

BCBS Conversion Public Hearing, 11/30/99  
OFFICE OF THE COMMISSIONER OF INSURANCE  
STATE OF WISCONSIN

-----  
In the Matter of Application for Conversion of  
Blue Cross & Blue Shield United of Wisconsin,  
Petitioner. Case No. 99-C26038  
-----

PUBLIC HEARING  
Tuesday, November 30, 1999  
10:00 a.m.  
at  
University Center  
1015 Reserve Street  
University of Wisconsin-Stevens Point  
Stevens Point, Wisconsin

BEFORE:

Ms. Connie L. O'Connell, Commissioner  
Mr. Steven J. Junior, Senior Insurance Examiner  
Reported by: Bobbi Peterson, RPR  
Gramann Reporting, Ltd. (414) 272-7878

SPEAKER	PAGE
Mr. Thomas R. Hefty .....	7
Ms. Penny Siewert .....	15
Mr. T. Michael Bolger .....	21
Mr. Philip Farrell .....	29
Mr. Thomas George .....	40
Dr. John W. Munson .....	42
Ms. Janet L. Zander .....	46
Mr. George A. Million .....	48
Ms. Trinitie Wilke .....	53
Mr. Robert Peterson .....	57
Mr. Wade Williams .....	66
Mr. Gar Stock .....	73
Mr. Richard Withers .....	77
Mr. Paul P. Carbone .....	84
Ms. Jaemin Kim .....	95
Mr. Frank McLoughlin .....	104
Mr. Jerry Waukau .....	113
Mr. Glen Safford .....	116
Ms. Irene Captain .....	121
Ms. Debbie Waite .....	122
Ms. Peggy Hintzman .....	125
Ms. Sarah Hull .....	132

(Continued)

1 (Continued)

2	SPEAKER	PAGE
3	Ms. Linda Paschal .....	135
4	Mr. John Lund .....	138
5	Mr. Doug Mormann .....	141
6	Ms. Margaret Allen .....	145
7	Ms. Katie Harding .....	148
8	Mr. Jim Pionkoski .....	152
9	Dr. Bill Hettler .....	159
10	Ms. Jeanne Reiter .....	163
11	Mr. Robin Carufel .....	165
12	Ms. Donna Lohry .....	171
13	Mr. Richard Katschke .....	173
14	Mr. Roy Melvin .....	187
15	Mr. William Donaldson .....	189
16	Ms. Patricia Gadow .....	193
17	Dr. Suzanne Matthew .....	198
18	Mr. Harland Kirchner .....	201
19	Dr. Mark A. Sager .....	205
20	Dr. Molly Carnes .....	210
21	Dr. Lynn Eggman .....	214
22	Mr. Corey Ladick .....	219
23	Dr. Bob Jaeger .....	221
24	Ms. Phyllis Devlin .....	227

25 Gramann Reporting, Ltd. (414) 272-7878

## TRANSCRIPT OF PROCEEDINGS

1  
2 THE COMMISSIONER: Well, good morning and  
3 welcome. My name is Connie O'Connell. And I'm the  
4 Commissioner of Insurance. First of all, I'd like  
5 to thank Thomas George, Chancellor of the University  
6 of Wisconsin-Stevens Point for allowing us to use  
7 this facility today. It really is a -- an ideal  
8 location for this important public hearing. I will  
9 confess, however, to having some initial  
10 reservations about holding the hearing in  
11 Stevens Point. See, I'm a native of Rhinelander.  
12 And I was concerned that we weren't going far enough  
13 north to have the hearing. But having seen the  
14 beautiful campus here and the wonderful  
15 accommodations, this really is a perfect location.  
16 And so we want to thank you for your hospitality  
17 today.

18 I will call this informational hearing to  
19 order. The hearing is being held at the Laird Room  
20 of the University Center at the University of  
21 Wisconsin-Stevens Point campus at 10:00 a.m. on  
22 November 30, 1999, pursuant to Section 601.62,  
23 611.76 (6), and 613.75 of the Wisconsin Statutes.  
24 This hearing is being held to receive informational  
25 public comments, both oral and written, concerning  
Gramann Reporting, Ltd. (414) 272-7878

1 Blue Cross & Blue Shield United of Wisconsin's  
2 application for conversion.

3 I want to thank all of you that are here  
4 to provide testimony. The conversion of Blue Cross  
5 Blue Shield is an issue of significant public  
6 interest. And my role in weighing the decision  
7 related to this conversion is greatly aided by all  
8 of you who are willing to come and provide this  
9 public testimony here today.

10 Yesterday morning, we held a Class 1  
11 contested case hearing in Milwaukee. At that  
12 hearing, the issues considered and upon which the  
13 public is now invited to comment are as follows:  
14 The conversion of Blue Cross & Blue Shield United of  
15 Wisconsin from a nonprofit service insurance  
16 corporation to a stock insurance corporation and  
17 whether or not under Section 611.76 and 613.75 of  
18 the Wisconsin Statutes the plan of conversion  
19 violates the law or is contrary to the interests of  
20 the policyholders of Blue Cross & Blue Shield United  
21 of Wisconsin or the public.

22 Testimony today can be either oral or  
23 written. That we will have -- we have a court  
24 reporter present today to record testimony that's  
25 given. The transcript of this hearing, any written  
Gramann Reporting, Ltd. (414) 272-7878

1 testimony that's introduced and any comments that  
2 are received on or before the close of the comment  
3 period, which is December 13, 1999, will become a  
4 part of the record for Blue Cross Blue Shield United  
5 of Wisconsin's application for conversion.

6 We will not be administering oaths for  
7 individuals who will be testifying. We just ask  
8 that you fill out a speaker slip if you're  
9 interested in providing oral testimony or that you  
10 submit written comments today. Once you have that  
11 speaker slip completed, you can hand it to the  
12 individuals in the corner of the room with the black  
13 jackets that have the State of Wisconsin seal on  
14 them.

15 What I'll be doing is calling names of  
16 individuals to testify. Now, we had indicated in  
17 the formal announcement that we would like speakers  
18 to hold their comments to about five minutes. We  
19 are not going to be timing individuals this morning  
20 unless we have a lot of additional speakers show up  
21 and there seems to be a time crunch. But we would  
22 ask you that you hold your remarks to right about  
23 five minutes so that everyone has fair consideration  
24 in their remarks for today.

25 So what I'll do is call speakers about  
Gramann Reporting, Ltd. (414) 272-7878

1 five at a time. When your name is called, you can  
2 come to either the table on the left or the right.  
3 And what we'll do in a rotation, the first speaker I  
4 call will come to the table on the left, then --  
5 then the table on the right. And we'll keep the  
6 tables filled so that we can take one speaker  
7 immediately following another.

