CFA

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Catastrophic Care Bill Signed Into Law

President Reagan has signed into law a bill designed to help alleviate Medicare recipients' financial burden in the event of catastrophic illness or injury.

The Medicare Catastrophic Protection Act—funded entirely by Medicare beneficiaries through increased cost sharing—seeks to shield beneficiaries from the catastrophic costs associated with acute illness.

The law reduces the costs associated with severe illness or injury by capping the amount beneficiaries must contribute to hospital and doctor services, including prescription drugs, in a given year.

The bill represents the largest expansion of Medicare since the program's inception in 1965 and the program's first broad coverage of outpatient prescription drug costs.

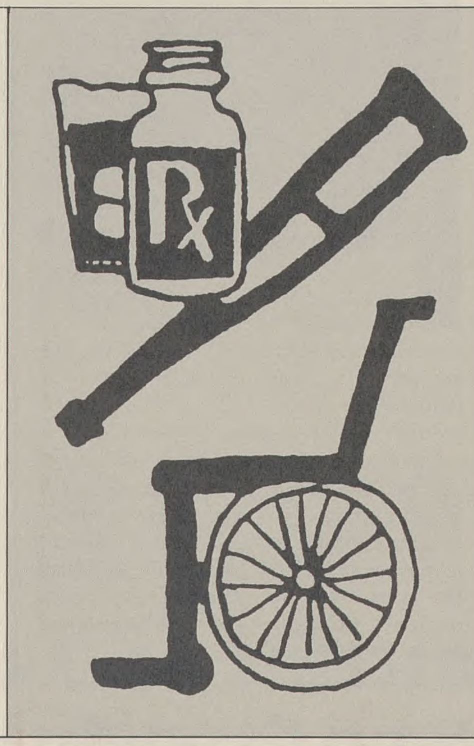
However, the bill does not cover most costs associated with long-term care, which health policy analysts say is the principal cause of catastrophic expenses for the elderly. It also applies only to acute illnesses, such as heart attacks or injuries due to automobile accidents, and not to chronic illnesses, such as lung cancer or kidney disease.

The new law provides victims of acute illnesses with Medicare coverage of the entire hospital bill, after the patient has paid a single annual deductible. For the chronically ill, however, it continues to limit the number of hospital days under which beneficiaries are covered. The bill also contains no provision covering long-term home health care.

"This law begins to address the enormous consumer costs associated with catastrophic illness, but Congress has got to find a way to provide long-term care for the chronically ill," said Karen Hoehn, CFA Legislative Aide.

A number of Congressional leaders in both houses and from both parties have promised to address the issue of long-term care in the next session of Congress.

A bill that would have gone a long way toward providing that care—Rep. Claude Pepper's (D-FL) long-term home health care bill—was defeated 243-169 in a floor vote June 8 in the House.



Rep. Pepper's bill was designed to provide Medicare and Medicaid patients with a humane, low-cost alternative to hospitalization. Costs for the insurance program were to be covered by eliminating a cap on the current Medicare tax, which allows the top five percent of American wage earners to contribute a much smaller percentage of their earnings to the fund than all other workers.

The bill was defeated despite a tremendous educational and lobbying drive by the National Health Care Campaign, of which CFA is a member, and despite the fact that a large majority of polled Americans have expressed interest in a national long-term health care program funded through increased taxes.

Two of the most powerful members of Congress, Rep. Dan Rostenkowski (D-IL), Chair of the House Ways and Means Committee, and Energy and Commerce Com-

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Banking Panel Passes Consumer Protections

Following a 17-hour marathon session, the House Banking Committee reported out a bank deregulation bill, H.R. 5094, July 28 that includes a strong package of consumer protections.

