply to the State?

ASSEMBLYMAN VISOTCKY: In other words, I live in New Jersey and I'm unemployed. I want to buy this insurance, and you contract with us -- and I don't know, you know, what insurance company --

ASSEMBLYMAN OTLOWSKI: When you say "us," you mean the State of New Jersey?

ASSEMBLYMAN VISOTCKY: The State of New Jersey -- and I want to buy it through the State because I am a resident of New Jersey --

MR. DICKLER: All right.

ASSEMBLYMAN VISOTCKY: -- can that person then qualify for the group rate?

MR. DICKLER: I think if the State was willing to operate as efficiently as the group --

ASSEMBLYMAN VISOTCKY: Okay, what's the problem? Why can't the State operate as efficiently as the group?

MR. DICKLER: Well, contrast the State operation with an employer where he has all of his employees in one situation and pays one bulk premium per month to a carrier. There are great economies in administration. There is almost a total absence of marketing costs and agency costs. Of course, you have it on the State side. I would say that the difference would be, if the State could operate as efficiently as the administration of a large group case, and you're probably talking about plain ratios, that would be an 85% to 90% or 95% range. If you could operate as efficiently, say a 4% or 5% pool, then you would be like a brokerage. Either that, or it would be some subsidy on the part of the State in the administration approach.

ASSEMBLYMAN VISOTCKY: Let's say we did have a subsidy -- let's say a dollar a person a year by the employer and by the employee to start up the group to have a fund, and then operate efficiently -- I don't see why we can't. You know, I'm sick and tired of hearing that the State can't operate right, and I think the State can do a good job, when it wants to.

MR. DICKLER: If it set its mind to it, it could.

ASSEMBLYMAN VISOTCKY: Pardon?

MR. DICKLER: If it set its mind to it, I think it could.

ASSEMBLYMAN VISOTCKY: It sure could. In other words, you're saying it could be done?

MR. DICKLER: I think if the pool is there, sure, anything could be done. I think the cost might be quite high. In other words, the administration is not nearly as important as the medical costs.

ASSEMBLYMAN VISOTCKY: Okay. Why don't you give us a figure on how much a premium would cost under those circumstances, hypothetically? I'm not saying now.

MR. DICKLER: Would you say for a basic hospital-surgical plan?

ASSEMBLYMAN VISOTCKY: Or, I think more so, a major medical plan would be the appropriate thing to do, because I think we are looking at the long-term illness for a person because, God forbid, a person has cancer, you know, it's --

MR. DICKLER: It's catastrophic.

ASSEMBLYMAN VISOTCKY: That's right.

MR. DICKLER: With a high deductible.

ASSEMBLYMAN VISOTCKY: Right.

MR. DICKLER: Well, there are many people in the states in this country who have terminal illnesses and heart illnesses, and they simply cannot purchase insurance.

ASSEMBLYMAN OTLOWSKI: Again, getting to the question I asked. If they don't have the money to get into that pool --

MR. DICKLER: It's of no use.

ASSEMBLYMAN OTLOWSKI: It's of no use.

MR. DICKLER: It's a subsidized premium. Generally, --

ASSEMBLYMAN OTLOWSKI: But, is it cheap enough for an unemployed person to get into it?

MR. DICKLER: I would say, probably not.

ASSEMBLYMAN OTLOWSKI: Probably not.

MR. DICKLER: The laws in these states have allowed for higher than normal premiums to begin with, even that is subsidized.

ASSEMBLYMAN VISOTCKY: Yes, but suppose we had a major medical plan, instead of a hospitalization plan?

MR. DICKLER: That would be more affordable.

ASSEMBLYMAN VISOTCKY: Would that be?

MR. DICKLER: Yes. Incidentally, --

ASSEMBLYMAN VISOTCKY: What do you mean by affordable?

MR. DICKLER: Well, the higher the deductible --

ASSEMBLYMAN VISOTCKY: Yes?

MR. DICKLER: Well -- what is affordable? That's right. If you are really out of a job and your savings are running downhill, nothing is affordable.

ASSEMBLYMAN VISOTCKY: Just take a figure off the top, you know. I'm not going to hold you to it.

MR. DICKLER: I think an average family -- if you want my honest opinion, most people today can't afford insurance while they're working. If the employers didn't pay most of it, I think you would have a really --

ASSEMBLYMAN VISOTCKY: I'm saying, a major medical plan sold by the State of New Jersey as the primary agent, you know, all the insurance companies together -- what is affordable?

MR. DICKLER: I would think that a person, a family, should be able to come up with \$50 to \$100 a month to insure a case.

ASSEMBLYMAN VISOTCKY: Okay. So now, in other words, we're talking about \$600 a year, as opposed to --

MR. DICKLER: This premium would put you into a comprehensive major medical plan.

ASSEMBLYMAN VISOTCKY: Okay. In other words, --

MR. DICKLER: Not in first-dollar coverage.

ASSEMBLYMAN VISOTCKY: Okay. If we're talking, let's say, \$50 a month, for argument's sake, off the top of my head --

MR. DICKLER: You wouldn't get an awful lot for that, sir.

ASSEMBLYMAN VISOTCKY: All right, we're talking about maybe \$300 deductible, and whatever case you want to put -- 80% after "X" amount of dollars -- so, in other words, we can really figure that the person collecting unemployment can really pay this \$50 a month for his family and have some type of insurance, if we are the agent and it is run right?

care is going up," and "We know our insurance rates are going up." What can we do to really help some of these people about losing everything they own now?

MR. DICKLER: Well, I think the first step you would take, or I would take if I were doing this -- instead of talking about the unemployed number --

ASSEMBLYMAN VISOTCKY: Talk about people in general.

MR. DICKLER: I would try to sharpen it to just what kind of unemployed you are trying to cover. Are you trying to help all unemployed, or people who are just now returning to the job market? Are you trying to help the students who are just graduating? Are you trying to help just the laid off? Are you trying to help people who quit?

ASSEMBLYMAN VISOTCKY: Let's say we're talking about Jerseyans in general.

ASSEMBLYMAN OTLOWSKI: Jerseyans in the categories you're talking about.

MR. DICKLER: I made some estimates before I came here. I had some 1981 data which indicated certain relationships between New Jersey and the total United States, and extrapolating that to 1982 -- in October, 1982, there were 2.6 million U.S. workers on layoff. Based on 1981 data, it looked as though 3.3% was a good number for New Jersey. New Jersey would be about 3.3%. So, 3.3%, out of 2.6 million -- this is about 84,000 New Jersey workers on layoff. See, I'm just -- ;

ASSEMBLYMAN OTLOWSKI: Gives you about --

MR. DICKLER: About 84,000 New Jersey workers on layoff. There are many more unemployed. If we just concentrate on the laid off, and they have a full comprehensive major medical plan, it could cost \$65 million to \$140 million a year to give them a year's protection -- these 84,000 workers.

ASSEMBLYMAN OTLOWSKI: It would cost how much, off the top of your head?

MR. DICKLER: Well, I took the 84,000, and then I subtracted those who had a working spouse and I knocked it down. I did this, and I came up with a residual figure much less than 84,000. Then, using \$2,000 a year for a family --

ASSEMBLYMAN OTLOWSKI: What did you say that cost a year?

MR. DICKLER: If you took the 84,000 and knocked it down to those who were really without insurance, and gave them a comprehensive major medical plan, it could run you at least \$65 million.

ASSEMBLYMAN OTLOWSKI: Sixty-five million dollars?

MR. DICKLER: For a year. And it could go as high as --

ASSEMBLYMAN VISOTCKY: We're not talking about the State picking it up; we're talking about them contributing toward the policy themselves.

MR. DICKLER: Right. Now this would be comprehensive major medical insurance, the best there is, and probably what they had in the group contract. So, if you want to continue people at the same level they had, it is going to cost you a bundle.

ASSEMBLYMAN VISOTCKY: No, I think we're talking about minimum benefits.

MR. DICKLER: All right, then let me take the \$65 million and if, instead of giving them the best plan you gave them a plan with only major medical, you might be able to knock 30% or 35% off that.

ASSEMBLYMAN OTLOWSKI: What you're saying, is that most of the hospitalization schemes and medical schemes in America only work well when you have a real good economy? You have to have a good economy for it to work?

MR. DICKLER: Mr. Chairman, I sort of lived through this in 1974. In 1974 when we had a recession, there were conversations like this all around, there was a lot of activity and a lot of studies, and then the economy got better --

back the way it is being cut back consistently by the Administration, if somehow or other they can buy this plan with a high deductible -- they may have a couple of dollars, they could pay "X" amount of dollars, they might avoid losing their homes, or losing their life savings, or losing everything. So, if we can come up with something to say at least people can live and have some type of insurance --

MR. DICKLER: Generally, the six states that have set up associations have done it because I guess they didn't want the state interference. They wanted to take care of a specific problem in those states, the uninsurable.

ASSEMBLYMAN VISOTCKY: I personally would rather see the insurance company run this, but I think it is time we took the initiative and the State runs it -- at least try it.

MR. DICKLER: I can't comment directly on that.

ASSEMBLYMAN VISOTCKY: You shouldn't. You should have been the first person here today.

ASSEMBLYMAN OTLOWSKI: You've been very, very helpful, Mr. Dickler, as a matter of fact, very, very helpful. You helped to bring the thing into perspective.