8 So the first five speakers this morning  
9 are going to be Thomas Hefty, Penny Siewert,  
10 T. Michael Bolger, Philip Farrell, followed by Tom  
11 George. And the first four speakers are going to  
12 provide informational testimony on the Blue Cross  
13 Blue Shield conversion plan. So we'll start with  
14 Mr. Thomas Hefty.

15 MR. HEFTY: Thank you, Commissioner. And  
16 thank you to members of the public attending this  
17 hearing. I am the chairman and chief executive of  
18 Blue Cross Blue Shield. And I would like to outline  
19 the plan of conversion, the process by which the  
20 plan was arrived at, and the business reasons for  
21 its consideration.

22 Let me start by talking about the changing  
23 world of Blue plans nationally. In 1990, there were  
24 71 independent Blue plans. Today that number has  
25 dropped to 50 plans across the country. All of the  
Gramann Reporting, Ltd. (414) 272-7878

1 plans are members of a national coordinating body  
2 and trade association known as the Blue Cross Blue  
3 Shield Association. That association licenses us to  
4 use the Blue name and Blue mark. In addition, we  
5 have licensing agreements that require us to  
6 maintain minimum capital and surplus, minimum  
7 liquidity, acceptable customer service levels,  
8 participation in certain core and national  
9 initiatives and, finally, to adhere to specific  
10 ownership limitations which I'll talk about a little  
11 later.

12           Until 1994, the association rules  
13 prevented Blue plans from organizing as  
14 shareholder-owned entities. That restriction was  
15 removed in 1994. And since its removal, a number of  
16 other plans have converted to stockholder ownership,  
17 including the Blue plans in California, Georgia, and  
18 Virginia. And the Blue plans in Colorado, New York,  
19 and Missouri are also in the process of converting  
20 or changing their legal structure.

21           The conversion provides a number of  
22 advantages to Blue plans. It lets them use  
23 marketable stock to make acquisitions which builds  
24 economies of scale and helps drive down costs. The  
25 issuance of stock also helps to generate capital

Gramann Reporting, Ltd. (414) 272-7878



1 which can be used for investment in new products,  
2 systems, networks, and medical information  
3 management that's required to deliver high-quality,  
4 competitive service in today's marketplace.

5 Now that I've talked about the changing  
6 national Blue Cross world, let me talk about the  
7 changing Wisconsin market. Today our competitors  
8 are largely national health plans or local  
9 tax-exempt-sponsored HMOs. And although we compete  
10 on a level playing field, Blue Cross differs from  
11 other health insurers in two important respects.  
12 And let me emphasize the first one.

13 Blue Cross today is a taxpaying  
14 Wisconsin-headquartered health insurer providing  
15 insurance services to over 700,000 people in the  
16 state of Wisconsin. We aim to be responsive to  
17 local customer needs. And Penny Siewert, who will  
18 speak next, our senior vice president, will talk  
19 about the community service aspect of our commitment  
20 to local needs. Because we're a Wisconsin-based  
21 health insurer, we're fortunate to employ over 1800  
22 Wisconsin residents in more than 10 communities,  
23 including a regional office here in Stevens Point.

24 The second way in which we differ from  
25 other competing health plans is our organizational  
Gramann Reporting, Ltd. (414) 272-7878

1 structure. Under our current structure, Blue Cross  
2 cannot issue tax-exempt bonds and we cannot issue  
3 stock in our current form. We do not have the same  
4 access to capital markets as most of our  
5 competitors, and this limits our ability to grow.

6 In response to this changing market and  
7 these concerns, the board of directors appointed a  
8 special committee on December 9th of last year. And  
9 that committee was asked to investigate the  
10 structuring options available to the company and to  
11 make a recommendation to the full board of  
12 directors.

13 That recommendation was made on June 2nd  
14 of this year. And the special committee found that  
15 Blue Cross's inability to directly access capital  
16 markets resulted in a lack of flexibility. These  
17 deficiencies made Blue Cross vulnerable to larger  
18 and better-capitalized competitors. And without a  
19 reorganization, Blue Cross would be left with  
20 limited options to raise capital to finance our  
21 growth. The full board adopted the findings of the  
22 special committee on June 2nd. And they passed a  
23 resolution to undertake the plan of conversion which  
24 is before you today.

25 Let me now talk about some of the  
Gramann Reporting, Ltd. (414) 272-7878

1 significant aspects of the plan of conversion.  
2 Under the plan, Blue Cross will convert from a  
3 service insurance corporation to a stock corporation  
4 without any interruption in its corporate existence.  
5 This really amounts to nothing more than a change in  
6 corporate form. And I'd like to emphasize as a  
7 result, the conversion will not cause any  
8 interruption in coverage for Blue Cross  
9 policyholders. The plan of conversion does not  
10 contemplate any change in the terms, rates, or  
11 premiums for health insurance for policyholders.

12 Two new entities will be created under the  
13 conversion plan. The first, which is yet to be  
14 organized, is a holding company to be known as  
15 United Hartland Group. Once the holding company is  
16 created, 100 percent of the converted stock of the  
17 converted Blue Cross entity will be owned by the  
18 United Hartland Group.

19 The second of the entities is a foundation  
20 that has already been organized. The foundation's  
21 called the Blue Cross & Blue Shield United of  
22 Wisconsin Public Health Foundation. The holding  
23 company will own 100 percent of the stock of the  
24 converted Blue Cross. And the foundation, in turn,  
25 will own 100 percent of the stock of the holding

Gramann Reporting, Ltd. (414) 272-7878

1 company. The net effect of these two transactions  
2 will be that the foundation will receive 100 percent  
3 of the equity value of the converted Blue Cross  
4 entity.

5 The plan of conversion provides for the  
6 foundation to serve the healthcare interests of the  
7 people of Wisconsin. To this end, it will be the  
8 mission of the foundation to support public health  
9 initiatives through the University of Wisconsin  
10 Medical School in Madison and the Medical College of  
11 Wisconsin in Milwaukee, two institutions trusted by  
12 the State for nearly a century, not only to educate  
13 medical professionals, but provide needed research  
14 in the rapidly changing fields of medical technology  
15 and provide community outreach on a statewide basis,  
16 collaborating not only together between the two  
17 schools but with others in the state to serve the  
18 public. And today you will be hearing from Michael  
19 Bolger, the president of the Medical College, and  
20 Phil Farrell, the Dean of the UW Medical School.

21 In order to fund this public health  
22 mission, the foundation will liquidate or sell most  
23 of the stock issued to it through arm's length  
24 transactions in the five years that follow  
25 conversion. This five-year time frame is a  
Gramann Reporting, Ltd. (414) 272-7878

1 requirement which grows out of the association's  
2 licensing restrictions. That's the Blue Cross Blue  
3 Shield Association nationally. It is the Blue Cross  
4 board's expectation that by the liquidation of the  
5 stock on the free market, the foundation will  
6 receive the fair and reasonable value of the company  
7 at the date of conversion.

