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Americans for Substance Abuse Prevention
Fourth Floor
660 Newport Center Drive
Newport Beach, CA 92660

2401
RSUP
6/25/85
24 JUN 1985

Dear American for Substance Abuse Prevention:

Advisory Committee

- George Gallup, Jr.
Pollster
Honorary Chairman
- Pat Boone
Entertainer
- Joseph A. Califano, Jr.
Attorney
- Hon. Herman E. Talmadge
Former U.S. Senator
- Abigail Van Buren
Syndicated Columnist
- Raymond Chavira
Commissioner, L.A. County
Commission on Alcoholism
- Michael E. De Bakey, M.D.
Heart Specialist
- Hon. Wilbur D. Mills
Attorney
- Ernest P. Noble, Ph.D., M.D.
Director, Alcohol Research, UCLA
- Sue Rusche
Director, Families in Action
- Jokichi Takamine, M.D.
Chairman, AMA Committee
on Alcoholism
- Rev. David A. Works
President, North Conway Institute
- Ken Estes
Acting Director
- Pamela Dilday-Davis
Organizing Director

On June 27, the Declaration of Independence from Drug and Alcohol Abuse will be signed in Washington, D.C. to make substance abuse prevention a national priority. As a member of A.S.A.P. you are cordially invited to participate in this landmark event and attend a special luncheon as our guest.

This event was previously publicized as part of the A.S.A.P. National Conference. However, we have modified the program to focus national attention on the declaration. In addition, we have waived the cost to make it possible for more of our members to participate. We believe that a strong showing of support by our membership is essential to mobilize our leaders to act now on the serious threat posed by drugs and alcohol.

Please join selected Congressional leaders, representatives from over 50 national service, youth, and religious organizations, and other A.S.A.P. members from the District of Columbia, Maryland, and Virginia in this historic signing ceremony. The event will be held from 8 am - 1:30 pm at the J.W. Marriott Hotel (Pennsylvania Avenue at National Place) in Washington, D.C. A continental breakfast will be served, followed by our keynote speaker, Joseph A. Califano and the premier showing of "Freedom and Choice", a multi-image documentary on substance abuse in America. The Declaration of Independence ceremony will take place from 11:00 to 12:00, followed by a luncheon from 12:00 to 1:30.

I hope you will join us on June 27 to show your support of A.S.A.P. and our goal of making substance abuse prevention a national priority. Space is limited so it is necessary to confirm your attendance by phoning toll-free (800) 851-9100 by June 21.

Sincerely,

George Gallup
George Gallup, Jr.
Honorary Chairman



THE
GEORGE
WASHINGTON
UNIVERSITY

Washington, D.C. 20037

*National Health Policy Forum
Suite 616
2100 Pennsylvania Avenue, N.W.
(202) 872-1390*

The Health Care System In Transition

THE GM/UAW AGREEMENT: A JOINT EFFORT IN HEALTH BENEFITS REDESIGN

Richard F. O'Brien
General Director, Employee Benefits
Personnel Administration and Development Staff
General Motors Corporation
Detroit, Michigan

David C. Beier
Administrator, Benefit Plans Section
General Motors Department
United Auto Workers
Detroit, Michigan

Paul M. Gertman, M.D.
Chairman of the Board
and Chief Scientist
Health Data Institute
Newton, Massachusetts

Monday, July 8, 1985
12:00 - 2:30 p.m.
Luncheon

Quality Inn, Capitol Hill
415 New Jersey Avenue, N.W.
Executive Room

Auto workers' health insurance coverage has often been described as the bellweather program for large group accounts. And among union-negotiated benefit packages it has been perhaps the most visible in establishing the trend for employer-sponsored health care coverages generally. In September of last year, the General Motors Corporation (GM) and the United Auto Workers (UAW) negotiated a three-year contract which significantly altered the nature and scope of employee health benefits. Developed by management and labor, this innovative package recognizes both parties' mutual interest in cost containment and quality assurance. It also demonstrates how this concern can be translated into joint action.

With 2.1 million plan enrollees* including retirees and dependents -- or almost one percent of the U.S. population -- the new GM health insurance program, called the Informed Choice Plan, could serve as a model for other major employers nationwide as they reexamine and revise their own benefit packages. At this Forum session, the health benefits revisions in the GM/UAW agreement will be explored with three persons who have played key roles as the plan's architects or advisors.

The Informed Choice Plan

The new provisions of the Informed Choice Plan, which took effect on April 1, 1985, were based on the results of studies and pilot programs commissioned by a joint Corporation-Union Committee on Health Care Benefits, which was established in 1982. Rather than influence consumer behavior by increasing employee cost sharing, the plan is designed to improve quality of care and contain costs by changing and monitoring provider behavior. In particular, the changes address the phenomenon of what the corporation and the union consider provider-driven overutilization and abuse. Thus, the Informed Choice Plan offers enrollees three types of coverage: a traditional fee-for-service plan with strengthened utilization controls, an HMO, and a newly established PPO. GM and the UAW encourage enrollment in the latter two options, which are considered "managed care" programs.

In developing the new plan, the corporation and the union adopted a new approach to assessing the health benefits package. They now measure the worth of the benefits not only on the basis of their dollar value (given in cents per hour per employee) but also on the basis of non-monetary considerations regarding plan quality. This new approach links quality of care to the appropriateness of the care delivered and builds safeguards into plan design to ensure that appropriateness. Assessing appropriateness of care, therefore, constitutes a cornerstone of the plan and requires the compilation and analysis of utilization, cost, and clinical data on a routine basis.