MR. DICKLER: Well, I think, just to sum it up -- I think it is a question of money and defining what category you really want to help. Is it just the laid off? In other words, do you feel a compulsion to do something for people who just returned to the job market and who are looking for work?

ASSEMBLYMAN VISOTCKY: Yes, but you see the point I think everyone wants to bring out too, is -- take a fellow who works for a gas station. He doesn't have major medical or Blue Cross/Blue Shield. Now, he or she isn't covered. The guy gets hurt, you know, a long-term illness or something, he goes to the hospital and can't pay the bill. In other words, we're all paying the bill, all our rates go up. We're saying now, that if this person can buy a policy -- this person who is not covered under any group plan -- if he can buy a group plan, maybe from the State of New Jersey and say, "Fine, I know I have to pay \$600 or \$700 a year," or whatever the cost may be but, by the same token, not lose everything. I think that's what we're talking about too.

ASSEMBLYMAN OTLOWSKI: I want to wind this up, because I made a promise. We really want to express our appreciation to you. We may call on you, because while we are going to have this transcript printed, I am going to ask that the Committee be kept active for the purpose of reviewing stuff that the staff may supplement as a result of this hearing. In any event, thank you very much.

Can we get to Mr. Halsey from the New Jersey Chamber of Commerce?

ASSEMBLYMAN VISOTCKY: Is he going to be giving us those plans? Can you work up something for us, please?

MR. DICKLER: We'll talk about it.

W I L L I A M E. H A L S E Y: Good afternoon, Mr. Chairman and members of the Committee. I don't have a prepared text, but I would like to commend you.

ASSEMBLYMAN OTLOWSKI: You're the only guy that we want to welcome.

MR. HALSEY: The Committee is to be commended on holding these hearings, and I hope we will come out with some positive solutions down the road, whether they be Federal or State. I think a number of the speakers made the point that it is not the availability of the coverage, although in some instances I think that may be a problem as well, but it is the affordability of these programs.

I was very heartened to hear Tom Foy and Archer Cole not try to say that employers should be picking up the burden, because they realize --

ASSEMBLYMAN OTLOWSKI: I think they made it very clear that the money isn't there anymore.

MR. HALSEY: Yes, sir, it's not there and, of course, with so many firms going out of business, it's even less likely that they would be able to contribute any substantial amount of money, or money, period. Things are very tenuous at least.

ASSEMBLYMAN OTLOWSKI: I just want to make a comment on that. I think that was a very healthy observation that was made by them --

MR. HALSEY: Yes, I think it was.

ASSEMBLYMAN OTLOWSKI: -- because usually unions have taken, you know -- and that's their business -- the one-sided position that they were concerned primarily about the employee, but here the testimony was pretty even-handed today.

MR. HALSEY: Yes, sir, that's true. I think they have come to the realization that you have to have businesses in order to have jobs, and as we continue to have businesses leave the State, --

ASSEMBLYMAN OTLOWSKI: And, as a matter of fact, we were all impressed by the testimony that was just made a moment ago. Richard and I commented about the testimony that was made by the Insurance Association people. You know, he pointed out very clearly that for our system to work, you have to have a healthy economy.

MR. HALSEY: That's true. On the other hand, Mr. Chairman, the advantages I foresee in a Federal solution are that it wouldn't necessarily depend upon having 200,000 people out of work. I think if you are the person out of work and you don't have coverage, it could be two million or it could be five hundred; that is not really the issue. There should be some way of having those people covered.

ASSEMBLYMAN VISOTCKY: What did you think of the program we talked about with them with a higher threshold for a major medical plan for a person, even if a dollar is deducted from the person on unemployment?

MR. HALSEY: That is the kind of observation and suggestion I would like to put to the experts on our Employee Benefits Committee.

ASSEMBLYMAN OTLOWSKI: Give us the benefit of that thinking, will you, when you put it to them?

MR. HALSEY: It would be my pleasure to do so, Mr. Chairman.

ASSEMBLYMAN OTLOWSKI: I am going to have to cut you off now, because we're running out of time. Will you give us that Pennsylvania thing, and give us the benefit of your special panel on this question that Assemblyman Visotcky just raised now?

MR. HALSEY: I would be glad to.

ASSEMBLYMAN OTLOWSKI: I am going to have to conclude this. I want to hear from Mr. Lester Kurtz from the New Jersey Business and Industry Association.

MR. HALSEY: He left.

ASSEMBLYMAN VISOTCKY: You stay a little longer.

ASSEMBLYMAN OTLOWSKI: May we have Mr. Wilkotch?

MR. HALSEY: Mr. Kurtz got tired of waiting, Mr. Chairman, and I know that he did have some testimony.

ASSEMBLYMAN OTLOWSKI: No, we do have his testimony.

MR. HALSEY: Okay. The one thing I am going to suggest, and I believe that Assemblyman Felice had a suggestion along similar lines, is that a person would be -- you would offer coverage to someone, and he could have the option to have continued

as Douglas Fraser stated before Congress. We don't look forward to a hot summer, but these people are likely to fester -- and I have spoken to some of them who have children with them. Now, I know any one of us sitting up here, if your child was ill, and you were denied medical care, you would become desperate. You have no means -- you don't have that buck in your pocket to get it, so something has to be done.

ASSEMBLYMAN OTLOWSKI: Excuse me, I don't want to knock you off the track, but I think that in the testimony that was revealed here, the system, of course, can absorb that. The present system that we have can absorb that kind of a situation that you are talking about. The only point that all of us made, and we were all amazed by it, is the great cost that it throws on the whole system, on the hospitals. We have to find a better way to absorb that cost, to deflect that cost. Frankly, I think that New Jersey probably has the cushion, but how long those cushions are going to last is another question.

MR. WILKOTZ: I'm afraid that New Jersey does not have a megaproposal. You just take Jersey City Hospital; you just had that before you. When the administration of that hospital, and I talked to the ombudsman about this -- when the administration of that hospital says, "Forty-six elderly people have to be either thrown out into the street, --" or something like that, it is not a very good situation. It is far from being a good situation, and we must have remedies for those situations because human beings certainly --

ASSEMBLYMAN OTLOWSKI: However, I don't want to get into that, because that is a separate problem in Jersey City -- a separate problem of administration, a separate problem of mechanics, a separate problem that Hudson County and Jersey City have to deal with and come up with, probably, a whole new system of operating that hospital.

MR. WILKOTZ: Okay. Let's take a person who has a heart attack, or who thinks he has had a heart attack. He goes into a hospital in Newark, but is denied admittance because, unfortunately, he does not have that money to pay for the admittance. Then he has to get somebody to take him to Deborah -- and thank God we have a Deborah in the State of New Jersey -- we can be very proud of that particular hospital. I think that all of us are proud of that hospital. But, if you were to investigate, you would find there are cases where people are being denied that medical --

ASSEMBLYMAN VISOTCKY: That is not what we are looking at today. We're looking at the person who is unemployed, for him to be self-sustaining.

MR. WILKOTZ: Those are the people who are being denied.

ASSEMBLYMAN VISOTCKY: Excuse me -- that person wants to be self-sustaining himself or herself. That's a time when we are going to have cooperation with industry and the employee.

MR. WILKOTZ: That's what we have.

ASSEMBLYMAN VISOTCKY: And we want to have cooperation in this measure, not a giveaway program. We don't want a giveaway program, because when you have a giveaway program everybody is paying for it. Here, we want these people to pay for part of it themselves, and if we have to underwrite some of the costs, fine. We'll look at it then.

MR. WILKOTZ: Well, it has to be looked at immediately.

ASSEMBLYMAN VISOTCKY: We do not want to see anyone refused from a hospital, no question about that. I think that is paramount in everyone's mind.

ASSEMBLYMAN OTLOWSKI: May I suggest this -- do you have any notes there that you are going to give us?

C-H

Public Hearing
Assembly Corrections, Health and Human Services Committee

Health Insurance Coverage
for the Unemployed

Presented by:
William G. VanNote, Jr.
Deputy Commissioner

New Jersey Department of Labor
Commissioner Roger A. Bodman

1x

New Jersey State Library

MR. CHAIRMAN, AND MEMBERS OF THE COMMITTEE, I AM WILLIAM VAN NOTE, DEPUTY COMMISSIONER OF THE DEPARTMENT OF LABOR. I AM REPRESENTING COMMISSIONER ROGER BODMAN WHO WAS UNABLE TO ATTEND THIS HEARING BECAUSE OF A PREVIOUS ENGAGEMENT.

THE COMMISSIONER AND I WOULD LIKE TO COMMEND THE COMMITTEE FOR ITS CONCERN WITH THE IMPORTANT ISSUE OF HEALTH INSURANCE COVERAGE FOR THE UNEMPLOYED.

THERE IS NO QUESTION THAT THIS A MAJOR PROBLEM FACING MANY THOUSANDS OF UNEMPLOYED WORKERS WHO SUFFER A DOUBLE LOSS WHEN THEY LOSE THEIR JOBS. NOT ONLY DO THEY LOSE INCOME, THEY ALSO ... MAY ... LOSE THEIR HEALTH INSURANCE COVERAGE WHICH WAS PROVIDED WHEN THEY WERE EMPLOYED.