8 In order to help ensure that the  
9 foundation realizes the fair value of the stock,  
10 nine individuals unaffiliated with Blue Cross have  
11 been selected to the board of directors to govern  
12 the foundation. Each owes a fiduciary duty to the  
13 foundation to ensure that the objectives are met.  
14 And these individuals represent a diverse  
15 cross-section of the Wisconsin community. And each  
16 brings a wealth of experience in public service to  
17 the foundation.

18 I'd mentioned from this area Bob Froelke  
19 of Waupaca, Wisconsin, former Secretary of the Army,  
20 a former executive of Sentry Insurance as well as  
21 other companies, is among the listed trustees. Ben  
22 Brancel, who's currently the Secretary of  
23 Agriculture for the State of Wisconsin from  
24 Endeavor, Wisconsin, and formerly the Speaker of the  
25 Assembly is another. And Tom Lyon of Shawano,  
Gramann Reporting, Ltd. (414) 272-7878

1 Wisconsin, who heads an agricultural co-op in that  
2 community is a third in an effort to bring a  
3 diversity of interests and geography to the  
4 foundation board.

5 In summary, the Blue Cross Board of  
6 Directors thoroughly researched and deliberated over  
7 the plan of conversion and concluded that it was in  
8 the best interest of Blue Cross & Blue Shield United  
9 of Wisconsin. It's in the best interest to convert  
10 to access capital markets and to compete more  
11 effectively.

12 One of our directors said in describing  
13 the plan, it was the right thing to do in the right  
14 way by turning the full value of the company over to  
15 the foundation, which in turn will fund programs  
16 promoting public health initiatives developed  
17 through the two medical schools. We believe that  
18 serves the interests of the public.

19 I'd like to thank you for the opportunity  
20 to present this statement today. By promoting the  
21 financial stability of Blue Cross through the  
22 conversion, it will provide a stronger, more  
23 competitive Blue Cross and a more competitive health  
24 insurance market for the state of Wisconsin.  
25 Thank you.

Gramann Reporting, Ltd. (414) 272-7878

1 THE COMMISSIONER: Thank you. Next we  
2 have Penny Siewert, followed by T. Michael Bolger,  
3 followed by Philip Farrell, followed by Tom George.

4 MS. SIEWERT: Good morning. My name is  
5 Penny Siewert, and I am the senior vice president of  
6 Blue Cross & Blue Shield United of Wisconsin. As  
7 senior vice president, I am responsible for  
8 directing Blue Cross marketing strategies,  
9 coordinating all regional offices, and overseeing  
10 all Blue Cross group and individual products.

11 Blue Cross's marketing strategy is to  
12 appeal to a wide spectrum of consumers and to offer  
13 a correspondingly wide array of insurance and  
14 administrative service products. This strategy will  
15 not change as a result of the conversion of  
16 Blue Cross to a shareholder-owned entity.

17 While changes in the product mix may occur  
18 in the future in response to consumer demand, market  
19 indications, and changes in state and federal law,  
20 Blue Cross does not intend to terminate any lines of  
21 business as a result of the conversion.

22 Blue Cross is dedicated and will continue  
23 to be dedicated following the conversion to  
24 maintaining a presence throughout the state in order  
25 to more effectively serve the needs of our

Gramann Reporting, Ltd. (414) 272-7878

1 policyholders. Our corporate headquarters is  
2 currently located in downtown Milwaukee. And we  
3 have 12 sales and service offices located throughout  
4 the state. We have regional service centers located  
5 in Milwaukee, Eau Claire, Fond du Lac, Evansville,  
6 and one located right here in Stevens Point.

7 Our Oshkosh office is the primary service  
8 center for Blue Cross individual product  
9 policyholders. Blue Cross also has sales and  
10 service offices located throughout the state,  
11 including offices in Ashland, Platteville,  
12 Sauk City, Oshkosh, Pewaukee, Brookfield, and  
13 Monona. I would like to emphasize that there are no  
14 plans to terminate or reduce any services in any  
15 region as a result of the conversion. Blue Cross is  
16 committed to community outreach. This commitment to  
17 the communities we serve will continue into the  
18 future regardless of whether Blue Cross is a  
19 shareholder-owned or service insurance corporation.

20 Blue Cross has contributed to various  
21 charitable, educational, and health organizations  
22 which benefit the people of Wisconsin. For example,  
23 Blue Cross has contributed over \$60,000 in 1999 and  
24 has contributed over \$225,000 since 1995 to the  
25 Trigger Lock Program of the Childsafe Foundation, a  
Gramann Reporting, Ltd. (414) 272-7878



1 nonprofit foundation formed by the State Medical  
2 Society to promote injury intervention and safety  
3 among Wisconsin children. Blue Cross has helped to  
4 fund over 20,000 Trigger Lock distributions to gun  
5 owners throughout the state. Blue Cross also  
6 sponsors the annual Nurse of the Year Award  
7 presented by the Wisconsin League for Nursing. This  
8 year Blue Cross contributed \$30,000 to this program  
9 honoring Wisconsin's outstanding nurses.

10 Given our leadership in the health  
11 industry, Blue Cross also sponsors anti-smoking  
12 campaigns which improve the overall wellness of  
13 Wisconsin's citizens. We are proud of our  
14 participation in the American Cancer Society's  
15 Freshstart smoking-cessation program, the Smoke-Free  
16 Class of 2000, and Teens Against Tobacco Use. This  
17 year alone, Blue Cross has contributed \$55,000 to  
18 these important programs. Aside from these major  
19 campaigns, Blue Cross supports various organizations  
20 and programs that serve the state, including  
21 Wisconsin Public Television, college scholarships  
22 for high school students, and the coalition of  
23 Wisconsin aging groups.

24 Furthering the corporation's commitment to  
25 giving, members of the Blue Cross executive staff  
Gramann Reporting, Ltd. (414) 272-7878

1 are actively involved in public interest  
2 organizations. For example, I am the president of  
3 the board of trustees for the LaFarge Lifelong  
4 Learning Institute, an organization devoted to the  
5 educational advancement of older adults. I am also  
6 on the board of the American Lung Association of  
7 Wisconsin. And I'm a board member of the national  
8 American Lung Association's marketing initiative,  
9 Marketing Response Systems.

10 All together, Blue Cross executives serve  
11 on over 20 community organization boards. Our  
12 executives' commitment to public service will  
13 continue regardless of whether Blue Cross is a  
14 shareholder-owned or not-for-profit corporation.