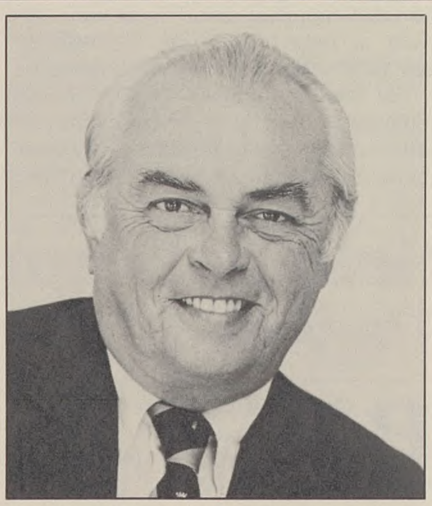
By a 36-15 vote, the committee approved the consumer title of the bill, including: Community Reinvestment Act improvements, mandated lifeline banking and government check-cashing, and branch closing notification requirements, as well as already passed home equity loan and truth in savings legislation.

These protections are part of a bill to give banks broad new powers to deal in securities. Similar legislation has already passed the Senate.

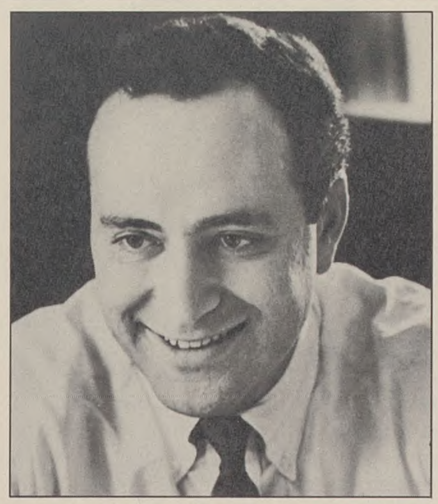
The consumer protection package survived, despite intense lobbying against it by bank representatives, because of the leadership of Banking Chairman Fernand St Germain (D-RI) and the coalition tactics of Charles E. Schumer (D-NY) and Joseph P. Kennedy II (D-MA).

"At times during the night, when we were fighting intense pressure by the banking lobbyists to give up on check-cashing and most of CRA, I didn't know if a majority of the committee would remain solidly in support of our provisions," said CFA Legislative Representative Peggy Miller. "But they did, and we owe that mostly to Chairman St Germain, because he just kept fighting for us."

Before the bill can come to a floor vote, it must be approved by the Energy and Commerce Committee, where Chairman John D. Dingell (D-MI) is said to oppose granting broadened securities powers to banks without more substantial protections.



Banking Chairman Fernand St Germain



Rep. Charles E. Schumer

"The timing on this bill is precarious, but we expect to see final passage in the waning hours before Congress adjourns in October," Miller said.

In order to win committee approval for the entire consumer protection package, consumer advocates were forced to accept compromises in the areas of CRA reform and government check-cashing.

The CRA provisions require that banks achieve a rating of excellent, good, or average (with a plan for improvement) in order to receive approval of applications for interstate banking, bank mergers, or expansion of non-bank activities, including securities or insurance sales.

In the compromise, banks with assets of less than $25 million, banks with assets of less than $50 million that make at least 25 percent of their loans to farms, and 7.5 percent of subsidiaries with poor ratings are exempted from these provisions.

Despite the compromise, the CRA provisions will help force most big and medium-sized banks to pump money back into the communities for a variety of community needs, including housing and small businesses, Miller said.

Government check-cashing and lifeline bank account provisions were folded together under what are now called "financial services" accounts. The opener of such an account can choose either or both of the following:

- check-cashing services, requiring all banks to cash government checks up to a limit of $1,500 per check for a $2 fee; and

- the basic "lifeline" account, offering 10 withdrawals for a set small fee to be established by the Federal Reserve Board at cost. Only those with less than $1,000 on deposit in the bank could open such an account. The minimum opening and maintaining balance could not be set at more than $25, and no more than two forms of identification could be required to open a basic account.

As a result of these provisions, low income consumers would have real access to banks, both to maintain accounts and to cash their government checks, Miller said.

Finally, the consumer protection package includes a provision requiring any bank that is closing a branch to give advance public notification of that branch closing and to conduct an analysis of the impacts of that closing on the neighborhood.

"The compromises were difficult to accept, but looking at the overall package, we feel we got what we needed to support the bill," Miller said.

New Coalition Advances Health and Safety

At a June conference in Washington, D.C., 27 consumer and insurer groups launched a new coalition to advocate improved consumer health and safety. Organized by the Consumer Federation of America, the coalition announced and began defining a health and safety agenda containing specific policy recommendations.

