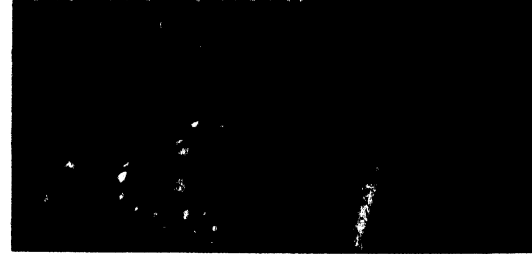


A look back, 16C  
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Pittsburgh is downright  
lucky. Cover story ■ 1-2C

# USA TODAY

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Invasive butterfly



By Tony Burton



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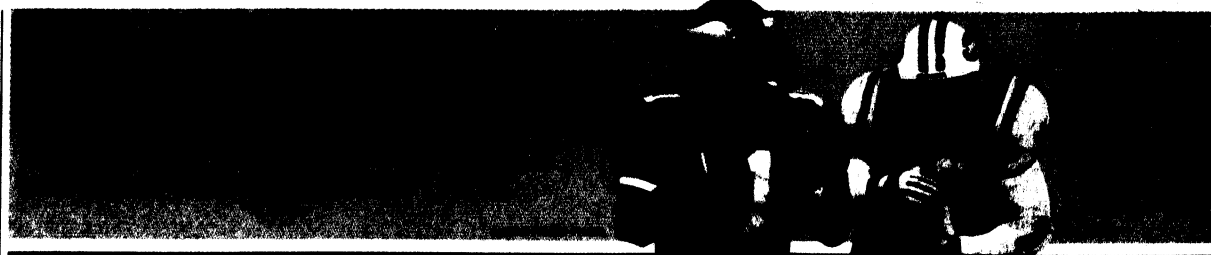
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# HMOs

USA TODAY

Medical costs are rising and insurance premiums could jump 20% — signs that managed care isn't working

## What happens after the Band-Aids run out?

By Julie Appleby  
USA TODAY

OK, so we hated managed care. The restrictions. The referrals. The hassles.

But employers loved it. They were able to pay less for a few years. And we got to see a doctor at our HMO for \$10 a pop.

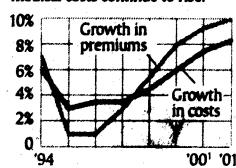
Now, though, the biggest jumps in health premiums in a decade are forecast for next year — 10% to 13% for larger employers, 20% or more for smaller ones — frustrating consumers and raising questions about the future of health insurance.

Medical inflation is back, besting managed care at the very thing it was supposed to solve.

"We are in the same mess as 10 years ago," says Kenneth Sperling of the benefits firm Hewitt Asso-

### Underlying costs rise

Although managed care plans slowed the growth of insurance premiums for a few years, premiums are taking off again as medical costs continue to rise.



1 — Estimate  
Source: Deutsche Banc Alex. Brown and Stuart Altman, Brandeis University

By Quin Tan, USA TODAY

ciates. "In the early '90s, we saw these kinds of cost increases, but we had the alternative of managed care as a low-cost option."

Some say managed care failed. Others say Americans rejected it

without giving it enough of a chance. Either way, experts agree that no one now has a good idea how to control costs without it. And the cost problem is clearly not going to go away:

► Spending continues to rise, driven by an aging population, expensive new drugs and treatments, consumer demand and a growing ability of doctors and hospitals to resist managed care payment cuts.

► Although most health insurers are making profits this year — because they've been able to raise premiums higher than the underlying medical inflation — PacifiCare and Aetna have reported lower earnings. The companies blame their inability to control costs.

► Medicare spending is increasing faster than previously forecast. The cost of the \$218 billion program is expected to double by 2010. An ad-

See COVER STORY next page ►

## Court holds Gore's hopes

Ruling possible today as Florida Legislature meets

By Kathy Kiely  
USA TODAY



► Justices in time trap, 3A

One month after Americans went to the polls to pick a president, the improbable post-election standoff between George W. Bush and Al Gore is at a crucial turning point.