15 I would next like to briefly address the  
16 impact of the conversion on premium rates.  
17 Blue Cross recognizes that rising healthcare costs  
18 are a major concern for our policyholders and that  
19 policyholders may be wondering whether a conversion  
20 would affect their rates. As a shareholder-owned  
21 corporation, Blue Cross will face the same market  
22 forces that place pressure on our current rates as a  
23 service insurance corporation. Market forces such  
24 as medical inflation and rising administrative costs  
25 affect both service insurance corporations and

Gramann Reporting, Ltd. (414) 272-7878

1 shareholder-owned entities alike.

2 While these market forces will continue to  
3 affect premium rates, the plan of conversion does  
4 not contemplate rate increases. And there are no  
5 plans to do so as a result of the conversion. In  
6 fact, the advantage of a conversion is that  
7 Blue Cross will be in a better position to implement  
8 additional alternatives to combat these market  
9 forces.

10 As I've just explained, there will be no  
11 detrimental impact to Blue Cross policyholders as a  
12 result of the conversion. The conversion of  
13 Blue Cross to a shareholder-owned corporation will  
14 be a seamless event for our policyholders. There  
15 will be no disruption of service. No subscriber  
16 will lose coverage as a result of the conversion,  
17 and there will be no actions required by the  
18 policyholders to continue coverage. We also do not  
19 anticipate changes in healthcare benefits as a  
20 result of the conversion.

21 Indeed, Blue Cross anticipates that the  
22 conversion will do more than just allow us to  
23 maintain the status quo. With increased access to  
24 capital following a conversion, Blue Cross would be  
25 able to underwrite a broader product array and take

Gramann Reporting, Ltd. (414) 272-7878

1 advantage of the increasing opportunities in the  
2 world of competitive technology. For example,  
3 Blue Cross could take advantage of the vast  
4 resources available through the Internet, including  
5 providing policyholders greater access to  
6 information regarding our products and benefits.  
7 Greater access to information invariably results in  
8 better service and increased consumer satisfaction.

9         With increase to capital, Blue Cross also  
10 would be able to increase its competitive strength.  
11 With a greater market share, we can provide  
12 additional job opportunities, achieve greater  
13 administrative efficiency, and strengthen our  
14 ability to hold the line on ever-increasing  
15 healthcare costs.

16         To summarize, Blue Cross's products and  
17 operations will not change as a result of the  
18 conversion. And there will be no detrimental impact  
19 on the contractual rights of our policyholders. Our  
20 charitable activities and commitment to the  
21 communities we serve will continue. Policyholders  
22 can be assured that coverage will continue  
23 unaffected. And as a result of the conversion, we  
24 will be able to provide even better service to our  
25 policyholders. Thank you, Commissioner.

Gramann Reporting, Ltd. (414) 272-7878

1 THE COMMISSIONER: Thank you. Next we  
2 have T. Michael Bolger, followed by Philip Farrell,  
3 followed by Tom George, then Dr. John Munson and  
4 Janet Zander.

5 MR. BOLGER: Thank you, Commissioner  
6 O'Connell. My -- my name is Mike Bolger. I'm the  
7 president and chief executive officer of the Medical  
8 College of Wisconsin, one of the principal  
9 beneficiaries of the Blue Cross Blue Shield  
10 conversion. The Medical College of Wisconsin is a  
11 national private medical school located in  
12 southeastern Wisconsin. It is governed by a board  
13 of trustees, one-third of whom are appointed by the  
14 governor, two of whom are appointed by the County  
15 Executive of Milwaukee County, and the remainder  
16 appointed from concerned and interested citizens  
17 throughout the state.

18 We are subject to audit, both internal  
19 audit and for the state appropriations to the  
20 Legislative Audit Bureau of the State of Wisconsin.  
21 The Medical College of Wisconsin when it learned of  
22 the Blue Cross Blue Shield conversion was obviously  
23 very excited about the prospects of being one of the  
24 recipients. But it also took a very serious  
25 approach to the extraordinary opportunity that the  
Gramann Reporting, Ltd. (414) 272-7878

1 Blue Cross Blue Shield gift provided.

2 Along with the University of Wisconsin  
3 Medical School, this summer we traveled the state  
4 and held nine public hearings; we opened a Web site;  
5 we opened a e-mail address; we opened a voice mail  
6 address; we had a snail mail address -- addressed  
7 all to these issues. And we took testimony from  
8 over 2,000 of Wisconsin's citizens to hear what they  
9 wanted in terms of a approach to the use of these  
10 monies. And we heard some things very loud and  
11 clear, Madam Commissioner. And this is what our  
12 plans responded to. It's what we heard out in the  
13 state of Wisconsin.

14 We heard at least four things. We heard,  
15 number one, that they did not want us to squander  
16 the money. And so we agreed with them that the bulk  
17 of this money will be put in a permanent endowment  
18 to permanently endow programs for the benefit of the  
19 people of the state of Wisconsin in perpetuity.

20 The second thing we heard is that they did  
21 not want us to focus the money on intervention and  
22 treatment of disease. They wanted us to focus on  
23 prevention and wellness. And they wanted us to  
24 focus also on cure. And they wanted us to focus on  
25 education. And we heard those three things loud and

Gramann Reporting, Ltd. (414) 272-7878

1 clear. And what you see before you is a balanced  
2 plan based on the testimony of all of these people,  
3 not just certain interest groups.

4 We could have made the plan one that  
5 related all to public health agencies who talked to  
6 us. But we did hear them. And part of the plan --  
7 at least 45 percent of the proceeds of the permanent  
8 endowment will be used to support public health  
9 initiatives in the state of Wisconsin with these  
10 agencies and other community organizations in  
11 collaboration and partnership both to provide  
12 services and to lever other monies throughout the  
13 state in order to support these programs.

14 But we also heard from people who said  
15 also think of us. We want a cure for Alzheimer's.  
16 We want a cure for Parkinson's. We want a cure for  
17 senile dementia. We want a cure for cancer. We  
18 want a cure for heart disease. We want a cure. And  
19 there's only one thing that produces cure, and  
20 that's research.

21 And so we balanced the program with an  
22 aliquant portion of the funds going to help support  
23 research in these areas, not just at the medical  
24 school, but throughout the state with clinical  
25 trials with other healthcare providers in this state

Gramann Reporting, Ltd. (414) 272-7878

1 and with agencies in this state, such as the  
2 American Cancer Society, the American Heart  
3 Association, the American Alzheimer's Association,  
4 and so forth down the line. And so we tried to  
5 balance this approach as opposed to just listening  
6 to one segment of the population that spoke to us.

7 And the fourth thing, as I said, was  
8 education. They said also help us by educating us,  
9 educating patients, educating consumers, and  
10 educating healthcare professionals and educating  
11 public health professionals. And so we expanded the  
12 plan to include a portion of the funds to provide a  
13 virtual school of public health by expanding our  
14 master's in public health program to any citizen in  
15 the state of Wisconsin who wishes to receive a  
16 master's in public health at our institution, not  
17 just M.D.s.