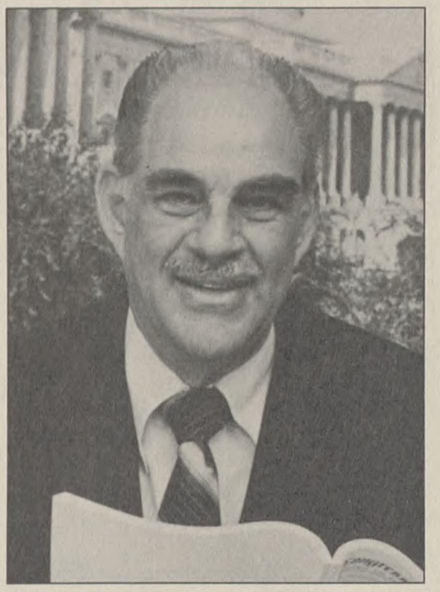
Keynote speaker Rep. James H. Scheuer (D-NY) noted the enormous influence of a coalition including CFA, the Alliance of American Insurers, American Association of Retired Persons, American Public Health Association, American Council of Life Insurance, and other organizations.

"Health and safety must become a Congressional priority, and the coalition I see before me today has the power and ability to make it happen," Scheuer said.

Priorities and Consensus

The working conference was divided into three parts. On the first morning, the some 150 attendees heard experts define health and safety priorities and analyze the most important product-related diseases and injuries.

Mark Silbergeld, Director of Consumers Union's Washington office, urged attention not only to traditional consumer concerns, such as motor vehicle safety, but also to reduced cigarette and alcohol consumption and to AIDS.



Rep. James H. Scheuer (D-NY) was keynote speaker at the Health and Safety Conference.

Specifically addressing the most significant health and safety threats facing urban blacks and other minorities, D.C. Commissioner of Public Health Dr. Reed Tuckson agreed generally with Silbergeld's priorities. He cited cigarette smoking, accidents especially to bicycle riders, and substance abuse as major killers.

Speaking for insurers, Robert Vagley, President of the American Insurance Association, said the industry has a strong commitment, rooted in its own economic interest, to advancing consumer health and safety. He urged a "partnership" of insurance companies and consumer groups to achieve this goal.

After lunch, attendees broke up into seven groups to focus on different issue areas—motor vehicle safety, home product safety, indoor air and drinking water quality, food safety and nutrition, cigarette consumption, alcohol and legal drug consumption, and AIDS. Each group heard leading experts discuss the problems in a different issue area, then had the opportunity to ask these authorities questions.

The next morning, each of the seven groups convened to try to develop a consensus as to the consumer and social impacts, causes, and solutions to problems in their issue area. Discussion leaders reported this consensus at a final plenary session.

At a meeting following the conference, representatives of the 27 consumer and insurer groups convening the conference formally initiated the coalition and agenda-setting process. Committees will prepare sections of the agenda, which will be released and widely distributed to opinion leaders and policy-makers early next year. The agenda will define the program of the coalition to advance consumer health and safety.

The Societal Cost

In his opening remarks at the conference, CFA Executive Director Stephen Brobeck said that, "Consumers, insurers, and our whole society have an enormous stake in product-related health and safety."

Citing the cost in hundreds of thousands of lives lost each year, Brobeck also noted such economic costs as "more than $60 billion from motor vehicle accidents, $50 billion from alcohol and substance abuse; $21 billion from adverse drug reactions just to the elderly; and tens of billions of dollars more from AIDS, smoking, indoor air pollution, unsafe food and drinking water, and household products."

Rep. Scheuer urged conference attendees to "take the lead in convincing the federal government and the public that. . .efforts to reduce these needless deaths and injuries. . .are a profitable undertaking.

"Improved health and reduced accidents will produce significant productivity gains through lower rates of absenteeism, which will surely increase our competitiveness in the global economy. And the societal costs resulting from increased health care costs and litigation can be avoided or dramatically reduced through efficient health and safety programs."

Groups Act to Stop Drought Related Price Gouging

CFA and Public Voice for Food and Health Policy have launched a campaign to prevent companies from using modest farm price increases caused by the drought to justify much larger rises in retail food prices.

