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PREMIUM SUPPORT: DO WHAT I
SAY, NOT WHAT I DO

HON. FORTNEY PETE STARK

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, September 30, 1999

Mr. STARK. Mr. Speaker, in March, the Bipartisan Commission on the Future of Medicare voted 10 to 7 on a plan known as Premium Support. The law establishing the Commission required that for a formal report to be issued, 11 votes were needed.

One of the 10 votes for Premium Support was by Samuel Howard of Nashville, Tennessee.

Premium Support is a proposal to use higher premiums in traditional Medicare to push beneficiaries into private, managed care HMO-type plans. It is based on the theory that the private sector is more efficient and can do a better job—save money and offer extra benefits—than the traditional Medicare program.

Mr. Howard was one of the leading proponents of the idea that the business sector is always better than the government sector, and that government is inept and stupid. His comments in the Commission's public meetings never varied from that theme.

I submit for the RECORD an article from The Tennessean of September 4, 1999:

STATE BLAMES XANTUS CHIEF FOR
INSOLVENCY

(By Keith Snider)

Xantus Corp. Chairman Samuel H. Howard used TennCare money to finance other business deals, misled state regulators and presided over a health plan that routinely lost claims, a report filed yesterday alleges.

State receivers who have been running insolvent Xantus HealthPlan of Tennessee blamed Howard for much of its demise, saying his business decisions left the TennCare plan disorganized and vulnerable.

Xantus disregarded a state law that requires health maintenance organizations to maintain a minimum net worth, the report says, and used cash from the health plan to pay debts and expand its parent firm, Xantus Corp., into Mississippi and Arkansas.

"Xantus HealthPlan of Tennessee was not managed in a compliant, operationally sound, or financially sound manner for several years," leaving it unable to meet its obligations, the report concludes.

Howard released a short statement challenging the report and saying he hasn't had time to read it in detail.

"I could not disagree more with its findings and conclusions," said Howard, former chairman of the Nashville Area Chamber of Commerce and one of the city's most prominent African-American businessmen. "I am deeply disappointed that our voluntary entry into rehabilitation has resulted in a report of this nature."

The Tennessee Bureau of Investigation said it is continuing a probe of possible wrongdoing at Xantus, but spokesman Mark Gwyn would not say whether the report will affect the investigation.

Officials in the attorney general's office and in the state Department of Commerce and Insurance couldn't be reached late yesterday for comment.

David Manning, a former state official who co-wrote the report with Manny Martins,

would not say whether the receivers have shared information with the TBI. "Obviously, we're making public filings and they're available for anybody who has an interest," he said.

Xantus, the state's third-largest TennCare plan with 160,000 members, has been in the hands of receivers since March 31.

On Thursday, Manning and Martins asked a Davidson County Chancery Court judge to approve a rehabilitation plan that would replace the health plan's management and begin paying creditors with \$30 million in state funds.

The new report, supported by a thick stack of documents, describes a business that gradually was run into the ground.

Among other things, Howard used money from Xantus HealthPlan in 1994 to repay a \$1 million start-up loan and used at least \$2.8 million in 1996 to open a health plan in Mississippi, the report says.

Howard explained the 1994 transaction as a "management fee" paid by Xantus HealthPlan to Xantus Corp., but the report says no management agreement existed at the time and would have required state approval.

Xantus Corp. overcharged the health plan by millions of dollars in management fees to replace money it had originally invested in Xantus HealthPlan, the report says. That left the health plan relying only on TennCare payments to keep its net worth above state minimums.

After the state warned Xantus in April 1998 that it was undercapitalized, Howard approved a \$10 million transfer from the health plan to the parent company to pay the \$9 million balance of a Nations-bank loan, the report says.

And in September 1998, Xantus diverted an additional \$350,000 from the health plan to its Mississippi business despite reporting a negative net worth of \$3.4 million in the same quarter, the report says.

Xantus misreported its net worth for that year, the report says, and financial reports for that year show "a pattern of questionable financial 'recovery' at the end of the first three calendar quarters" and that the health plan "recurrently 'rallied' at the end of each quarter."

Howard misled Commerce and Insurance officials on management fees, the source of loans, intercompany transfers, his salary, and about how he intended to finance the acquisition of Health Net's TennCare business two years ago, the report alleges.

Xantus didn't properly investigate loss-plagued Health Net before buying it, the report says, and limped along with inexperienced managers and a claims processing system that paid claims to the wrong provider, paid the wrong amount, lost claims and denied claims that had been preauthorized.

The receivers said earlier this week that their estimate of how much Xantus owes doctors and hospitals has grown from \$50 million-\$60 million to \$80 million because the processing system hasn't been sorted out.

Manning characterized the findings as "a factual report that reaches reasonable conclusions."

State Sen. Thelma Harper, who called a June news conference along with other prominent African-American leaders to express concern about the investigation of Xantus, couldn't be reached for comment.

Howard, who has blamed flaws in the \$4.3 billion TennCare program for Xantus' problems, said yesterday he's learned "that the gap between the business world and government is deep and wide."

But the report says Howard's contention that Xantus had an unfair share of very sick enrollees was contradicted by a state review and by data from Xantus itself.

It concedes the state didn't allow Xantus to close its rolls to new members and also rejected a plan in August 1998 that would have cut management expenses from 17% to 11%.

The state should shoulder some of the blame, said Craig Becker, Tennessee Hospital Association president, who represents hospitals that have unpaid Xantus claims.

"The ultimate responsibility belongs to the state," he said. "It was their lack of oversight that allowed it to happen."

AGRICULTURAL RISK PROTECTION
ACT OF 1999

SPEECH OF

HON. JIM NUSSLE

OF IOWA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, September 29, 1999

The House in Committee of the Whole House on the State of the Union had under consideration the bill (H.R. 2559) to amend the Federal Crop Insurance Act, to strengthen the safety net for agricultural producers by providing greater access to more affordable risk management tools and improve protection from production and income loss, to improve the efficiency and integrity of the Federal crop insurance program, and for other purposes:

Mr. NUSSLE. Mr. Chairman, I rise today in strong support of H.R. 2559, the Agricultural Risk Protection Act. I would like to start by saying how impressed I am with the progress the House has made this year in transforming the concept of Federal crop insurance reform into the legislation we have in front of us today.

In 1994, as a member of the House Agriculture Committee, I had the opportunity to help write the last revision of the Federal crop insurance program. While the 1994 bill was a step in the right direction, that reform was done under the old Depression-era farm policy. I said then that the crop insurance program needed to become more farmer friendly by providing participation incentives for farmers.

As everyone in this chamber should recall, on February 1, 1999, the President submitted to Congress his fiscal year (FY) 2000 budget which failed to include a single dollar for crop insurance reform. After the President submitted his budget, I began working with House Budget Committee Chairman KASICH to provide funds for crop insurance reform in the House's FY 2000 budget. After a long hard-fought battle, on March 25, 1999, the House took a critical step in securing the necessary funds to reform crop insurance this year by providing \$6 billion over five years for crop insurance in the FY 2000 budget. This decision by the Budget Committee gave the House and Senate Agriculture Committees the flexibility to address the need for workable risk management tools that are available to all farmers.

I applaud the House Agriculture Committee for the legislation they have brought before the House today. This legislation will provide future stability in the farm safety net by increasing premium assistance to producers, rewarding the productive capability of farmers, and creating new coverage for falling crop values and livestock losses. This legislation simply offers more choices to more farmers and less cost to farmers and taxpayers.

This bill addresses the need for workable risk management tools that are available to all