18 We also included at the -- the  
19 infrastructure for the information super highway so  
20 that we could connect with healthcare providers and  
21 public health agencies throughout the state of  
22 Wisconsin to provide up to the date --  
23 up-to-the-minute information and -- and media and so  
24 forth with respect to public health issues and the  
25 issues of the health of the public.

Gramann Reporting, Ltd. (414) 272-7878



1 So I think, Madam Commissioner, what we  
2 tried to do was to respond to the people of the  
3 state in a balanced fashion, not loading it up all  
4 in public health, not loading it up all in research,  
5 not loading it up all in education, but providing a  
6 balanced approach to the way in which the people of  
7 the state of Wisconsin spoke to us. We are a  
8 responsive and responsible steward for these  
9 important monies that will come.

10 Finally, I wanted to talk about two issues  
11 that came up at the hearing yesterday that require,  
12 I think, some additional clarification. The one is  
13 that these monies will not be used to supplant  
14 existing funds at the medical schools. They will be  
15 used to provide new initiatives and to extend  
16 current initiatives that are underfunded in areas  
17 such as public health, such as community health  
18 organizations.

19 For example, if we wish to collaborate and  
20 work with a organization in the city of Milwaukee to  
21 provide immunizations to children, we will accept  
22 proposals from community organizations and we will  
23 fund those organizations to direct and manage with  
24 our -- in our partnership to provide those  
25 immunizations.

Gramann Reporting, Ltd. (414) 272-7878

1 We are creating a new institute for public  
2 and community health at the Medical College with the  
3 use of these funds which will be an outreach  
4 organization based to interface and interconnect  
5 with community organizations. We will be taking  
6 proposals from these community organizations.

7 Now, why would we do this? We do this  
8 because we are imminently prepared to do this. We  
9 have the infrastructure, and we do this every day.  
10 Every day of our life at the medical school is  
11 subject to diminishing monies and -- and resources  
12 to provide program. And so we have to make  
13 strategic priorities. And some people are going to  
14 be selected and some people aren't, but based upon  
15 priorities as to where the greatest good can be  
16 achieved, where you can get the most bang for the  
17 buck. And we do this day after day after day. And  
18 we would do this with this organization as well to  
19 request the people of the state of Wisconsin to  
20 provide us with their ideas, with their information,  
21 to sift and winnow and to establish priorities.

22 This institute will be governed by a board  
23 which will be about 12 members picked from around  
24 the state of Wisconsin who have an interest either  
25 in public advocacy, public health,

Gramann Reporting, Ltd. (414) 272-7878

1 prevention/wellness, or public health education.  
2 These will be the people that will set the strategic  
3 priorities, and these will be the people that will  
4 review every year what we're doing and how we're  
5 doing it. Because we expect to provide an annual  
6 stewardship report, both to your office, the Blue  
7 Cross Blue Shield board of directors, the  
8 foundation, and to the public and also to the State  
9 of Wisconsin.

10 We are going to be accountable, and we are  
11 going to be responsible. We think on balance,  
12 Madam Commissioner, that we have presented you with  
13 a balanced approach to the public health needs of  
14 the state of Wisconsin.

15 The final issue that needs to be clarified  
16 is what are the startup monies going to be used for.  
17 Both the University and the Medical College have  
18 requested an additional sum for startup funds to get  
19 the plan off and running. And yesterday at the  
20 hearing, it was somewhat confused that these monies  
21 were going to be used to build the foundation of  
22 the -- of the schools to handle this.

23 That's not true. Those infrastructures  
24 are already in place. What the Medical College has  
25 requested is \$12 million to start funding program so  
Gramann Reporting, Ltd. (414) 272-7878

1 that we can begin to work immediately with these  
2 organizations, these community health organizations,  
3 public health agencies throughout the state so that  
4 there is no lag between the time of the conversion  
5 and the sale of the stock and the income from the  
6 endowment slowly building.

7 So if -- we want to take an initial sum to  
8 fund program. And then those programs will continue  
9 to be funded for as long as the board of this  
10 institute sets those as a priority from the  
11 endowment income that is received in perpetuity.  
12 That's the way it will function. We already have  
13 the infrastructure in place to invest the monies, to  
14 provide for the monies, to provide for the review of  
15 proposals, to provide for the distinguishing of  
16 proposals.

17 And so, Madam Commissioner, in conclusion,  
18 I wish to thank and commend Blue Cross Blue Shield  
19 for their wisdom in selecting the two medical  
20 schools to provide stewardship for these funds for  
21 the people of the state of Wisconsin and to assure  
22 you and the people at this hearing that we will be  
23 effective, responsive, and responsible stewards.  
24 Thank you.

25 THE COMMISSIONER: Thank you. Next Philip  
Gramann Reporting, Ltd. (414) 272-7878

1 Farrell, followed by Tom George.

2 DR. FARRELL: Thank you, Commissioner  
3 O'Connell. I'm testifying today both as the leader  
4 in academic medicine for UW-Madison and as a citizen  
5 of Wisconsin for the past 22 years where I've  
6 practiced pediatrics. I especially appreciate  
7 having the opportunity to express views that reflect  
8 both my professional judgment and my personal  
9 perspectives.

10 Today my plan is to be more personal about  
11 this than I was yesterday. Because this topic of --  
12 of public health and this opportunity is something  
13 I've become very excited and passionate about in the  
14 last several months. I currently have the privilege  
15 of serving as Dean of the University of Wisconsin  
16 Medical School. And while -- while I've spent the  
17 last 22 years practicing pediatrics in this state,  
18 it's become very clear to me how special this  
19 opportunity is at this time.

20 I moved here in 1977 to join the faculty  
21 of the UW Department of Pediatrics after leaving the  
22 National Institutes of Health where I served as the  
23 public health officer. I became quite interested in  
24 population health at that time and, in fact, decided  
25 to maintain my commission with the U.S. Public

Gramann Reporting, Ltd. (414) 272-7878

1 Health Service when I moved here. And I'm proud to  
2 say that I'm still an officer in the Public Health  
3 Service in the Reserve Corps and have kept up to  
4 date with the national developments that have  
5 occurred in this -- in this evolving field.

6 Recognizing the added value to the medical  
7 profession of prevention and the importance of  
8 population health sciences, we at the University of  
9 Wisconsin Medical School have devoted considerable  
10 time to preparing for this change that will be so  
11 dramatic in the 21st Century. I've prepared  
12 personally by training at two of this nation's  
13 schools of public health, the University of Michigan  
14 at Harvard and also at the world's first such  
15 program, at the University of London, the London  
16 School of Hygiene and Tropical Medicine, a few years  
17 ago.