THIS IS NOT A NEW PROBLEM. HOWEVER, DURING PERIODS OF HIGH UNEMPLOYMENT, THIS ISSUE BECOMES EVEN MORE IMPORTANT SINCE MANY MORE THOUSANDS OF WORKERS ARE OUT OF WORK. THE DEPARTMENT IS VERY INTERESTED IN THE COMMITTEE'S EFFORTS TO REACH A SOLUTION IN THIS AREA. HOWEVER, I CAN ASSURE THE COMMITTEE THAT THERE ARE NO EASY ANSWERS. THE UNITED STATES CONGRESS HAS BEEN STUDYING THIS ISSUE SINCE 1975. ALTHOUGH A NUMBER OF PROPOSALS HAVE BEEN CONSIDERED, THE FEDERAL GOVERNMENT HAS BEEN UNABLE TO ENACT LEGISLATION ON A NATION LEVEL TO RESOLVE THIS PROBLEM.

FROM THE PERSPECTIVE OF THE INDIVIDUAL STATES, THIS PROBLEM IS EVEN MORE COMPLEX. THIS COMMITTEE IS POSSIBLY CONSIDERING THE FEASIBILITY OF TYING IN HEALTH INSURANCE BENEFITS TO THE PRESENT UNEMPLOYMENT COMPENSATION SYSTEM. WHILE THIS IS CERTAINLY A WORTHWHILE GOAL THERE ARE A NUMBER OF QUESTIONS WHICH MUST BE CONSIDERED. FIRST, IN ADDITION TO THOSE WHO ARE RECEIVING UNEMPLOYMENT COMPENSATION BENEFITS, THERE ARE MANY THOUSANDS OF UNEMPLOYED INDIVIDUALS WHO

DO NOT QUALIFY FOR BENEFITS FOR A VARIETY OF REASONS. (NEW ENTRANTS INTO THE LABOR MARKET, INDIVIDUALS WHO HAVE EXHAUSTED BENEFITS, AND INDIVIDUALS WHO DO NOT HAVE SUFFICIENT EMPLOYMENT TO QUALIFY FOR UNEMPLOYMENT BENEFITS.) WITH THIS IN MIND, ANY PROGRAM DESIGNED TO MEET THE NEEDS OF THE UNEMPLOYED WOULD HAVE TO ANSWER THE QUESTION "SHOULD PROTECTION BE EXTENDED ONLY TO PERSONS WHO QUALIFY FOR UNEMPLOYMENT COMPENSATION BENEFITS OR SHOULD BENEFITS BE PROVIDED TO ALL INVOLUNTARILY UNEMPLOYED PERSONS?"

IN TERMS OF THE VEHICLE TO BE USED IN PROVIDING HEALTH BENEFITS TO THE UNEMPLOYED, COMMISSIONER BODMAN AND I ARE VERY CONCERNED WITH THE POTENTIAL FINANCIAL IMPACT ON THE UNEMPLOYMENT COMPENSATION PROGRAM. AS THE COMMISSIONER OF LABOR, MR. BODMAN IS RESPONSIBLE FOR THE ADMINISTRATION OF THE PROGRAM AND THE SOLVENCY OF THE UNEMPLOYMENT TRUST FUND. I AM SURE THAT THE COMMITTEE IS AWARE THAT THE TRUST FUND IS BROKE AS A RESULT OF THE 1975-78 RECESSION IN WHICH NEW JERSEY WAS FORCED TO BORROW \$735 MILLION FROM THE FEDERAL GOVERNMENT.

THE CONTINUING DIFFICULTIES NEW JERSEY HAS HAD IN THIS AREA ARE EVIDENCED BY THE FACT THAT DURING THE PERIOD FROM 1972 THROUGH 1982, BENEFIT PAYMENTS TO UNEMPLOYED WORKERS EXCEEDED TRUST FUND REVENUES (EMPLOYER AND WORKER TAXES) BY \$1.2 BILLION.

UNFORTUNATELY, THIS PROBLEM IS STILL WITH US. NEW JERSEY CURRENTLY OWES \$520 MILLION TO THE FEDERAL GOVERNMENT AND GOVERNOR KEAN HAS JUST MADE APPLICATION TO THE UNITED STATES SECRETARY OF LABOR FOR BORROWING AUTHORITY FOR AN ADDITIONAL \$130 MILLION TO PAY BENEFITS FOR THE MONTHS OF MARCH AND APRIL.

I HAVE OUTLINED THE FINANCIAL SITUATION OF THE UNEMPLOYMENT COMPENSATION SYSTEM SO THAT THE COMMITTEE MAY BE FULLY AWARE THAT ANY SOLUTION PUTTING ADDITIONAL BURDENS ON THE TRUST FUND WILL CREATE ADDITIONAL FINANCIAL PROBLEMS FOR NEW JERSEY THAT WILL FURTHER JEOPARDIZE THE UNEMPLOYMENT INSURANCE PROGRAM.

TO GET AN IDEA OF THE MAGNITUDE OF THE POTENTIAL COST OF EXTENDING HEALTH INSURANCE TO THE UNEMPLOYED, THERE ARE APPROXIMATELY 200,000 INDIVIDUALS RECEIVING UNEMPLOYMENT BENEFITS AT THIS TIME. IF ONLY 50 PERCENT OF THESE INDIVIDUALS PARTICIPATED IN THE PROGRAM, THE COST OF EXTENDED COVERAGE EACH WEEK WOULD BE BETWEEN \$3 AND \$4 MILLION.

THE COST OF EXTENDING HEALTH INSURANCE COVERAGE TO THE UNEMPLOYED RAISES TWO FINAL QUESTIONS. "TO WHAT EXTENT SHOULD GOVERNMENT (FEDERAL OR STATE) BE RESPONSIBLE FOR FINANCING BENEFITS TO THE UNEMPLOYED? WHAT FINANCIAL RESPONSIBILITIES SHOULD BE BORNE BY THE WORKERS AND EMPLOYERS THEMSELVES?"

I AM AWARE THAT I HAVE PRESENTED MANY MORE QUESTIONS THAN ANSWERS AND MANY MORE PROBLEMS THAN SOLUTIONS. BUT, AS I STATED EARLIER THIS IS A VERY COMPLEX ISSUE. COMMISSIONER BODMAN AND I ARE EXTREMELY CONCERNED WITH THE PLIGHT OF THE UNEMPLOYED AS ARE THE MEMBERS OF THE COMMITTEE. WE PLEDGE THE DEPARTMENT'S SUPPORT AND ASSISTANCE TO THE COMMITTEE IN THIS VITAL EFFORT.

I WOULD BE HAPPY TO ANSWER ANY QUESTIONS THAT THE MEMBERS OF THE COMMITTEE MAY HAVE.

CHARLES H. MARCIANTE
PRESIDENT

EDWARD B. PULVER
SECRETARY-TREASURER

THOMAS P. FOY
GENERAL COUNSEL

RICHARD A. LYNCH
EXEC. VICE PRESIDENT EMERITUS



"The world is divided into those who want to become someone and those who want to accomplish something. There is less competition in the second category."

Jean Mynnett 1888-1979

HENRY ANNUCCI
JOHN BRADY
JACK CAFFEY
MANUEL CANOVAS
NICHOLAS CAPRIO
LEO CREMA
FRANK DE VITO
JAMES DILLON
PETER DONATELLO
FRANK ESPOSITO
ALFRED FONTANA

FRANK FORST
PHILLIP GIRARDI
SOL GOLDBERG
CAROLE A. GRAVES
RAYMOND GREELEY
WILLIAM HANCOX
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NEW JERSEY STATE AFL-CIO

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TESTIMONY before

THE ASSEMBLY CORRECTIONS, HEALTH and HUMAN SERVICES COMMITTEE
on
MAINTAINING HEALTH INSURANCE FOR THE UNEMPLOYED
submitted by
THOMAS P. FOY
GENERAL COUNSEL to the N. J. STATE AFL-CIO

My name is Thomas P. Foy. I am the General Counsel to the N.J. State AFL-CIO and I would like to thank the Committee for the opportunity to appear before you today.

I am testifying on behalf of Charles H. Marciante, President of the N.J. State AFL-CIO and Edward B. Pulver the Secretary-Treasurer. Our organization represents 1,500 local unions and 750,000 working men and women in New Jersey and the loss of health insurance benefits for our members and their families due to their being unemployed through no fault of their own is of critical concern to the N.J. State AFL-CIO.

According to Federal Department of Labor Statistics, 85% of workers attain health insurance coverage thru their place of employment. Of those, 60% lose their health protection immediately or within a month after layoff, and only 20% continue protection beyond 3 months.

As you may be aware many local unions have negotiated contracts for their members with their employers whereby the payment of health insurance premiums of layed off workers are continued by the company for as much as a year following the employees termination. In other cases where the local was unable to negotiate this arrangement into their contract the union itself has established emergency funding to maintain the payment of these premiums.

Because of the unexpected length and severity of the Reagan recession and the record extended unemployment it has wrought, such emergency funding and the limited resources of a local union cannot be considered anything but a stop-gap solution to this national disaster.

While it is generally felt that his tragic by-product of unemployment is widespread we believe that the date - base in New Jersey is insufficient to fully understand the scope of the problem and more importantly to formulate an adequate solution. We urge the various appropriate Agencies of the State of New Jersey to immediately undertake the necessary surveys to accurately gauge the extent and scope of this problem.