In what could be Gore's last hope of winning Florida and the White House, the vice president's lawyers asked the state's Supreme Court on Thursday to order a manual recount of votes from three Democratic counties in South Florida.

A decision could come today. Gore wants the seven justices — six Democratic appointees and one a joint choice — to overturn a Florida Circuit judge who ruled Monday that the vice president had not made the case for a recount.

Gore is convinced that a hand recount would produce enough votes to overcome Bush's certified 537-vote lead, thus giving him Florida's 25 Electoral College members.

During the hour-long argument, Chief Justice Charles Wells asked whether there is enough time to count the disputed votes by a Tuesday deadline for naming electors.

There is, insisted Gore's chief lawyer. "Out of the millions of votes involved in the election, we're down to 12,300 that are contested," David Boies said.

Many Democratic supporters of Gore say a decision in Bush's favor likely would end their candidate's quest for the presidency.

A ruling for Gore could set off a chain reaction of more history-

## Estrogen may join carcinogen list

Talc also under consideration; benefits don't play into decision

By Rita Rubin  
USA TODAY

Estrogen, used in hormone replacement therapy, and talc are among the substances being considered for listing in the next federal "Report on Carcinogens," due in 2002. The only public meeting in the review process will be next

month, says a spokesman for the "Report on Carcinogens" group at the National Institute of Environmental Health Sciences.

Studies reviewed last year by the International Agency for Research on Cancer, part of the World Health Organization, found a small increased risk of breast cancer from both estrogen-only and estrogen-progestin hormone therapy.

protect against ovarian and endometrial cancer.

Though no public comments have been submitted about steroidal estrogen, many U.S. and European trade groups have voiced opposition to listing talc as a carcinogen.

Research suggests that talcum powder used in feminine hygiene increases the risk of ovarian cancer. Other studies have linked talc with lung cancer in workers who mine and process it.

does not include a risk/benefit analysis, which is the responsibility of regulatory agencies such as the Food and Drug Administration.

"The benefits of these exposures could far outweigh the potential risk for causing cancer," Jameson says. "It's a personal decision."

Congress ordered the carcinogens report, RoC for short, in 1978.

Published every other year by the National Toxicology

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Continued from 1A

visory panel last week said rapidly rising spending means Medicare's trust fund will go broke four years earlier than expected, in 2021.

With the strong economy, patients and employers have fled the tightest forms of managed care. HMOs, for looser, more expensive versions that allow patients to choose other things, refer themselves directly to specialists or see "out-of-network" doctors.

## Cover story

Americans simply don't like restrictions. But employers, concerned about double-digit inflation in health care premiums in the late 1990s and early 1990s, pushed workers into choice-limiting HMOs and other forms of managed care.

For a time, it worked. Premium increases fell. Hospital costs went down.

## Patient rebellion

But some HMOs went too far, and patients rebelled. Horror stories doled out denied care led lawmakers to ban some of the most-battered insurance practices: short hospital stays for childbirth, refusal to pay for emergency room visits, unappealing details of experimental treatments,juries awarded several multimillion judgments against insurers. "The backlash was quite real," says Larry Levitt of the Kaiser Family Foundation, a non-profit research and education group.

A small minority of people experience these problems every year, Levitt says. The media fuels the backlash by covering these horror stories, causing people to worry about whether it might happen to them.

"There's more common, Levitt says, are day-to-day annoyances: the long waits for the insurer to answer the phone when getting a doctor appointment, having to see one doctor to get a referral to another, then having to make three more phone calls.

"Those things affected about half of all patients," Levitt says.

And the backlash continues. Controversy over whether patients should have an expanded ability to sue their health plans for denial of care — as one version of the so-called patient's bill of rights would allow — awaits the new president and Congress. Lawyers, fresh from the fight with tobacco companies over liability for smoking-caused illnesses, have turned their sights on managed care companies, filing a host of class-action suits.