18 This background was excellent preparation  
19 as I took the position as Dean of the medical school  
20 because we've been engaged in facilitating a  
21 transformation of the UW Medical School towards a --  
22 a 21st Century approach to medical education and  
23 research, invigorating our programs with a balance,  
24 bringing community-linked initiatives to our  
25 traditional activity, and placing emphasis on

Gramann Reporting, Ltd. (414) 272-7878

1 education, research, and statewide impact. This  
2 really is a combination of the Wisconsin way and the  
3 Wisconsin idea.

4 Let me discuss the importance of balance  
5 to follow up on the comments that Mr. Bolger made.  
6 During the past decade, a new paradigm has emerged  
7 for a medical -- American medical schools that  
8 blends the traditional intervention mode of medical  
9 practice, featuring its disease orientation and  
10 focus on individuals, and to a prevention-oriented  
11 population health focus.

12 It's not surprising to me that some people  
13 of this state and elsewhere have expressed  
14 skepticism to you, Madam Commissioner, about the  
15 traditional medical model being able to change and  
16 being able to sustain change. I know that some  
17 people are concerned with failures of the past and  
18 the fact that our public health cup seems to be  
19 barely half full. However, I submit that the cup is  
20 filling up more and more. It's not half empty. And  
21 in my judgment, it will eventually run over. And  
22 we'll all thank Blue Cross Blue Shield for filling  
23 this cup with their catalytic effect. In fact,  
24 Wisconsin would not be ranked third nationally  
25 without its two medical schools being interested in  
Gramann Reporting, Ltd. (414) 272-7878

1 populations as well as individuals and producing  
2 more than two thirds of the practicing physicians in  
3 this state and distributing them throughout  
4 Wisconsin.

5 Because many of the changes in philosophy  
6 regarding population health have occurred during the  
7 past decade, some people have -- have  
8 misconceptions, misperceptions, and  
9 misunderstandings about what's going on and about  
10 the commitment of this state's two innovative  
11 medical schools. Nevertheless, it's interesting to  
12 me that our professional judgment and our commitment  
13 would be so challenged, particularly when our  
14 fourfold mission of education and -- and community  
15 service, service to patients and research, would be  
16 so frequently evidenced, particularly in the past  
17 half century. This was emphasized throughout the --  
18 the listening sessions. In fact, it was very  
19 gratifying for us to hear, as Mr. Bolger and I  
20 traveled around the state last summer, how our  
21 programs have touched people throughout the state.

22 The plan we developed collaboratively with  
23 the Medical College of Wisconsin presents balanced  
24 elements that cover the key aspects of public health  
25 and include an emphasis on community and rural

Gramann Reporting, Ltd. (414) 272-7878



1 populations, an emphasis on underserved populations  
2 particularly in urban areas, and a strong emphasis  
3 on what will likely pay off the most in the long  
4 run, namely prevention through research.

5 As I stated as a witness yesterday in  
6 Milwaukee, good science clearly leads to better  
7 health. And virtually every medical advance of this  
8 century has been preceded by a key discovery through  
9 research. I know that the speaker from the State  
10 Division of Health raised questions about research.  
11 But -- but very clearly, throughout this -- this  
12 century, research advances have paved the way for  
13 advances in individual health and in population  
14 health. And, in fact, there are many examples from  
15 the State Division of Health of collaborative  
16 research paving the road. And our Associate Dean,  
17 Dr. Paul Carbone, will comment further on this later  
18 this morning, the importance of medical research.

19 The evolution underway towards a more  
20 balanced population-oriented preventive medicine  
21 program can clearly be catalyzed by Blue Cross Blue  
22 Shield. Their special committee and directors were  
23 quite correct in their conclusion as stated  
24 yesterday that a school of public health is really  
25 not the right approach for Wisconsin. It's not

Gramann Reporting, Ltd. (414) 272-7878

1 the -- it's not desirable, particularly when both  
2 the UW Medical School and the Medical College of  
3 Wisconsin can establish virtual schools of public  
4 health readily and with minimized expenses.

5 Indeed, I've studied this issue  
6 intensively during the past four months and received  
7 recommendations from public health leaders elsewhere  
8 that we should not, quotes, make the mistake of  
9 establishing a school of public health when  
10 integrated programs within a medical school are  
11 clearly better, unquotes, in fact, the new paradigm  
12 for the 21st Century.

13 I'd like to clarify a few other aspects of  
14 our proposal. I'll begin by commenting on the  
15 listening sessions and the recommendations from last  
16 summer. They're fully described in the plan and led  
17 us to base our proposal on what the people of  
18 Wisconsin said they wanted us to do. I totally  
19 agree with what Mr. Bolger said about the -- the  
20 points that were made repeatedly during the  
21 listening sessions.

22 Incidentally, there was an issue raised  
23 yesterday about whether or not we included all the  
24 relevant information in our plan. There was a  
25 question raised about whether Turning Point  
Gramann Reporting, Ltd. (414) 272-7878

1 information was included. In fact, we've kept  
2 closely informed about what's happening with the  
3 Turning Point project. One of our faculty members,  
4 Professor Pat Remington's, on that committee. And  
5 Pat has kept us well informed. In fact, we've used  
6 the preliminary information in developing this plan.  
7 And we will keep informed about the Turning Point  
8 information and -- and other assessments that become  
9 available as we continue to develop our programs.

10 All of this information on the assessment  
11 that we performed last summer through multiple  
12 approaches will be published in a special issue of  
13 the Wisconsin Medical Journal in January or  
14 February. And we will include reference to the  
15 details that could not be incorporated into this  
16 plan. Because they really are the underpinnings.  
17 And we clearly had enough time to do a -- a full  
18 assessment upon which to base our plan.

19 Now I'd like to respond to some other  
20 questions that have been raised. The -- the  
21 \$20 million initially requested, as Mr. Bolger  
22 mentioned, has been referred to as a startup. But,  
23 in fact, I think there's been a misunderstanding.  
24 And that term "startup" is somewhat misleading.

25 In fact, those funds are not intended to  
Gramann Reporting, Ltd. (414) 272-7878

1 get us started so much as to catalyze and strengthen  
2 and extend programs that are described in the plan.  
3 The voices of Wisconsin that we heard last summer  
4 made it very clear that we should build on  
5 strengths, establish more partnerships, and move  
6 ahead as rapidly as we can. In fact, we're going to  
7 be expected to move ahead rapidly with many of these  
8 programs. And this is the -- the basis for  
9 requesting the -- the startup money.

10 In fact, we believe it would be  
11 irresponsible to do anything other than proceed with  
12 vigorous commitment and energy using these initial  
13 funds as fuel for many programs that, frankly, are  
14 ready to take off for the people of Wisconsin.  
15 And -- and by this, I mean to include our proposed  
16 Enhancing Rural and Community Health Fund. This  
17 component is described explicitly in the plan on --  
18 on page 36. And it's very responsive to the  
19 comments that we heard last summer seeking more  
20 partnerships with us as we move ahead.