When this data - base has been formulated we call on the legislature to develop a program and a special emergency fund to protect these workers and their families from economic disaster. We cannot wait for general economic recovery to solve this lack of access to health care by the unmemployed. The State AFL-CIO stands ready to assist in the development of such a proposed solution.

We cite two recent actions by State Governments in reaction to similar large scale social and financial dilemmas. Recently in Pennsylvania at Gov. Thornburgs' urging, the State of Pennsylvania

proposes to set up a Mortgage Assistance Bank to provide short term temporary loans to unemployed workers facing mortgage foreclosures and the loss of their homes. With the unemployment rate in Pennsylvania higher than the rate in New Jersey you can be sure that successfully funding such an ambitious program will be no easy task, their challenge is being met.

Several years ago New Jersey met a similar challenge by developing the Pharmaceutical Assistance for the Aged Act. As you all know this very successful program has greatly alleviated the financial burdens of our elderly citizens by making their prescription costs affordable.

Immediate action by the State to develop this emergency fund must be taken. As long as the unemployment rate in New Jersey remains as high as it is now the number of economic horror stories heard will multiply daily because of the daily increase in cancelled health benefits.

Finally in an era when we see sacrifices being made in union contracts, cutbacks in salaries and benefits and sacrifices being made generally by families and consumers at every turn we call upon those in the medical profession to exhibit some responsibility and make some sacrifices as well. Up to now little effort has been made by the medical profession to contain the costs for medical care and services. The ever upwardly spiraling costs of health care in America have only served to further drain the assets of health and welfare plans throughout the state.

There is an additional problem which heightens the importance of immediate action. Even with a dramatic economic recovery there

exists what the technicians call "entry lag." Early reports indicate that increasingly employers are delaying by 3, 6, and even 9 months eligibility for health insurance for re-employed workers.

This problem must also be examined and appropriate action taken. This Committee is to be commended for having the boldness to examine these vital issues. I hope we will be able to praise you in the near future for having the courage to find the solution. Thank you.

STATEMENT ON:

HEALTH INSURANCE FOR THE UNEMPLOYED

BY

DOUGLAS A. FRASER, CHAIRMAN OF THE HEALTH SECURITY
ACTION COUNCIL, PRESIDENT, INTERNATIONAL UNION UAW,
VICE PRESIDENT, AMERICAN FEDERATION OF LABOR AND
CONGRESS OF INDUSTRIAL ORGANIZATIONS

BEFORE THE

U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON ENERGY AND COMMERCE

JANUARY 24, 1983

I am Douglas Fraser, Chairman of the Health Security Action Council and President of the United Auto Workers Union. Because of the tremendous importance organized labor attaches to the issue before us, I also speak for the AFL-CIO. I am accompanied by Melvin A. Glasser, Director of the Health Security Action Council.

I commend this Committee for calling attention to the loss of health protection by families of the unemployed. This tragic by-product of unemployment may, in the not so long run, cost the nation as much in damaged and lost lives, as the unemployment itself.

This is a huge and deeply troubling problem which should not be swept under the rug of partisan rhetoric. If one takes into account the 12 million Americans officially unemployed in December, the 1,849,000 "discouraged workers who want jobs and are no longer looking, and half of the 6,245,000 part-time workers who are not working full time because of the depressed economy, the truly unemployed in this country total over 17 million people.

The lack of health insurance protection for these men and women and their families is even greater than 17 million. It's at least 25 to 30 million. If there are 12 million officially unemployed in a year somewhere between two and two and a half times more than the official figure will have lost their jobs for some period during that year. And when they lose their jobs in most instances they lose health insurance protection for themselves and their families.

About 85 percent of individuals gain access to health insurance coverage through their place of employment. According to a Department of Labor study, close to 60 percent of workers covered this way lose their health protection immediately or within a month after layoff. Only 20 percent continue protection beyond 3 months.

The Administration, as reported recently in the New York Times, is relying on a general economic recovery to solve the problem of access to health care for the unemployed. An assistant secretary of the Department of Health and Human Services has said, "If you put people back to work, the problem goes away".

He's both right and wrong. We would like nothing more than to see a vigorous economic upturn with the return to work of millions of unemployed. But most economists, including those of the Administration, are saying that if there is an economic recovery in 1983 it will be a halting, weak one. And when the Chairman of the Council of Economic Advisors reports that high unemployment rates are likely to continue for as much as five years, we must recognize that workers will be among the last to see their positions improved by an upturn in the economy.

There's still another consideration. Getting a new job doesn't necessarily mean obtaining new health insurance protection. There is what the technicians call "entry lag". As one expert put it, "Fully half the problem of coverage lies not simply with loss of coverage during the period of unemployment but with a subsequent entry lag that occurs when workers are reemployed".

Reports we are receiving indicate that increasingly employers are delaying by 3, 6, and even 9 months eligibility for health

insurance for new hires. Others will not cover health conditions developed prior to hire. Large numbers of workers in auto, steel, rubber, and textiles will not be able to find jobs in the industries in which they worked previously. The fast food chains, gas stations, body shops and similar enterprises where these men and women may find new jobs not only pay considerably lower wages; they are also not noted for the generosity of their health insurance coverage, if any.

Eighteen months ago the Labor Department reported 20.5 million workers are not covered by company health plans. 7.5 million workers do not have coverage because their employer doesn't offer it. Another 13 million people are not covered by their company plans because they either don't meet eligibility requirements or choose not to join.

To this army of misery should be added the owners and employees of over 25,000 businesses which failed in 1982. These mostly small establishments continue to close at an unprecedented rate. And most of the people dependent upon them have no way of continuing health insurance.

The numbers I have been citing are admittedly confusing. They are unprecise because we don't have hard data. But there is every indication that the problem of lack of health protection for the unemployed is one involving 25 to 30 million Americans, tragic as that figure may be.

"But" say the button counters, "increasingly it is becoming possible for laid-off workers to convert their employee health insurance to individual policies of continuing coverage; why aren't

they doing this?" I know the answer. The family premium for a U.A.W. - General Motors policy in Michigan is currently \$302. per month. Converting this to individual payment with substantially fewer benefits costs \$200 per month. It is about \$100 a month for a couple. That's why the conversion rate in Michigan is about 5 percent. Unemployed workers are unable to give up about a fourth of their unemployment insurance benefits to continue health insurance no matter how desperately they may wish to do so.

↳ Ten days ago an unemployed man who used stolen insurance papers to obtain surgery to cure his bleeding ulcers was sentenced to five years in prison. It's a shameful commentary on the quality of life in America that a man should go to jail because he desperately needed medical care. In almost all industrialized nations of the world, even when health insurance is financed by employer funds, health insurance protection continues without a break during periods of unemployment. *

The impact of joblessness on the quality of life and health, both mental and physical, is being observed and extensively reported. In Michigan, where some 400,000 workers lost their health insurance as a result of the recession, the state health director, Dr. Bailus Walker Jr., reported the first increases in the state infant mortality rate since World War II (from 12.8 deaths per 1000 live births in 1980, to 13.2 in 1981). As the first wave of layoffs began to hit in 1980, the Michigan Mental Health Association reported an increase of as much as 25 percent in calls for "help". At that time the city of Flint, which led Michigan in unemployment, witnessed a 10 percent increase in utilization of the Genesee County Community Health Service.

-3-

Professor Harvey Brenner of John Hopkins University in his study for The Joint Economic Committee of Congress in 1976 noted that there was a clear relationship between higher rates of illness and death and increased job loss. A 1 percent increase in unemployment corresponds to a 4.1 percent increase in suicide, ^{5.7} ~~4.7~~ percent increase in homicide, a 1.9 percent increase in deaths from heart disease, cirrhosis of the liver, and other stress-linked disorders. Various other studies report similar findings. Unemployment increases stress-related illness, causes death, weakens our most valuable resource - healthy human beings, and adversely affects the stability of the family.

Excessive smoking - drinking - high blood pressure - insomnia and intensified anxiety, all symptoms of joblessness, also affect unemployed workers' family members. They share the despair, stress and depression caused by their breadwinners' inability to obtain gainful employment. The Administration initiated drastic budget cuts, which have restricted eligibility for food stamps and job training, intensify these emotional and health problems.

The health outcomes are as expected. An H.H.S. study last year reported "persons insured only part of the year use substantially fewer services when they are uninsured but are not any less sick during the period without coverage these people do indeed forgo medical care when they are sick".

Under major UAW contracts, health insurance coverage for laid-off workers continues for up to a year depending on length of seniority. At Ford and G.M., high seniority employees can qualify for longer or even lifetime coverage if they have been employed since we signed the 1982 agreements. But, these contractual benefits are not typical for most workers. And I must tell you with deep

sorrow that, even with their extended health insurance coverage, at least 300,000 laid-off UAW members have run out of health insurance protection. Most of them are denied Medicaid coverage because they are not considered poor enough.

But they are not the only group experiencing these problems. Many working mothers and their children, who under the harsh rules demanded by the Reagan Administration are no longer eligible for Aid to Families with Dependent Children (AFDC) have simultaneously lost their eligibility for Medicaid. Individuals who are losing social security disability benefits lose their entitlement to Medicare.