"We converted HMOs into rationing for us," says author and industry consultant Ian Morrison. "Then drugs per capita, sorry, we're not going to support you in this. We've got another idea about how to contain costs."

Now spending is again on the rise. "We overestimated the capacity of managed care or the market to control health care spending," says Stuart Altman, professor of national health policy at Brandeis University.

## Hobbled by critics

Altman and some other health policy experts say managed care didn't fail as much as it was hobbled by opposition from doctors, from patients, from the media and from politicians.

"I believed in managed care," Altman said. "We gave it a chance, but then the medical community, the press fought back. Collectively, we gave a system that had problems a gigantic black eye."

Still, managed care reduced insurance premium increases for a few years, mainly by cutting payments to doctors and hospitals and requiring strict oversight of expensive drugs and treatments.

Premiums increased on average only 2% a year from 1994 through 1998 as business-hungry insurers fought for market share, according to the Center for Studying Health System Change, a non-profit research group in Washington.

Without managed care, the total amount spent on health care — now about 13.5% of the gross domestic product — would surely have been higher, many say.

Princeton economist Uwe Reinhardt says Americans this year will spend \$350 billion less on health care than the Congressional Budget Office forecast for the year 2000 back in 1993.

"Managed care did the temporary fix we asked it to do, to break spending inflation," Reinhardt says. Still, many of those savings were one-time costs, he says. Some who study health care take a more controversial stance: that managed care failed to deliver on its promise to save money at all and may have increased costs.

"This was a poorly thought-out scheme that was based on the public long before there was any evidence that managed care or HMOs in particular could save money," says author Kip Sullivan, a consumer advocate in Minnesota.

In an article in the July/August issue of *Health Affairs*, Sullivan attributed the slowdown in health care premium increases in the mid-1990s to a drop in the underlying level of inflation, along with health plan and hospital mergers that led to price competition. Many insurers set prices well below actual costs to gain market share, he says.

Now those same insurers are raising rates rapidly to catch up.

Sullivan says HMOs succeeded in reducing the amount of time patients spend in hospitals and lowering payments to doctors and other medical providers. However, he says, those savings were offset by rising administrative costs, caused by such factors as increased paperwork and the practice of reviewing and denying claims.

"If you want to hire people to police doctors, you have to pay their salaries," Sullivan says.

United Health Group a year ago surprised the industry when it said that it would do away with most such organizations for tests, procedures and hospitalizations. United said its own studies showed that it cost more to process such requests than the program saved. Other insurers have also relaxed some of their cost-control restrictions.

## Falling to change system

Other policy experts take issue with Sullivan's thesis. They argue that greater oversight can and has saved money. The failure of managed care is that it hasn't truly changed the fragmented health system, they argue. A more organized system would be better able to control costs by more closely managing patients with chronic diseases and standardizing how doctors treat particular illnesses.

"Most of what we've experienced is price discounts, not managing care," says economist Robert Reich, chairman of the Urban Institute.

Stanford Professor Alan Enthoven says some managed care organizations, such as Kaiser Permanente, save money because they oversee their own hospitals and doctors, rather than contracting with a wide se-



USA TODAY

lection of independent hospitals and doctor groups. That makes it easier for Kaiser to set and enforce standards.

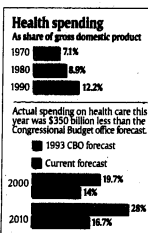
"Organized delivery systems can do the job for a lot less," Enthoven says. "Unfortunately, for the most part, HMOs didn't reorganize the delivery system very much."

## Shifting costs to workers

While citing many successes of managed care — reduced hospital costs and an attention to creating standard "best practices" for the treatment of illnesses — the system hasn't been able to stem demand, says Dr. David Cochran, senior vice president for strategic planning at Harvard Pilgrim Health Plan, an insurer that is recovering from financial difficulties.