21 We are quite interested in achieving a  
22 significant far-reaching impact through this  
23 Enhancing Rural and Community Health Fund. And  
24 we're also interested in leveraging these funds and  
25 reaching out to the entire state. The provision for  
Gramann Reporting, Ltd. (414) 272-7878

1 awards of \$50,000 minimum with a matching funds  
2 requirement is to assure impact and leveraging. I  
3 know there have been questions raised about that.  
4 But we've learned with other programs that we have  
5 developed throughout the state, such as the  
6 Wisconsin Alzheimer's Institute, that this type of  
7 funding is necessary to assure successful  
8 investments.

9 Now, we've also learned through our  
10 comprehensive assessment process that the problems  
11 we face are significant enough that funding of at  
12 least a hundred thousand dollars will be necessary  
13 to assure a successful implementation accompanies  
14 innovation.

15 The requirement for matching funds that's  
16 stated in our plan doesn't preclude programs that  
17 have a duration that extends over more than a year.  
18 In fact, we expect some of the proposals that come  
19 out or come to us following our annual announcements  
20 will range from periods from two to four years,  
21 particularly including the evaluation phase that we  
22 will require so that we'll have -- have data on  
23 outcomes.

24 Other points that need to be taken into  
25 account with regard to this fund -- and I -- I  
Gramann Reporting, Ltd. (414) 272-7878

1 appreciate having the opportunity to comment on this  
2 publicly -- are the following:

3 First, our greatest intent is to have  
4 far-reaching impact through this -- through this  
5 program and to be able to apply local thinking,  
6 local solutions to local problems. We learned in  
7 the listening sessions that -- that rural  
8 communities of this state have unique problems. And  
9 the only way to address them is through individually  
10 tailored programs. In fact, at the Stevens Point  
11 hearing on the 6th of July, one of the speakers  
12 commented that the problems of his community just  
13 ten miles from here are much different than the  
14 problems regarding healthcare and population health  
15 here in Stevens Point. And, in fact, all healthcare  
16 is local.

17 Second point is that small communities and  
18 organizations who might have some difficulty with a  
19 \$50,000 threshold might believe it's beyond their  
20 scope. We'll be able to aggregate with others to  
21 form coalitions that have shared values and a  
22 similar mission. This will increase the  
23 collaborative partnerships, not just between the  
24 medical school and the organizations, but among  
25 community-based organizations. We heard in -- in  
Gramann Reporting, Ltd. (414) 272-7878

1 Minocqua, for example, that mechanisms are needing  
2 to -- are needed to establish networks for -- for  
3 Wisconsinites living in the North Woods. We believe  
4 this can be handled through coalitions and  
5 partnerships.

6 The third point is that the grant cycle  
7 and the matching programs would ideally be spread  
8 over an extended period of time in order to have  
9 far-reaching effect.

10 And, finally, we believe that -- that  
11 local community organizations should be able to  
12 triangulate with this grant cycle by bringing local  
13 philanthropy together and multiple partnerships to  
14 enhance the leveraging effect.

15 One last point I wanted to make about the  
16 Enhancing Rural and Community Health Fund, because I  
17 believe this is going to be one of the -- the key  
18 features in our success, is that we will be  
19 absolutely certain to ensure access through  
20 statewide announcements of various types, including  
21 in newspapers, on the radio, public service  
22 announcements. And we'll be absolutely certain to  
23 include balanced representation from communities all  
24 over the state as we put together the final plan  
25 with the criteria. We've had a great deal of

Gramann Reporting, Ltd. (414) 272-7878

1 experience in doing these kinds of programs, working  
2 for example with the Area Health Education Center  
3 system to enhance these local partnerships.

4 In summary, Madam Commissioner, I believe  
5 that we are at a pivotal crossroads because of Blue  
6 Cross Blue Shield, just as we're at the -- the  
7 crossroads of Wisconsin here at the intersection of  
8 Highway 10 and Highway 51. This -- this crossroads  
9 that we're at today though is a historic crossroads  
10 in the history of Wisconsin's health. So I urge you  
11 to approve our proposal for advancing the health of  
12 Wisconsin's population through excellence in medical  
13 education, research, and community service.  
14 Thank you.

15 THE COMMISSIONER: Thank you. Next we  
16 have Tom George, followed by Dr. John Munson,  
17 followed by Janet Zander, George Million.

18 MR. GEORGE: Well, I want to welcome you,  
19 Commissioner O'Connell, to our campus on behalf of  
20 myself and the University of Wisconsin-Stevens  
21 Point. And it's a pleasure to have you and everyone  
22 else here for this hearing. This is my second  
23 opportunity to comment on the conversion of Blue  
24 Cross Blue Shield United of Wisconsin. I was able  
25 to do that at the July 6th hearing we had in  
Gramann Reporting, Ltd. (414) 272-7878



1 Stevens Point. And my comments are on record. So  
2 because I have those comments, I'm going to make my  
3 remarks very brief here today.

4 Our position now is as it was in July. We  
5 feel very strongly that Wisconsin's two medical  
6 colleges would certainly be major participants in  
7 and beneficiaries of the conversion process. They  
8 both have outstanding training programs for  
9 physicians in Wisconsin and elsewhere in the nation.

10 We also believe, as an institution here at  
11 Stevens Point, that improving public health along  
12 with medical research should be a major focus of  
13 this proposal. The University here has already  
14 initiated discussions regarding collaboration with  
15 UW-Madison's medical school independent of the  
16 conversion issue.

17 I want to emphasize that our University  
18 here believes that improving public health along  
19 with medical research should be a major focus of the  
20 plan and that Dr. John Munson, who will be following  
21 me -- he's the head of our School of Health  
22 Promotion and Human Development -- will expand on  
23 the value of a focus on wellness and disease and  
24 injury prevention in his remarks.

25 Regarding the composition of the  
Gramann Reporting, Ltd. (414) 272-7878

1 conversion, we are happy to see that members in the  
2 fields in addition to the medical health professions  
3 are included on the proposed board. We also suggest  
4 that representation from the health promotion and  
5 wellness professions on the committee to be chaired  
6 by UW Medical School Dean Phil Farrell to oversee  
7 the Enhancing Community and Rural Health Fund take  
8 place.

9 Related to that item, we are very happy to  
10 hear that the conversion will be utilized over a  
11 period longer than five years for the formation of  
12 an endowment fund at the UW-Madison's Medical  
13 School. We are encouraged that this fund will  
14 promote health promotion and wellness along with  
15 other medical initiatives. Thank you.