A key part of that plan will be monthly surveys in 11 metropolitan areas of prices on food staples. Conducted by CFA affiliates around the country, these surveys will include data on breakfast cereal, beef, poultry, pasta, canned and frozen vegetables, cooking oils, margarine, sugar, and coffee.

In July, the groups established baseline pricing data. Monthly surveys will continue

until October, at which time the results will be released.

Items in the categories surveyed should not be dramatically affected by the drought, said CFA Executive Director Stephen Brobeck. "Agricultural economists have told us that, in the next three months, prices of items selected should either decline, remain the same, or increase no more than five percent," he said. "If prices rise much more than these predictions, there's a good possibility of profiteering."

"But the major goal of our survey is not to find, but to prevent, this profiteering," Brobeck added. To that end, CFA and Public Voice are writing the presidents of the 70 largest supermarket chains to enlist their help in keeping a lid on food prices.

"We are asking supermarket presidents not only to restrain price increases on their store brands, but also to complain to national brand manufacturers who seek excessive price increases," Brobeck said.

Brobeck and Ellen Haas, Executive Director of Public Voice, met with Agriculture Secretary Richard Lyng to urge him to have that agency conduct an extensive price survey of foods to watch for unreasonable increases. When Lyng declined, the two groups agreed to undertake the project themselves.

"These steps are aimed at alerting consumers to keep a watchful eye as they fill their shopping carts," Haas said. "We want to help prevent any unjustifiable increases in the name of 'drought damage.'"

The following affiliates of CFA will be monitoring food prices: Americans for Democratic Action/Consumer Affairs Committee (DC), Consumer Action (CA), Arizona Consumers Council, Empire State Consumer Association (NY), Consumers League of Ohio, Mercer County Community Action Agency (PA), Virginia Citizens Consumer Council, American Council on Consumer Awareness (MN), Alaska Public Interest Research Group, Concerned Consumers League (WI), and Idaho Consumer Affairs.

Senate Committee Passes Indoor Air Bill

Before recessing for the Democratic National Convention, the Senate Environment and Public Works Committee reported out S. 1629, "The Indoor Air Quality Act of 1987."

The measure, unanimously passed by the Environmental Protection Subcommittee May 11 and passed by the full committee July 14, authorizes $49.5 million per year for five years to be spent to tackle the problem of indoor air pollution.

This legislation would clarify EPA's responsibilities for indoor air quality, providing it with specific research authority and directing the agency to issue health advisories for known contaminants. It also requires the EPA to develop a national response plan for overall federal action to reduce indoor air pollution and to assist states in developing strategies for assessing indoor air quality.

The measure establishes a National Indoor-Air Quality Information Clearinghouse to disseminate indoor air quality information to federal, state, and local agencies, as well as to individuals and private organizations.

Funds provided for in S. 1629 are also earmarked to expand assessments of "sick buildings," which are the sources of costly illnesses and lost worker productivity.

Included in S. 1629 are amendments introduced by Sen. Frank Lautenberg (D-NJ) to address radon contamination in child care facilities and federally assisted housing and to provide funds to establish five university-based regional radon training centers. An amendment offered by Sen. John Chafee (R-RI), which provides for an assessment of the seriousness and extent of indoor air contamination in schools, was also adopted.

"Since CFA identified indoor air pollution as the number one hidden health threat to our society a few years ago, we have worked vigorously for a federal response to the problem," said Sandra Eskin, CFA Legislative Representative. "We believe that S. 1629 is a good place to start, and we'll continue to push for adoption of the legislation before the end of this session."

A hearing is scheduled in mid-September on comparable House legislation.

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Physician Self-dealing Costs Consumers

Legislation has been introduced in the House to eliminate the strong economic incentive that exists under current law for physicians to self-deal in medical services.

In July, CFA Research Director Mark Cooper testified before the House Energy and Commerce Committee in support of "The Clinical Laboratory Improvement Amendments of 1988" and "The Medicare and Medicaid Clinical Laboratory Improvement Amendments of 1988."

"CFA believes that regulation and billing of laboratory services, in fact all ancillary medical services, are a growing cause of concern to consumers for both public health and economic reasons," Cooper said.