In addition to the link between unemployment, loss of health insurance coverage and the declining health status of laid-off workers, there are other economic effects of this problem that should not be overlooked. Unemployed workers postpone health care treatment until conditions are no longer minor and usually need major attention. Without insurance their access is limited and they tend to use hospital emergency rooms and/or inner city hospitals. Jobless workers have very few financial resources. Most cannot afford to pay for health care. When they go to emergency rooms, hospitals that do not turn them away add the cost of their care to their mounting bad debts. The cost of their care ultimately falls on patients covered by private health insurance. Considering the cost of delivering health care in emergency rooms, these costs are not insignificant. In Minneapolis it has been estimated that the cost of treating the uninsured, of whom the unemployed are a substantial part, adds \$30 per day to cost of room and board for all other patients.

Public and community general hospitals are currently experiencing tremendous growth in the number of jobless patients they treat. Many of the inner city hospitals that have hung on during this period of extreme economic adversity are teetering on the brink of bankruptcy. A new influx of patients may seriously jeopardize their ability to operate and continue to deliver services to the elderly and economically disadvantaged community members who depend on them. The AFL-CIO has urged the international unions and state bodies to make unemployed workers who need health care services aware of the existence of the Hill-Burton programs and facilities that have unmet obligations to provide free care to at least a portion of those in need.

Recently the AFL-CIO joined with the American Medical Association, the American Hospital Association, the Business Roundtable, Blue Cross - Blue Shield and the Health Insurance Association of America in a call to local communities to mobilize workers and other consumers, health professionals and hospitals to devise measures to make health services available to families of the unemployed.

A number of potentially helpful programs have been developed. Others may be forthcoming. I welcome them as expressions of good will. We cannot however expect they will provide a meaningful response commensurate with the size of the problem.

This intolerable situation would not have existed if Congress had enacted a universal, comprehensive, national health insurance program such as the labor movement and many other progressive organizations have recommended. We continue strongly to support this goal. We have however a massive, serious problem that calls for immediate attention.

We call upon the Congress to enact legislation to provide health care protection to some 25 to 30 million workers who lose their jobs and their health benefits each year. This is a national problem and requires a national solution. Among the alternatives the Congress should consider are:

1. Require private insurance to provide longer continuing coverage at the time of job termination, and shorter delays in coverage when a new job is taken on.

2. Liberalize Medicaid eligibility for a special category of the unemployed.

3. Offer public financing for continuation of a worker's group health insurance for at least a year from date of lay-off.

4. Provide an essential but minimum package of health insurance benefits with coverage beginning with receipt of unemployment insurance and continuing for a year, or until new employer provided health benefits are available.

Any number of combinations of these suggestions would be feasible.

I am well aware that any plan to provide reasonable health protection for the unemployed and their families would ^{not} be cheap. But it would be less costly over time to provide needed health services than to pay the price of sickness, disability and death which accompany neglect of health.

Mr. Chairman I am deeply troubled about a sickness I see spreading over this country. It manifests itself in 2 days of disorders in Miami, in communities divided as to whether to open soup kitchens, in tent cities of the unemployed, in farmers blocking auctions of farms whose owners are unable to make

mortgage payments. The leaders of this country must begin to show the people they care - that their chief concerns are not only how to reduce benefits, cut Social Security, slash Medicare, cut down the welfare rolls. At the same time they trumpet the glories of deadlier missiles, bigger battleships and other weapons of destruction.

A minimum of 25 to 30 million Americans need to see the nation cares about them and their families. They need jobs and they need access to decent health services.

STATEMENT BY COMMISSIONER JOSEPH F. MURPHY

Before the

ASSEMBLY CORRECTIONS, HEALTH AND HUMAN SERVICES COMMITTEE

on February 23, 1983

in regard to

HEALTH INSURANCE FOR UNEMPLOYED WORKERS

Information gleaned from the media indicates that a growing number of unemployed are becoming uninsured because there is no continuation of coverage (unless the employee is disabled) after employment has been terminated. This unfortunately adds to the uninsured population of our State as it does in other states.

Most firms provide their employees with some form of health insurance as a fringe benefit which is subject to periodic review and negotiation between management and labor. The length of time a person is covered after the termination of employment is governed by the agreement reached. It goes without saying that any extended benefits no matter how arrived at require higher premiums which in turn represent additional costs to the employer and/or insured unless subsidized by an outside source.

Here in New Jersey, when a person finds himself or herself without coverage there are options available. Blue Cross and Blue Shield through their CO-OP (formerly called Open Enrollment) programs make health insurance coverage available to everyone that makes application. There is no need to establish insurability. In addition to the coverage provided under the basic Blue Cross and Blue Shield contracts, major medical insurance can also be obtained. If Blue Cross and Blue Shield provide coverage to the group the employee is leaving, there is no interruption in coverage. If, on the other hand, Blue Cross

and Blue Shield did not provide coverage to the group involved, then application for insurance under CO-OP must be made in a timely manner so as to preclude an interruption of coverage and a one year Waiting Period will be required for any pre-existing conditions. Should the unemployed person not be in a position to purchase insurance on a direct payment basis and should that person be classified as indigent; then, under the statutory mandate of C. 83; L.78 the hospital is obliged to provide necessary treatment even though it is not able to collect from the patient. This indigency cost is spread equitably among all payors so that the hospital is not inordinately assessed with an expense it has little control over. It is a fair way in which the cost of uncompensated care is distributed.

In essence in New Jersey we not only have a residual market mechanism in place for health insurance through Blue Cross and Blue Shield but we also have a back-up system to take care of truly indigent hospital patients under the Diagnosis Related Group (DRG) Reimbursement System.

That, however, leaves the "near poor" who are not eligible for welfare programs or that do not qualify as indigents for hospital care purposes without protection. My concern extends especially to these marginally poor who are not destitute enough to qualify for Medicaid or for hospital care as indigents. It is this group of individuals with limited resources who find themselves "caught in the middle", so to speak, that requires the Department of Insurance to act discreetly when granting approval to increases for health insurance. In reviewing the rate applications the Department must carefully weigh the increase in premium against the increased medical and hospital costs so as not to make the coverage unaffordable for the marginally poor. It is

essential that New Jersey retain a viable residual health insurance market mechanism and that such a mechanism provide comprehensive coverage at affordable prices.

As you may know, any health insurer in New Jersey that provides comprehensive health insurance at affordable rates may apply for a hospital Payment Differential (a discount) by making application to the Hospital Rate Setting Commission. To date, only Blue Cross has qualified for such a differential because of their role as a residual health insurance market mechanism.

I would like to take this opportunity to inform the Committee that as of this time there are no regulations or statutes that control the continuation or conversion of group health insurance plans except in the event the employee is totally disabled. It is my understanding that legislation in the form of S1007 has been prepared to require group health insurance policies to provide for a mandatory conversion privilege. The Department is on record as being in favor of the bill.

PRESENTED BY: HERMAN W. HANSSLER, ASSISTANT COMMISSIONER
DEPARTMENT OF INSURANCE

February 23, 1983

BLUE CROSS STATEMENT TO THE ASSEMBLY CORRECTIONS, HEALTH AND
HUMAN SERVICES COMMITTEE ON HEALTH BENEFITS FOR THE UNEMPLOYED

Mr. Chairman and Members of the Committee, I am Joseph F. Farrell of Blue Cross of New Jersey. As a representative of the Blue Cross organization I want to thank you for the opportunity to speak on today's subject: health insurance for the unemployed.

In my presentation, we'll look at the unemployment picture here in New Jersey; programs that Blue Cross has in place for providing continued access to health care coverage for the unemployed; the amount of subsidy generated which help to keep rates more affordable for those who leave the group; the impact of the unemployed in relation to the increase in a hospitals bad debts; how other states have addressed this insurance issue and lastly Federal legislation which addresses this topic.

My comments today parallel those presented by our national Blue Cross and Blue Shield Association last month in Washington, D. C. before the House Subcommittee on Health of the Committee on Energy and Commerce.

We see in New Jersey, according to the January N.J. Department of Labor report that unemployment is 9 percent of the labor force. While previous downturns may have been largely confined to a few industries such as construction, automobile manufacturing and their supplying industries, the current recession is having a more widespread impact with declines witnessed in virtually all of the goods producing industries, as well as in a large number of the service industries thought to be more immune to the effects of slowdowns. The N.J. Department of Labor statistics reports that 33,750 workers have now been unemployed over 15 weeks — from a base of 322,000 unemployed. Recently in N.J. we see plant closing and layoffs being discussed by Western Electric and Owens Illinois. 22x

An October, 1982 New York Times article cited federal data that as many as 16.0 million persons may be without health care protection because of unemployment. Our national Association noted that past research of the AFL-CIO found that health care protection ends shortly after employment ends. 50 percent lose their health insurance immediately or within one month after a lay off. Only 20 percent of laid-off workers can expect group coverage for three or more months after they are laid off. In light of today's unemployment many of those laid off are likely to be without group health care coverage for at least some period of time.

As the state's largest provider of health insurance, Blue Cross is concerned with offering adequate and affordable coverage for all, including laid-off workers. Our subscribers are not deprived of access to coverage during their laid off period; the single barrier to maintaining coverage is ability to pay. So its not a question, of accessibility, but one of affordability.

Many options for coverage are made available through Blue Cross for its experienced rated accounts.