"There are things outside of managed care's control," he says. If managed care can be faulted, problems arose because it "insulated the individual consumer from the costs of care."

The \$10 co-payment for an office visit or a prescription drug disguises the true cost of medical services, he argues. Indeed, many policy experts believe the next evolution in health care is likely to focus on ways to get consumers to pay more of the cost of medical care, with employers playing a main role in shifting costs to workers.



Some economists say Americans are too worried about rising health care spending.

"Health care spending will always grow as a percentage of the economy — that's something a postindustrial society invests in," says J.D. Kleinke, a medical economist and president of Denver-based Health Strategies Network. "It's not a bad thing at all."

Spending on health care is creeping toward 14% of the gross domestic product. By the end of the decade, some projections show that nearly \$1 of every \$5 could be spent on medical services.

"Instead of making cars and hula hoops, we will make hospitals and operations," says Reinhardt at Princeton. "It's just a choice. Right now, we spend more on admissions to entertainment events than for prescription drugs per capita. If we spend more on drugs and less on football, that doesn't trouble me."

Others say the rising spending will cause problems, cutting into employers' budgets, driving up premiums and keeping many self-employed people and low-wage workers from being able to afford insurance.

The number of Americans without health insurance is already nearly 43 million. That number is expected to grow with each percentage point increase in health premiums.

"We stopped offering insurance two years ago; it

was pricing itself out of reach," says Bob Klinefelter, who owns a commercial print shop with 11 employees in Las Vegas.

He says he really wants to offer insurance. But unless there's some kind of universal pool for small businesses, he doesn't see a chance to compete.

"I would almost be in favor of a plan where businesses are forced to pay into the program," Klinefelter says. "That way we're all on the same footing."

That's not a likely option. The last time that idea was floated — in the Clinton health plan back in 1993-94 — it drew enormous opposition from businesses.

Yet, at some point, the business community will revolt and say enough is enough," says Tom Robinette, co-owner of Robinette Demolition outside Chicago.

## Asking workers to contribute more

Like most employers, he is facing a health premium increase this year. And, like many, his company will not ask workers to pay more. Surveys by major benefit consultants show that most employers this year are still reluctant to pass costs along to workers, but more say they will do so if premiums continue spiraling.

"We're looking at a 15% increase for next year. That's fine," Robinette says. "You have to have good benefit policies to retain good people. If you start playing with their money or their benefits, you're asking for trouble."

Major changes to health insurance, or the amounts workers pay likely won't happen until there's a downturn in the economy and more workers are unemployed.

"You can use managed care techniques on employees only when they're running scared," Reinhardt says. From 1989-92, employees were much more worried about losing their jobs than losing their doctors."

Eventually the economy will slow and health insurance will change. But no one really knows how it will look. It's possible employers will again ask insurers to tighten up, cut extras and limit medical care.

But if the lesson of the 1990s is that managed care didn't work, employers will cast about for new ways to reduce costs, and some might even get out of offering insurance altogether.

Americans want a simple solution to the challenge of how to limit spending on health care while ensuring that everyone gets what they need. But there isn't one. The fact is, we've never had the answer to this question," says Levitt of the Kaiser Family Foundation. "We just stopped looking for a few years."

# State's high

## Justices equally tough on lawyers for presidential campaigns of Bush, Gore

By Martin Kashirot  
USA TODAY

TALLAHASSEE, Fla. — State Supreme Court justices battered opposing lawyers with questions Thursday as they explored their options in Vice President Gore's last-ditch appeal.

The justices could rule today, but it's still unclear whether that will bring a decisive end to the historic struggle.

In the televised 68-minute hearing, the justices were balanced, grilling David Boies, Gore's advocate, and Barry Richard, who argued for Texas Gov. George W. Bush.