Conflicts arise because physicians can prescribe laboratory or other diagnostic tests and then provide those tests either on-premises or through laboratories in which they own a direct interest.

Even when they decide against self-provision of these services, physicians have an incentive to bill indirectly—to charge patients for services and then pay laboratories for the provision of services—enabling them to profit either "by extracting kickbacks from laboratories or by writing up their bills for these services to consumers."

The doctor can increase his profits by increasing either the number of tests prescribed or the price charged to the consumer per test, or both.

In the past year, news reports have revealed a number of "deadly mistakes" involving laboratories that failed to properly execute or report the tests prescribed and/or conducted by doctors.

"By creating economic incentives to establish many small laboratories as supplements to a medical practice, the proliferation of inefficient, unregulated operations may have been stimulated," Cooper said. "Of course, this is not the only source of a failure of quality control in medical testing, but it may have been a major contributor to recent problems."

Because consumers have no real chance to question the need for a test, to insist on using a laboratory of his or her own choosing, or to evaluate the quality of the test, "there is relatively little possibility that the marketplace will provide forces adequate to discipline this self-interested behavior," he said. "Only by breaking the link between the physician's economic gain and the recommendation and evaluation of testing can the consumer's interest be protected."

CFA is planning to study this issue in depth over the next several months, but even without that in-depth study, Cooper said, "we can confidently say that the legislation before the committee is pointed exactly in the right direction."

Cooper warned, however, that more may have to be done. Even vigorous regulation would not eliminate doctors' incentives to over-price or over-prescribe tests, he said. "Second, we wonder whether in times of fiscal austerity the resources would be forthcoming to effectively regulate the huge number of on-premises labs that might develop."

"When all is said and done, balancing the critical need for high quality testing, for cost-effective prescription of tests, and for efficient conduct of tests, we think the committee may find that severe restriction even for on-premises physician self-dealing may be the optimum policy."

Low Income Families Get Phones

In its first six months, Link Up America, a telephone service assistance program, made it possible for 13,995 low income households to obtain telephone service. The results were reported by the four pilot programs established in Arkansas, the District of Columbia, Texas, and West Virginia.

Particularly successful were the joint efforts of Arkansas phone companies and the Association of Community Organizations for Reform Now (ACORN), which mounted a campaign reaching virtually all communities in the state. To date, about 15 percent of all eligible households have signed up, and the campaign is continuing.

Jointly sponsored by the Federal Communications Commission, the Consumer Federation of America, and the United States Telephone Association, Link Up America is a program designed to assist qualified low income households to pay for telephone installation and connection charges. The program draws upon interstate contributions to offset one-half of these costs up to an amount of $30.

CFA Executive Director Stephen Brobeck said of Link Up America's first phase: "The pilot programs did far more than sign up thousands of subscribers. They provided an opportunity to test ways to reach low income consumers without phones. They also focused industry, regulator, and consumer group attention on meeting the telephone service needs of these households."

Brobeck, however, noted significant barriers to Link Up's success. "Most importantly," he said, "those without phones are

Link Up America

difficult to communicate with. Many move frequently, are functionally illiterate, and distrust business and government organizations."

Additional obstacles may be created by phone companies themselves, he added. These range from inconvenient certification requirements to less than generous deposit policies that negate the installation subsidy. Moreover, concern has been expressed that some phone companies are trying to sell Link Up subscribers "bells and whistles" that they do not need and cannot afford.

Nevertheless, Brobeck concluded, "Link Up America is off to a promising start. What is needed now is an expanded, long-term commitment by participants, especially local phone companies."

The release of the results from the pilot programs officially concludes the first phase of the Link Up America program. However, since the program began last October, 27 additional states have developed Link Up plans that have been verified by state public utility commissions and certified by the FCC.

Health Care Issues Advance

(Continued from page 1)

mittee Chairman John D. Dingell (D-MI), opposed the bill, primarily because it came to a floor vote without consideration by their two committees.

Their opposition was tempered, however, by promises that the issue would be addressed in the next session. "Today's action marks the beginning, not the end, of the debate over the best way to meet the need for long-term care," Rep. Rostenkowski said.