- We liberalized our group underwriting requirements to allow when authorized by the group for continuation of laid off employees as group subscribers for an indefinite period of time. In some cases the employers continue to pay all or part of the premium as in the cases of the automobile workers contract with General Motors and Ford. This provides continued access to group benefits, the most cost effective way to purchase health care expense protection.
- With employer concurrence, we permit the upgrading of contract type to include a spouse who was not previously included on the subscribers coverage. The Plan feels that this additional access to coverage has helped some laid off workers be covered immediately under their spouses' policy without

waiting for the group's open enrollment period which may occur only every six months.

- We offer each laid off person from a company having Blue Cross insurance an opportunity to purchase continued coverage without waiting periods and/or physical exams through a group conversion provision.
- Blue Cross has a continuous open enrollment program which provides access to health insurance regardless of health. Many laid off workers can take advantage of this coverage especially those who were not previously enrolled with Blue Cross at the workplace.
- Blue Cross continues to offer non-group or direct payment coverage that can be purchased by any unemployed person regardless of the type of coverage he had under his former employer. We cover approximately 877,000 subscribers under our Blue Cross non group coverage. I might add that the availability of coverage to these individuals is shrinking as many carriers have left or are leaving the market.
- In addition, Major Medical coverage is available from Blue Cross on a non-group basis. This coverage picks up after basic benefits and usually provides a maximum benefit of \$100,000 depending on the program selected. Again, Major Medical coverage is available regardless of health status on continuous basis.

Although Blue Cross offers many options for coverage, paying for health insurance can be a burden for those unemployed. Faced with other essential priorities such as food and shelter, the cost of health insurance may just be too much.

A recent article in the Star Ledger attributes the "significant increase" in hospital bad debts over the last year to the growing number of unemployed in New Jersey. Under our State's hospital rate setting law these bad debts are passed on to those who do pay their bills in the form of higher hospital charges.

A number of states have passed legislation designed to fund and make available catastrophic or comprehensive health coverage to their citizens who can't otherwise secure coverage through risk pooling arrangements. There are several drawbacks in pooling arrangements. First is the question of those who participate in the pool. Current ERISA regulations exempt several types of plans (e.g., self insured, multi-employer trusts) from state regulation. Secondly, the pools do not provide affordable coverage for the unemployed. Premiums are often well above both group and non group rates in the private market.

In New York an Assembly bill recently introduced is titled the "Unemployed Health Insurance Protection Plan of New York." The bill seeks to provide coverage to the unemployed "consisting of those basic health care benefits which the federal government defines as mandatory basic health care benefits for the purpose of establishing state medicaid programs." Persons who desire coverage in this program would have their premiums withheld from unemployment insurance benefits. The bill does not address the issue of affordability or what occurs should the health program pay out more in benefits than income derived.

It is understood that a legislator from Pennsylvania has also introduced legislation similar to the New York measure.

On a Federal level, Sen. Riegle's bill S-307 known as the "Health Insurance for Unemployed Workers Act" was introduced January 31, 1983. The bill's objective is to assure that health insurance would be continued for at least one year after the individuals were laid off with states encouraged to set up reinsurance pools to handle the program. Should the program run into a deficit, assessments would be levied against all insurers who participate in the pool. The bill is currently in Committee.

Unlike many other states there seems to be little need to establish a pooling arrangement in New Jersey since Blue Cross coverage is currently available to all on a continuing basis and at subsidized rates. The business community in our state is contributing to the subsidy of non-group rates through direct surcharges to their premium rates and through the absorption of hospital bad debts costs. In 1981 our larger groups subsidized non-group coverage by in excess of \$13 million. In addition the rates charged by hospitals to those paying their bills increased by approximately \$185 million in 1982 to make up for bad debts and indigent care costs. It is estimated that hospital bad debts and indigent losses will be approximately \$215 million in 1983.

In summary the dilemma of health insurance for the unemployed is both large and complex. The central issue to be addressed is affordability not accessibility. It should be emphasized that business in New Jersey is already making a significant contribution towards making coverage affordable for the unemployed. To attempt to resolve this issue through additional surcharges on employers carries with it the danger of making our state less attractive to business which could ultimately further exacerbate our present unemployment problem.

Nationally as in New Jersey, Blue Cross stands ready to work with government, labor and business in further addressing means to make available quality and affordable health insurance to the unemployed.

MEDICAL-HOSPITAL COVERAGE FOR THE UNEMPLOYED

A Questionnaire sponsored by
The N.J. Industrial Union Council, AFL-CIO

1. When were you laid off from your job _____
2. Did you have medical-hospital coverage in your previous job? YES ___ NO ___
3. Do you have any medical-hospital coverage at this time? YES ___ NO ___

IF YES:

- Is your coverage paid by your company? YES ___ NO ___
Have you purchased coverage on your own? YES ___ NO ___
Are you covered under a family members' insurance plan? YES ___ NO ___

4. If you are paying for medical-hospital coverage, how much does it cost you per month \$ _____?
5. Since your layoff, have you or any member of your family needed medical or hospital care? YES ___ NO ___

IF YES, what happened? _____

6. Did you have life insurance coverage on your previous job? YES ___ NO ___
7. If so, did it lapse when you were laid off? YES ___ NO ___
8. Do you have any life insurance coverage now? YES ___ NO ___
9. Do you think that the government should provide medical-hospital coverage for the unemployed? YES ___ NO ___

VOLUNTARY INFORMATION

NAME _____ PHONE _____
ADDRESS _____



District Three

INTERNATIONAL UNION OF ELECTRICAL, RADIO AND MACHINE WORKERS, AFL-CIO

375 Murray Hill Parkway, East Rutherford, N. J. 07073

201-933-9494

ARCHER COLE
PRESIDENT

LOUIS P. DUDEK
VICE PRESIDENT

SAL INGRASSIA
SECRETARY-TREASURER

February 28, 1983

Assemblyman George Otlowski
Chairman, Corrections, Health
and Human Services Committee
541 Kennedy Street
Perth Amboy, N.J. 08861

Dear Assemblyman Otlowski:

I want to express my appreciation for the opportunity to testify before your Committee and hope that your efforts will bring forth results in attaining hospital-medical coverage for unemployed workers.

At the hearing, you asked me to get figures on the age breakdown of the unemployed. I contacted the Department of Labor for this purpose and found out the following:

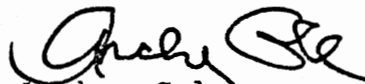
Age 55 and over - 15% of total
Age 45 - age 54 - 15% of total
Age 35 - age 44 - 19% of total
Age 25 - age 34 - 30% of total
Age 25 and under - 21% of total

In my testimony, I pointed out that there were 298,000 unemployed in New Jersey.

I hope that these figures will be helpful and I look forward to hearing from you on any legislative action taken as a result of the hearings.

Thank you for your cooperation.

Very truly yours,


Archer Cole
President

cc: David Price

STATEMENT OF JEFFREY A. WARREN,
EXECUTIVE SECRETARY OF THE NEW
JERSEY HOSPITAL RATE SETTING
COMMISSION BEFORE THE ASSEMBLY
CORRECTIONS, HEALTH AND HUMAN
SERVICES COMMITTEE.

Mr. Chairman, Members of the Committee, my name is Jeffrey Warren. I am Executive Secretary of the New Jersey Hospital Rate Setting Commission. My purpose in being here today is to share with you my perspective on the issue of loss of health benefits, as it affects the recently unemployed who seek hospital care.

As you may know, the Rate Setting Commission is responsible for reviewing and approving rates of reimbursement for all hospitals and payors under the DRG reimbursement system set forth under Chapter 83 PL 1978. Through this authority, the Commission is charged with assuring the financial solvency of efficient hospitals while maintaining the dual goal of cost containment. At the same time, the Commission recognizes that the effectiveness of New Jersey's hospital system depends in part on its ability to provide access to quality care for all New Jersey citizens. Thus, the Commission has been witness to the impact of the costs of uncompensated care upon New Jersey hospitals and the benefits derived from that care now being reimbursed.

In reviewing hospital rates on a case by case basis, it has become increasingly apparent that on a regional basis, the portion of those rates earmarked for uncompensated care appears to have increased over the last year and a half. Complete figures in this regard are currently unavailable since the hospitals will not file their 1982 reports until April 30, 1983. This phenomenon is most apparent in those parts of the state most severely impacted by the recession, specifically in locations where lay-offs and plant closings have taken place. In response to Commission inquiries,

institutions often explain any increase in uncompensated care as a factor of economic conditions which have caused people to lose their jobs, and also their health insurance. Prior to the enactment of Chapter 83, this situation would have resulted in severe financial hardships to patients and many hospitals in New Jersey, particularly the inner city hospitals, that historically have not had a substantial commercial payor population. However, with the implementation of Chapter 83, hospitals are being reimbursed for those individuals who receive hospital services and are without a means to pay. This is not to say that there is "free care." The burden of paying for uncompensated care, by statute is now spread equitably among all payors. This would include Medicare, Medicaid, Blue Cross, Commercial Insurance and others. It is fair to say that such a provision of payment is relatively unique in the United States and exists only in a handful of states. New Jersey hospitals receive reimbursement for these costs as a direct result of the state's DRG reimbursement system and the waiver from Medicare reimbursement principles that has been granted from the Health Care Financing Administration. Thus, unemployed workers who lose their medical insurance coverage and are determined to be without means to pay will, in all likelihood, continue to receive care at our institutions. However, it should be added that an individual's obligation to pay his hospital bill is not negated by virtue of his or her loss of employment. Hospital collection procedures under this reimbursement system are clearly delineated and hospitals are expected to make every effort to collect payment on a particular hospital bill.

