

**San Francisco, CA, July 1, 1999** – Health care premiums will cost about 10 percent more under an agreement reached between the Pacific Business Group on Health Negotiating Alliance and 11 California HMOs—and the Alliance isn't happy about it. "We are disappointed with this cost spike," said Claire Carter, who chaired the Negotiating Alliance this year and is director of benefits at APL Limited. "While some increase is justified, we are not confident that the return of double-digit premium inflation is justified. More than a third of the Alliance employers, including my own company, will be terminating or freezing plans that we think charge too much compared to the quality and service they provide." Plans such as Health Net and CIGNA have fallen out of favor with Alliance members.

The Negotiating Alliance, representing nearly 400,000 members at 21 California companies, spends about \$500 million a year on health care premiums at the 11 HMOs. Between 1995 and 2000, the Alliance held health care costs to a net 5 percent increase.

While Blue Cross and United HealthCare offered longer term agreements, many plans professed anxiety regarding the legislative climate, reduced Federal payments for Medicare+Choice, spiraling drug costs and, in the case of for-profit plans, investor requirements to turn a profit.

There is some good news, however. Many employers are adding to their health care offerings and encouraging employees to select plans, such as United HealthCare and Blue Cross, that provide good quality at a reasonable price. Those companies seem eager to collaborate with PBGH on key quality initiatives and have been more effective in holding prices down. Most Alliance employers encourage employees to enroll in high value health plans. One such company, Wells Fargo & Co., which recently concluded a special early open enrollment, saw more than 2,000 members switch from a costly plan to other plans offering better value while maintaining their physician relationship under the new plan(s).

### **Employers Plan to Audit Flow of Monies to Providers**

Alliance members are also worried about the fiscal health of California hospitals and medical groups. In response to that concern, the Alliance will conduct health plan audits to track the flow of monies from health plans to physicians and hospitals. "We hear from physician groups that they receive little to no increase in their payments and when they do, the increase lags behind the increase in health care premiums," said James C. Franklin, associate vice president for total compensation at Stanford University. "We want to ensure that the increases received by the plans are passed on to their providers. Our audits will

also examine the timeliness of such payments."

### **PBGH Employers Exploring New Ways to Buy**

At a recent retreat for the PBGH Board of Directors, members explored new ways to ensure that their health care dollars lead to improvements in quality and data. "We continue to strongly believe that reasonable long-term pricing depends upon significant improvements in quality and data," said Patricia E. Powers, president of the Negotiating Alliance. "The health care market should expect to see different requirements from us next year. While we are not directly contracting with providers in the short run, we are positioning ourselves to encourage employees to choose physician groups and hospitals that perform well and efficiently. We want to import attractive features of a direct contracting model into the California marketplace."

### **Pacific Business Group on Health Negotiating Alliance members:**

APL Limited  
Automobile Club of Southern California  
Bank of the West  
Bechtel Corp.  
BHP Co., Ltd.  
Chevron Corp.  
Federal Reserve Bank of San Francisco  
Fireman's Fund Insurance Co.  
LSI Logic Corp.  
McKesson HBOC Inc.  
Mervyn's California  
Pacific Gas & Electric Company  
Safeway Inc.  
SBC Communications, Inc.  
Stanford University  
Stanislaus County  
Target Stores  
Union Bank of California  
Varian Associates  
VLSI Technology  
Wells Fargo & Co.

### **Contact:**

Clark Miller  
Senior Communications Manager  
Pacific Business Group on Health

Telephone: (415) 615-6302

E-mail: [cmiller@pbgh.org](mailto:cmiller@pbgh.org)