In addition to concentrating on provider behavior, GM and the UAW have targeted insurers for cost containment activities as well. In negotiations with GM that occurred simultaneously with the UAW talks, GM's two major insurance carriers (Blue Cross/Blue Shield and Metropolitan) agreed to a unique risk-sharing agreement that holds them in part financially responsible for failure to meet an agreed-upon cost reduction goal. In

*GM has extended the plan to cover its salaried employees as well.

negotiating this agreement, business and labor demonstrated the economic clout that can be wielded when employer and employees join forces. They also demonstrated this purchasing power in another historic way -- by demanding from insurers a new insurance product. Dissatisfied with the old insurance packages, GM and the UAW took the initiative and requested that their insurers develop PPOs.

The Crucial Role of Data

Both GM and UAW recognized the critical need for meaningful health care data to accomplish their cost containment goals. Through the Corporation-Union Committee on Health Care Benefits, they have contracted for the past three years with the Health Data Institute (HDI) of Newton, Massachusetts, for expertise on data matters. Among its activities, HDI conducted studies of health care overutilization and, prior to the 1984 collective bargaining session, advised the Committee about options for benefit reform.

GM has enhanced its own data analysis capabilities by developing an extensive health care management information system. Ultimately, the company intends to conduct sophisticated claims analyses that will sort data by provider and even by plant location so that it can develop plant-specific utilization incentives. In addition, GM recently purchased Electronic Data Systems Corporation (EDS), which is experienced in claims processing and will help centralize and make uniform GM claims information.

Possible Broader Effects on the Health Care System

Among many potential effects, the Informed Choice Plan could increase competition in the local markets in which it operates by escalating negotiations among insurers, providers, and purchasers over patient volume and price. (This effect, however, will depend largely on the number of enrollees that switch to the PPO or HMO options in a given area.) The requirement of pre-authorization for hospitalization of patients enrolled in the traditional insurance option may also change physician behavior simply because doctors know their decisions will be reviewed (the so-called "sentinel effect"). But perhaps even more significantly, the plan acts as the catalyst for development of alternative insurance options, particularly PPOs. GM, in essence, is providing the initial demand and the all-important seed money for developing a PPO that its insurers can then offer to other employers in the community, both large and small.

Recent Trends in Labor Activity and Attitudes

The UAW is recognized as a particularly sophisticated union on health care matters, and it is not surprising that it has taken the lead with this initiative. The union also reached similar agreements with Ford and Rockwell International; other unions are not far behind in their efforts. In April, the International Brotherhood of Teamsters unveiled an agreement with the Voluntary Hospitals of America to establish the first national network of PPOs. The Teamsters, who administer their own health plan, insure 500,000 enrollees and hope to save millions of dollars on their \$350 million annual health expenditures. The AFL-CIO, while "cautiously optimistic" about PPOs, is highly supportive of HMOs and is strongly urging its affiliates to incorporate cost containment programs into benefit plans.

With health care as the largest non-wage component of the benefits package, the trade-offs that must be made between it and other perquisites become increasingly visible, and the existence of provider overutilization becomes increasingly unacceptable. The GM/UAW agreement makes clear that at least in some circles, corporate management and organized labor now agree that taking firm action to control expenditures on health care is both necessary and in their best interests.

David C. Beier is Administrator, Benefit Plans Section of the United Auto Workers' GM Department. Mr. Beier was responsible for benefit negotiations with the corporation in 1984. His relationship with GM began in 1949, when he was hired at its New Departure Hyatt plant. A member of UAW Local 913, Mr. Beier has held various elected offices with the Local and served as a member of the national negotiating committee in 1967. He assumed appointed staff positions at the union's regional and national levels beginning in 1968.

Richard F. O'Brien is General Director, Employee Benefits, Personnel Administration and Development Staff of General Motors Corporation. He directs the research, development, design, and coordination of benefit plans for GM's hourly and salaried employees in the U.S. and Canada, including the negotiation of such plans with unions. Since beginning his GM career in 1966, Mr. O'Brien has held a variety of positions, most recently that of general director of worldwide personnel administration. Mr. O'Brien serves as a member of the Michigan Blue Cross/Blue Shield Corporate Body. He is also Vice President/Treasurer for the Board of Directors of ERISA Industry Committee and a member of the employee benefits committees of corporate organizations including the Conference Board and the U.S. Chamber of Commerce.

Paul M. Gertman, M.D., is Chairman of the Board and Chief Scientist at Health Data Institute, Inc., a health data consulting firm in Newton, Massachusetts that has worked with the GM/UAW Committee on Health Care Benefits since 1982. Dr. Gertman previously served as an Associate Professor of Medicine and Chief of the Health Care Research Unit at Boston University School of Medicine. During that time he was also Director, Quality Assurance Unit at the Boston University Hospital. Dr. Gertman has published extensively in the areas of health care utilization and health services necessity and quality analysis. He now serves on the Board of Directors of the Massachusetts Health Data Consortium.

If you would like to join us for this seminar/discussion, please call 872-1392 to reserve a place.

Randi J. Siegel
Health Policy Analyst

Judith Miller Jones
Director