The provisions in our program which provide for reimbursement of uncompensated care should not in any way be construed as an unlimited financial resource that can be tapped every time there is a dislocation in the economy, or the reversal of a commitment by federal, state, or local government to fund hospital programs for the needy. In this respect, the Commission has voiced its concern over the increasing incidence of county government and municipalities reducing grant dollars and thus renegeing on traditional financial support to hospitals who provide local indigent care. What one might call "free care" is in reality the delivery of medical services to a segment of our population ineligible for government aid that however does not have the means to pay. The costs for this care are being absorbed by those who utilize and pay for hospital care.

Clearly, the extent to which the Commission should step in and assign the responsibility for these costs to hospital rate payors is a matter for debate.

A further concern relates to the conditions under which the system obtained the federal waiver which permits Medicare participation in this reimbursement system. A CAP provision allows for federal withdrawal should the costs under this system rise higher than Medicare's costs under an alternate system. It would be most unfortunate if an increase in uncompensated care costs resulted in breaking the CAP. Were this to

occur, the state would lose millions of dollars in federal support. This would include monies that now pay a fair share of our uncompensated care.

While it is clear that Chapter 83's provision for uncompensated care costs may be providing an unexpected social benefit to the unemployed in need of hospital care, the availability of reimbursement is certainly not the final answer to a very complex problem.

In the future, the rate payors in this state should not be asked to shoulder a disproportionate share of the burden. Also, the need to construct a more equitable approach to this dilemma is urgently required. Hopefully, corrective action can be taken so that our waiver can be protected so that citizens can be assured that access to necessary health care services will not be impaired. The Commission will certainly be monitoring this issue closely.



NEW JERSEY HOSPITAL ASSOCIATION

at the Center for Health Affairs 746-760 Alexander Road CN 1 Princeton, New Jersey 08540 (609) 452-9255

TESTIMONY
OF THE NEW JERSEY HOSPITAL ASSOCIATION
BEFORE
THE ASSEMBLY CORRECTIONS, HEALTH & HUMAN SERVICES COMMITTEE
PUBLIC HEARING
ON HEALTH INSURANCE BENEFITS
FOR THE UNEMPLOYED

FEBRUARY 23, 1983

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE, I AM OLIVER J. BARTLETT FROM THE NEW JERSEY HOSPITAL ASSOCIATION AND WITH ME TODAY IS VAL. J. READ ALSO FROM NJHA. THE ASSOCIATION REPRESENTS ALL THE HOSPITALS IN NEW JERSEY. WE WELCOME THIS OPPORTUNITY TO SHARE WITH YOU OUR CONCERN OVER THE INCREASING AMOUNT OF UNCOMPENSATED CARE WHICH IS BEING PROVIDED BY THE HOSPITAL INDUSTRY IN NEW JERSEY.

TODAY WE INTEND TO FOCUS ON THE COMPONENTS OF UNCOMPENSATED CARE AS DEFINED BY THE REGULATIONS THAT GOVERN REIMBURSEMENT TO NEW JERSEY ACUTE CARE HOSPITALS. THESE COMPONENTS ARE CHARITY OR "FREE" CARE AND BAD DEBTS WHICH ARE INCLUDED IN THE REGULATIONS AS FINANCIAL ELEMENTS OF THE DRG SYSTEM, IN ORDER TO PROTECT THE HOSPITALS FROM BEING AT RISK FOR PROVIDING CARE TO THOSE IN NEED. UNFORTUNATELY, SINCE THESE COSTS ARE INCORPORATED INTO ALL HOSPITAL RATES, THE COSTS AND INCREASE IN COSTS OF UNCOMPENSATED CARE ARE THEREFORE BORNE BY ALL HOSPITAL PATIENTS.

REPRESENTATIVES FROM OUR MEMBER HSOPITALS HAVE INFORMED NJHA THAT THE RISE IN UNCOMPENSATED CARE IS DUE TO A LARGE EXTENT TO THE INCREASED NUMBER OF UNEMPLOYED INDIVIDUALS THAT ARE BEING SERVED. IN PARTICULAR THE INCREASES THAT HOSPITALS ARE EXPERIENCING ARE FOR THE MOST PART IN THE AREA OF THE BAD DEBT PORTION OF UNCOMPENSATED CARE COSTS, AS ONE WOULD EXPECT GIVEN THE RISE IN UNEMPLOYMENT.

New Jersey State Library

THIS FACT IS SUBSTANTIATED BY THE TREND IN THE CHARITY CARE AND BAD DEBTS COSTS FROM 1979-1981 FOR A SAMPLING OF ABOUT HALF OF THE ACUTE CARE HOSPITALS.

	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>PERCENT INCREASE 1979-1981</u>
CHARITY CARE	34,598,000	31,175,000	38,058,000	10%
BAD DEBTS	<u>34,414,000</u>	<u>52,425,000</u>	<u>53,087,000</u>	54%
TOTAL UNCOMPENSATED CARE	69,012,000	83,600,000	91,145,000	32%

REVIEW OF THE SAMPLE OF HOSPITALS BROKEN DOWN INTO CATCHMENT AREAS; THAT IS INNER CITY, URBAN, SUBURBAN, AND RURAL, ALSO REVEALS THE LARGEST INCREASES TO BE IN BAD DEBTS, PARTICULARLY IN SUBURBAN AREAS.

WE THEREFORE ARE OF THE OPINION THAT IF BASIC HOSPITALIZATION COVERAGE COULD BE AVAILABLE FOR THE UNEMPLOYED, IT APPEARS THAT SUCH COVERAGE COULD AID IN LESSENING THE INCREASES IN UNCOMPENSATED CARE AND THEREFORE ALSO REDUCING THE POTENTIAL INCREASES IN HOSPITAL RATES.

STATEMENT
of the
HEALTH INSURANCE ASSOCIATION OF AMERICA

HEALTH INSURANCE COVERAGE
for the
UNEMPLOYED

Presented by
J. Martin Dickler

Before the
Corrections, Health and Human Services Committee

of the
New Jersey General Assembly

February 23, 1983

My name is Martin Dickler. I am Actuary of the Health Insurance Association of America, on whose behalf I am appearing today. HIAA is a trade association of 338 companies which together write about 85% of the country's commercial health insurance.

We are please to have this opportunity to explain the types and extent of health insurance coverage available to people who are laid off or otherwise terminated from employment.

Most people obtain their health care coverage through their employment as a so-called "fringe benefit". Thus, during periods of recession and high unemployment, concern increases as to how employees who lose their jobs can continue to be protected. Insurance companies offer a variety of options under which health care protection can be continued for the individual and his family. The problem is not with the availability of insurance mechanisms, it's with who will finance the premiums and for how long.

There are a variety of mechanisms for continuing coverage. They include the group conversion provision, temporary continuance under the group insurance policy, the regular insurance marketplace, and state pools for high risk or uninsurable lives. Let me explain.

Conversion Privilege

The most common mechanism is the group conversion policy. It has been offered by group insurers for many years.

Many states require that a conversion privilege provision be included in group policies issued in their state. Most insurers offer a conversion privilege in all group policies, whether or not required by state law, to provide continued insurance protection when employment-based coverage ends. The terminated employee either needs protection temporarily until group coverage is available at new employment, or a regular, longer-term individual policy because of other circumstances. In either case, the group conversion policy is issued without medical underwriting, providing that application is made within a prescribed period (usually 31 days).

This is an extremely valuable right, since the employee or his dependents may be in poor health. The insurance company is obliged to issue an insurance policy regardless of health status. The only qualification is if there would be overinsurance because of other coverage the employee may have.

Historically, group conversion policies provided basic hospital and surgical benefits on a scheduled basis. In recent years, several states have passed legislation setting minimum

standards for benefit levels provided under group conversion policies. These have greatly increased the scheduled limits available under basic coverage. Also, about 13 states now require that a group conversion major medical policy also be made available, if the group coverage was major medical. These policies provide protection for both in-and out-of-hospital expenses, and feature high coverage limits. These policies are also issued on a non-medical basis if the employee makes timely application.

It should be noted that employer and union self-funded benefit plans are not subject to state regulation (per ERISA, Section 514) and, consequently, do not have to offer conversion provisions. However, many self-funded plans do include a conversion privilege and have made arrangements with their administering insurance company to provide it.

Temporary Continuance Under the Group Insurance Policy

In recent years there has also been a trend toward increased use of the employer's group policy to extend options available to terminated employees.

Customarily, employer contributions for coverage extend to the end of the month following the month in which active employment ceases. Some large unions have negotiated continuation of employer payments for up to an additional twelve months following layoff.

Beyond this, many benefit plans provide for insurance to be continuable under the group policy on payment by the individual of the required premium. In recent years, there has been a trend towards increased use of the group policy to extend such options available to laid-off employees. At the end of this period, usually one year or less, the employee may then choose a group conversion policy.