However, Chief Justice Charles Wells expressed skepticism of Gore's positions, and two judges on the seven-member bench wondered aloud whether federal law permitted them to consider Gore's demand for a hand recount of 14,000 contest ballots.

On the merits of the case, the court probed subjects as arcane as the legal standards the trial judge used in rejecting Gore's election contest and as practical as the problems of finishing a recount by a federal deadline of Tuesday.

The court's options and their consequences:

- Ending Gore's legal battle, either by dismissing the appeal or by affirming the opinion of Leon County Circuit Judge N. Sanders Sauts that Gore failed to justify a recount of the questioned punch-card ballots from three counties.

Either outcome would keep Florida's decisive 25 electoral votes in Bush's column. Attorneys for Gore say they have no plans to appeal a defeat to the U.S. Supreme Court.

Gore might not concede before knowing the outcome of other controlled Florida Legislature election contest or the ballot controversies are any court Tuesday.

Watching all this is interested party: the Democrats' lawsuits seeking invalidation of thousands of absentee ballots on claims that GOP officials tampered with bulk applications.

Reversing Sauts and ordering a fast recount. The court could hand some legal issues back to Sauts for retrial while Supreme Court or Leon County officials eye the ballots for signs of the voters' intent. The ballots twice were recorded by tabulating machines as non-votes in the presidential race.

The two chief lawyers more than a word of

## Arguments in Gore's challenge

The Associated Press

Highlights of arguments Thursday before the Florida Supreme Court on Al Gore's contest of Florida's election results. Speakers include Gore lawyer David Boies, Bush lawyer Barry Richard and justices Harry Lee Anstead, Peggy Quince and Leander Shaw.

Boies: "This is a situation in which you have a statute that the Legislature has passed that provides very specific remedies. And we think that those remedies are the remedies that this court has the jurisdiction to enforce, both in terms of appellate review and under its original mandamus authority."

"...The evidence is clear and undisputed, that there are voter errors and machine errors that created this undervote in punch card equipment."

Richard: "...I certainly believe that this court has the ability to review what a circuit court did, to determine whether the circuit court violated the traditional rules."

Anstead: "Much in the way we would be reviewing it if it was another vote, a county commissioner or an election for some other office, (or) a member of Congress, and a contest was brought."

Richard: "Precisely. Your Honor. The court is the great leveler, in the sense that it doesn't make any difference whether we're talking about schoolteachers and laborers, or presidents and kings. The rules are the same. And the rules in this case are very clear. There are two questions that this court must answer. Was there substantial competent evidence... to support the judge's findings? And did the judge properly apply long-established law?"

"...There are 64 counties in the state of Florida that do not manual recount. And what Mr. Boies is suggesting is that every one of those counties, simply because they had a punch card system, must automatically do a manual recount."

Shaw: "What did you see the threshold as being?"

Richard: "Well, it's being the same as every plaintiff's carries in every case, and that is to bring in sufficient evidence to meet the elements of the case."

"In this instance, to show that there was any reason to believe that any voter was denied the right to vote, because of something other than the voter's own fault. There was not a shred of evidence in this case on a single vote to show that. There was nothing but the speculation of two witnesses that voting machines do not always show the voter's intent. That's all there was."

Quince: "Where is the statute that standard that you have to show that a mistake was made through no fault of the voter? It seems to me that we've gotten off of what the standard is for showing the rejection of standard that really having a problem with the reasonable probability of a different result standard that judges (N. Sanders) Sauts talks about vs. the rejection of votes that would put the election in doubt."

Richard: "I don't think it's necessary to distinguish (between standards), given the razor-thin record we have in this case. The only way that one can conclude either of those standards was not met in this case, based upon this record, is to conclude that in every case in which a electronic machine is used and the race is close and must manually recount in every county that used those machines, because that's what the evidence was that was used in this case."

Anstead: "...How can we resolve an issue like that at this late date?"

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