"We lost the bill, but an issue was born," said Bruce Fried, Executive Director of the National Health Care Campaign.

Basic Benefits Defined

A broad-based coalition, of which CFA is a member, has developed a Basic Health Benefits Package describing the minimum health care coverage that all Americans need.

Representatives of the insurance industry, consumer groups, business, labor, health care professionals, government, and hospitals agreed on a realistic and affordable program that should be available to all Americans.

The Basic Benefits Package includes insurance coverage for:

- illness prevention and health promotion;
- medical services for short-term treatment physician and other professional services in and out of the hospital; home care; mental health care; and
- long-term care services.

The package—which includes an annual $200 hospital deductible, a $100 individual deductible ($250 family deductible) for other services, and 20 percent of remaining expenses paid by the policy holder—has been priced in a range comparable to most employer-provided plans. But many private and public insurance programs fail to provide the minimum benefits and financial protection outlined in the Basic Benefits Package.

"There is no reason why anyone in this country should be denied affordable, adequate health insurance," said CFA Legislative Director Gene Kimmelman. "If the private sector cannot meet the minimum health care needs of the nearly 70 million inadequately insured Americans, then the government will have no choice but to step in."

Massachusetts Adopts a Universal Care Program

In April, Massachusetts became the first state to guarantee health coverage for nearly every resident. Under Gov. Michael Dukakis's persistent guidance, the Massachusetts legislature signed into law a universal health care program designed in cooperation with all affected parties.

The multi-faceted program includes: a phase-in of incentives and mandates for employers to provide health insurance; creation of a Department of Health Security to coordinate provision of affordable private health insurance; public insurance wrap-around for disabled adults so they might return to work without losing their health benefits; and a free care pool "safety net" for people who still cannot obtain insurance.

The program, which takes full effect in 1992, grants a dollar-for-dollar tax credit, up to $1,680 per employee per year, for employers who provide health insurance for their workers who work at least 27 hours a week.

Public Opposition to Deregulation Mounts

Public opinion has shifted away from support for deregulation and toward support for better regulation, according to a CFA study.

The report, titled *Public Opinion about Regulation and Deregulation in the Transportation and Communication Industries*, reviews more than three dozen national, random sample surveys conducted in the past 10 years by virtually all of the major national polling organizations.

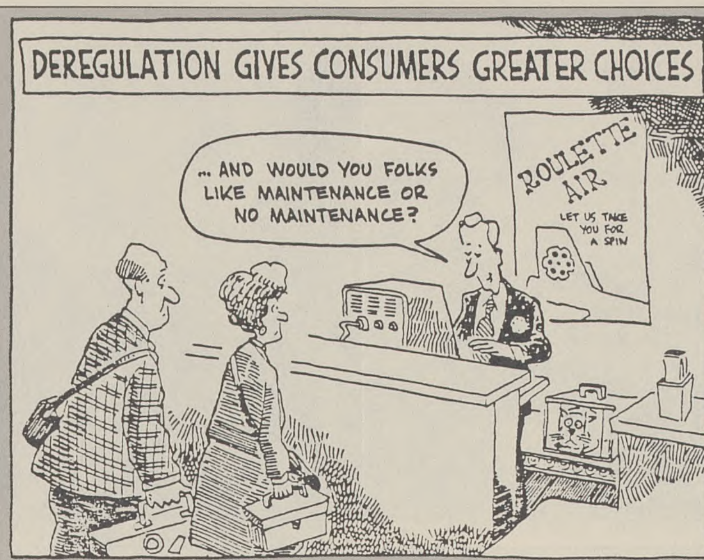
Key findings of the report include:

- A plurality, and perhaps a majority, now support tighter regulation.
- In none of the industries where there has been substantial deregulation does a majority of respondents believe that deregulation has been in the best interests of individuals and the nation.
- Pluralities also believe that deregulation has hurt consumers.

"Just seven years after electing Ronald Reagan on a platform of reduced regulation, a majority of Americans believe we need mid-course corrections to the deregulation agenda," said Gene Kimmelman, CFA Legislative Director.