The Conventional Insurance Market

Also, upon leaving employment, an employee may elect to purchase individual or family health insurance coverage in the conventional insurance marketplace of insurance carriers and Blue Cross/Blue Shield plans. A broad range of policies is available from insurance companies, subject to their underwriting requirements. Some companies offer short-term, temporary coverage (of 3-6 months duration).

State Pools

Six states provide persons who are uninsurable or in poor health an additional option. Connecticut, Rhode Island, Indiana, Minnesota, North Dakota, and Wisconsin have created associations or state pools to issue individual insurance policies to such persons. A seventh state, Florida, is in process of formation. This type of arrangement can benefit not only terminated

employees who do not elect a group conversion policy, but in fact any resident of the state employed or otherwise. This is an important development in removing barriers to health insurance protection.

The Current Problem

These mechanisms work reasonably well during good times, when people who leave one job are generally able to find another within a reasonable period of time. But, during periods of high unemployment, when unemployment may last for extended periods, serious problems are posed in terms of who will pay the premium.

It may be helpful to estimate the magnitude of the costs under discussion. For the United States as a whole, our rough estimate is a cost of two to four billion dollars per year to continue health insurance coverage for up to 12 months of lay-off. This is based on 2.6 million employees on layoff as of October 1982 (Bureau of Labor Statistics), reduced by estimated adjustments (1) for two wage-earner families where the other spouse's employment continues and (2) for employees whose employers will continue to pay for their health insurance beyond the customary one and a fraction of months following layoff. Based upon 1981 data, employees on layoff in New Jersey may be about 3.3% of the nation as a whole. On this basis, a rough estimate of the cost of one year's coverage for employees on lay-off in New Jersey would be in the range of \$65 to \$130 million.

HIAA and its member companies share this Committee's concern over the plight of the unemployed. There are insurance mechanisms available, but the cost of insurance for laid-off workers alone are large. We appreciate the opportunity to present this explanation. I will be pleased to respond to questions.



New Jersey Business & Industry Association

Post Office Box 230, Trenton, New Jersey 08602

STATEMENT

of the

NEW JERSEY BUSINESS & INDUSTRY ASSOCIATION

to the

Corrections, Health and Human

Services Committee

of the

New Jersey General Assembly

on

Health Insurance for the Unemployed

February 23, 1983

44x

Trenton: 102 West State St. 08608 609-393-7707

East Orange: 115 Evergreen Pl. 07018 201-678-2259

New Jersey Business magazine: 50 Park Pl., Newark 07102 201-623-8359

My name is Lester Kurtz. I am Assistant Vice President for Policy Development of New Jersey Business and Industry Association. NJBIA is a trade association representing over 12,000 employers in the State of New Jersey and the State's largest association of employers.

We are pleased to have this opportunity to convey the position of our members on the critical subject during this period of high unemployment and recession.

The vast majority of the members of New Jersey Business and Industry Association supports the broad concept of health insurance for the unemployed. We also support the concept that individuals should be responsible for themselves and not seek to transfer this responsibility to others. We also recognize the fact that there are a number of unemployed individuals who are financially unable to or neglect to take advantage of the opportunity to provide available health insurance for themselves and their family. As employers who have been providing active employees with group health insurance, we concede that the high cost of private insurance is a contributing factor.

Availability of Coverage

Generally, an insurance contract for group coverage of employees provides that coverage ends on the date employment terminates if the worker is discharged or quits. A variety of other arrangements are made in the event of a layoff for lack of work. Provisions are usually made to continue the employees' group insurance, in the event of a layoff, to the end of the current month or until the end of the following month. There are instances where employers will continue the full range of group health insurance for longer periods if the premiums are paid by the employee. In addition, the subject of

group health insurance for laid off employees is a valid subject for collective bargaining. There are instances where labor and management have negotiated a continuation of employee group health insurance for up to one year, or reemployment, whichever comes first, without cost to the employee or at a nominal cost.

Conversion Privilege

One way that an employer can provide for group health insurance for laid off employees is to purchase an employee conversion privilege as part of his insurance program. This provision permits a separated employee to purchase individual health insurance within 30 days without a physical examination and it does not exclude pre-existing conditions. Some commercial insurance carriers in New Jersey do not write individual health insurance policies, as a result some group policies do not provide for a conversion privilege. It should be noted that associated with this provision is a cost factor and because, under normal circumstances, very few employees take advantage of this provision, it is not a standard clause. Furthermore, Blue Cross and Blue Shield, as a standard, provide for continuous open enrollment for employees whose group health insurance coverage with a commercial carrier is terminated. Thus, some form of group health insurance coverage is available but is not always affordable.

Alternate Solutions

There are a number of alternatives currently being considered by State Legislatures and the Congress. In our opinion, these proposals are either too costly to the unemployed (an optional premium deduction from an unemployment compensation benefit check), or a program of taxpayer supported/supplemental insurance pools.

NJBIA urges consideration of a new type of optional group health insurance provided on a non-profit or commercial basis, that would only provide benefits in the event of an employment separation. Financing would be based on optional enrollment during periods of employment with premiums paid by the individual directly on a monthly or quarterly basis. Premiums would be waived during periods of unemployment. Under these limited circumstances, premiums would be nominal.

Conclusion

Existing programs are adequate during good times, when people who leave one job are generally able to find another within a reasonable period of time. But, during periods of high unemployment, where unemployment may last for extended periods, and many individuals and/or families may be involved, serious problems arise with respect to providing health insurance coverage in terms of affordability for the individual.

Again, the more than 12,000 employers who are members of NJBIA share the concerns of this Committee over the plight of the unemployed who lack health insurance. We appreciate this opportunity to present our views on this subject. I will be pleased to respond to any questions you may have.



102 West State Street
Trenton, New Jersey 08608
609-393-7707

February 24, 1983

Hon. George J. Otlowski
717 Convery Boulevard
Perth Amboy, New Jersey 08861

Re: Health Insurance for the Unemployed

Dear Assemblyman Otlowski:

I regret that I was unable to remain at the Public Hearing until you were able to call upon me to testify on the above matter. A prior commitment in the afternoon prevented me from remaining at the hearing.

In the event you did not have the opportunity to read the testimony that I left with Mr. David Price, I am enclosing another copy.

You will note that NJBIA was unable to provide a solution for the immediate problem. I doubt if there is a solution. Nevertheless, we submitted an alternative concept, for the future, that merits consideration.

You will note that we proposed that individuals must assume greater responsibility for their health care needs. To this end, we suggested for consideration, a new type of optional health insurance program that is financed while the individual is at work and only takes effect during a period of unemployment. This concept would make the premium affordable for all. To lower the premium further, you could require a minimum of 12 months of premium payment before benefits would be paid. The program could also limit the payment of benefits for a period of up to 12 months.

This concept requires additional study and would require legislation to direct carriers to offer this type of optional coverage. It could also be available as a negotiated additional fringe benefit, with or without co-payment of premiums. If the opportunity for health insurance coverage is made available to the unemployed at a reasonable, affordable premium cost, then it is up to the individual to undertake the responsibility of protecting himself and family.

I sincerely hope that the Assembly Corrections, Health and Human Services Committee considers this alternative.

Sincerely,

A handwritten signature in cursive script that reads "Lester Kurtz".

Lester Kurtz
Assistant Vice President

cc: Frank M. Pelly
Richard F. Visotcky
Nicholas Felice
Garabed "Chuck" Haytaian

48x



Cooper Medical Center
One Cooper Plaza
Camden,
New Jersey
08103

(609) 342-2000

February 14, 1983

Mr. David Price
Assembly Corrections Health and
Human Services Committee
State House Annex
CN 042
Trenton, NJ 08625

Dear Mr. Price:

As a follow-up to our telephone conversation of February 9, 1983, I reviewed the uncompensated care levels for Cooper Hospital/University Medical Center for the years 1981 and 1982. In 1981, Cooper had an uncompensated care level of \$6,705,000 and in 1982 of \$10,347,000.

I trust this information will enable you to present your testimony to the Assembly Committee. If you need any further information from me, please feel free to call upon me at any time.

Very truly yours,

Jerome A. Moreland
Senior Vice President/Finance

JAM:ccf
JAM4/Ltr4

Newark
Beth Israel
Medical
Center

201 Lyons Avenue, Newark, New Jersey 07112

at Osborne Terrace

Telephone (201) 926-7011

February 15, 1983

Mr. David Price, Committee Aide
Assembly, Corrections, Health, Human Resources Committee
State House Annex
CN042
Trenton, N.J. 08625

Dear Mr. Price:

The following is Newark Beth Israel Medical Center's experience
as to Bad Debts and Charity Care for the years indicated:

	1980 <u>Audited</u>	1981 <u>Audited</u>	1982 <u>Unaudited</u>
Bad Debts	\$2,299,413	\$2,818,443	\$3,512,655
Charity Care	<u>\$1,386,579</u>	<u>\$2,609,272</u>	<u>\$3,426,473</u>
	<u>\$3,685,992</u>	<u>\$5,427,715</u>	<u>\$6,939,128</u>
Percent of Gross Patient Service Revenue	<u>5.7%</u>	<u>7.7%</u>	<u>8.9%</u>

If you require any further information, please contact me, I will
be glad to provide any data that is available.

Very truly yours,



Arthur W. Ellermann
Deputy Executive Director - Finance

AWE:jc

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