Report Documents Opinion Shift

The report documents the shift in public opinion over the last decade. In polls taken in 1981 by *CBS News/New York Times* and by Yankelovich for *Time*, more than 60 percent said that government had gone too far in regulating business.



Cartoon by Wasserman

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In contrast, a December 1987 Roper poll for *U.S. News and World Report* found that 51 percent of respondents would prefer a candidate for president who would tighten regulation of business, while only 40 percent said they would not. Similarly, a July 1987 Harris poll for *Business Week* found 50 percent of respondents believed federal regulation of business had become too lax, while 45 percent said it had not.

"The public has tried deregulation and finds a great deal to dislike about it," said Mark Cooper, CFA Research Director and principal author of the report. "It increasingly supports government intervention to correct problems such as excessive local phone rates, declining airline service, and unfair railroad pricing."

Cooper cited an early 1986 *Cambridge Reports* poll which showed that, when asked about airlines, railroads, banks, and telecommunications, 45 percent of the respondents said that deregulation has hurt consumers, whereas only 32 percent said it has helped. And, when asked by *Business Week* in July of 1987 whether the results of telecommunications, airline, and trucking deregulation had been positive, 49 percent of respondents said no, while 46 percent of respondents said yes.

"Although support is stronger for environmental, health, and safety regulation, the public opposes further economic deregulation and supports improved regulation in every partially deregulated industry," Cooper said.

Telephone Deregulation Least Popular

Respondents see telephone deregulation as decidedly not in the best interests of the country and individual consumers, with a 35 percent positive reaction and 52 percent expressing a negative view.

Airline deregulation enjoys the most support among the public, with 47 percent positive and 35 percent negative, but support has been declining. Opinion has swung even more strongly in favor of having the government oversee the setting of fares, with 49 percent supporting, 43 percent opposing.

"Responding to the mounting grass roots pressure, Congress is acting on legislation like the 'Airline Consumer Protection Act' and the 'Interstate Commerce Commission Reform Act' to give better protection for the consuming public in industries where anti-competitive or anti-consumer practices have become pervasive," Kimmelman said.

"However, we continue to support less regulation in industries where competition has proven to be vigorous, like trucking, or where more competition would be in the consumer interest, like electricity generation," he concluded.

CPSC Denies Bunk Bed Petition

The Consumer Product Safety Commission voted 2-1 in July to deny CFA's 1986 petition requesting a mandatory safety standard for bunk beds. Commissioner Anne Graham cast the only vote to begin rulemaking.

Instead, the agency agreed to continue to defer to industry voluntary standards, which, though recently revised, still do not adequately address the risk of injury, said CFA Product Safety Director Mary Ellen Fise. CPSC staff have identified four areas where the guidelines are unacceptable, all related to entrapment hazards, which CPSC has cited as "the most frequently reported cause of bunk bed related deaths since 1973."

The commission did adopt by a 2-1 vote a proposal by Commissioner Carol Dawson that calls for CPSC staff to write the American Furniture Manufacturers Association (AFMA) suggesting that certain additional CPSC staff recommendations be included in any revision of the guidelines and suggesting steps to improve overall dissemination and compliance.

The commission will urge AFMA to submit its new guidelines to an accredited national standards organization within 60 days for adoption through the consensus process and will ask the industry to develop, with the aid of an independent auditing organization, a compliance and certification program. This is designed both to help consumers distinguish which products meet the new standards and to help the commission determine the level of compliance with those standards.

"Once again the commission has caved in to industry and backed away from its responsibility to protect our nation's children by deferring to an inadequate standard with which there is only minimal industry compliance," Fise said.

A recent CFA-New York State Attorney General's Office survey shows unequivocally that industry compliance with the two-year-old industry guidelines for bunk beds is extremely poor. More than 30 bunk beds were inspected in retail establishments in Massachusetts, New York, and Maryland. Only five were in complete compliance for the standards analyzed.

Graham said she supported the Dawson proposal, after it was clear that the other commissioners would not agree to begin mandatory rulemaking, in the hopes that these steps will improve industry compliance with the revised voluntary guidelines. She pledged to continue to monitor the issue and said she would attempt to re-open the issue "if satisfactory and timely progress is not made."

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