16 THE COMMISSIONER: Thank you. Next we  
17 have Dr. Munson.

18 DR. MUNSON: Good morning. Welcome to  
19 Stevens Point, the wellness capital of the United  
20 States. In his remarks, Chancellor George suggested  
21 the possibility of an endowment as a means of  
22 managing part of these funds. I certainly agree  
23 with that sentiment.

24 This morning though I want to focus, not  
25 on the fund management, but, rather, on the  
Gramann Reporting, Ltd. (414) 272-7878

1 opportunity to do good work in the state of  
2 Wisconsin. The possibility of changing the  
3 Wisconsin culture in which we live is probably as  
4 exciting as anything I've seen in my 25 years here.  
5 This opportunity is very unique. It's an  
6 opportunity that won't come around in a long time.  
7 I ask that you thoughtfully consider the long-term  
8 investment in health promotion activities as well as  
9 the medical research for the state of Wisconsin.

10 For over 20 years, Stevens Point has been  
11 a campus that's played a national role in the  
12 dissemination of wellness lifestyle information. We  
13 regularly graduate trained specialists in health  
14 promotion. We, like most of our sister  
15 institutions, have a specific mission. Our  
16 mission -- one of our select missions is health  
17 promotion.

18 At UW Stevens Point, our health promotion  
19 faculty continues to study the link between health  
20 behaviors and a number of important factors, such as  
21 productivity, absenteeism, healthcare costs, and  
22 quality of life. As such, we think we are in a  
23 unique position to provide three such activities  
24 that can benefit from this conversion and the  
25 endowment process.

Gramann Reporting, Ltd. (414) 272-7878

1 We currently have a model employee  
2 wellness program. We envision using this model to  
3 work with managed healthcare suppliers to target and  
4 track interventions that have a high cost benefit  
5 ratio reducing modifiable risk factors. Once these  
6 strategies and models are perfected, it could be  
7 applied statewide and would affect many people  
8 insured by the State of Wisconsin and save  
9 significant health dollars.

10 Secondly, we graduate annually about 30,  
11 35 health promotion specialists whose primary  
12 function is to reduce the incidence of disease  
13 through implementation of prevention-oriented  
14 programs. We believe that an influx of support for  
15 programs such as ours will be an important factor in  
16 reducing future healthcare costs to the citizens of  
17 Wisconsin. The fact is they smoke too much. They  
18 drink and eat more than is good for them. They  
19 continue to breathe air that irritates their lungs.  
20 And they exercise too little. Please assist one of  
21 the nation's best undergraduate programs in reaching  
22 more people with health needs.

23 UWSP is uniquely positioned to provide a  
24 distance learning class and community programs aimed  
25 at a wide variety of Wisconsin citizens. We  
Gramann Reporting, Ltd. (414) 272-7878

1 continue to assist them in becoming more aware of  
2 modifiable health risks through self-screen,  
3 self-study, and effective educational module --  
4 models. We ask that we be supported in this process  
5 so we can continue to play our role.

6 The attachments that I'll provide, you  
7 will find a listing of the major health problems  
8 faced in our nation. You're well familiar with  
9 them. Wisconsin has those same health issues. And  
10 we, like most other states, have been spending the  
11 majority of our dollars on curing disease rather  
12 than preventing it.

13 I urge you to set up a system where  
14 campuses such as ours have the opportunity to  
15 utilize future resources to address the root causes  
16 of Wisconsin lifestyle diseases. We are and we  
17 continue to be partners in this important endeavor.  
18 Simply put, it's better to prevent than to treat.  
19 An ounce of prevention means more than a pound of  
20 cure to us. It means healthy people doing healthy  
21 tasks. I urge you to expand your vision and share  
22 the resources of the state and community programs  
23 that can make Wisconsin a healthier place to live.  
24 Thank you.

25 THE COMMISSIONER: Thank you. Okay. Next  
Gramann Reporting, Ltd. (414) 272-7878

1 we have Janet Zander, who will be followed by George  
2 Million and Trinitie Wilke.

3 MS. ZANDER: Good morning, Commissioner.  
4 This morning I am here representing the Wisconsin  
5 Association of Aging Unit Directors. We thank you  
6 for the opportunity to share our concerns regarding  
7 the Blue Cross Blue Shield's plan for conversion  
8 from a nonprofit company to a stock corporation.

9 The Wisconsin Association of Aging Unit  
10 Directors advocates for older citizens throughout  
11 the entire state. We are somewhat dismayed that no  
12 consideration has been given to returning the assets  
13 accumulated by Blue Cross to the very citizens who  
14 have been -- who have given to return -- excuse  
15 me -- to the citizens who, as taxpayers and  
16 subscribers, have helped generate these assets.

17 We are not questioning the medical  
18 schools' commitment to serving the public, but are  
19 questioning Blue Cross & Blue Shield's right to  
20 treat these assets as gift money and to name the two  
21 schools as the sole beneficiaries, given the broad  
22 array of public health needs.

23 Wisconsin citizens deserve prudent  
24 oversight and judicious allocation of these public  
25 dollars. Specifically, the Wisconsin Association of  
Gramann Reporting, Ltd. (414) 272-7878

1 Aging Unit Directors requests that the Blue Cross  
2 plan not be approved until the following provisions  
3 are assured:

4 An independent audit by -- an audit by an  
5 independent entity to determine which assets should  
6 be considered public and how they should be valued.  
7 The relevant assets should be placed in an endowment  
8 fund and the interest that is earned be distributed  
9 annually through grants to nonprofit organizations  
10 including healthcare providers, community clinics,  
11 advocacy organizations, county public health  
12 agencies, disease-specific organizations, and  
13 educational institutions. These all address  
14 priority public health needs of our citizens.

15 Oversight of the fund distribution should  
16 be controlled by a board whose members represent the  
17 broad spectrum of Wisconsin consumers and their  
18 public health needs.

19 The funds returned to the public by  
20 Blue Cross should be directed to programs which best  
21 address the greatest number of public health needs  
22 of the broadest spectrum of the Wisconsin citizenry.  
23 Specifically, programs for older adults that we're  
24 interested in include affordable prescription drug  
25 coverage, fall prevention programs, health

Gramann Reporting, Ltd. (414) 272-7878

1 screenings, nutrition programs, improved access to  
2 dental care and mental health services, improved  
3 access to community-based long-term care services.

4 These are just a few examples of the  
5 issues needing to be addressed which should be  
6 considered along with the public health needs of  
7 youth, people with disabilities, women, and  
8 minorities. Wisconsin should utilize this  
9 opportunity to be a leader in programs which help  
10 citizens attain healthier lifestyles. States such  
11 as Pennsylvania and California are using  
12 opportunities like that afforded by the Blue Cross  
13 conversion to aggressively address health -- health  
14 promotion among elders.

15 The conversion plan must create an  
16 independent foundation and must propose to cover a  
17 broad array of public health issues for the  
18 individuals throughout the entire state who helped  
19 generate these dollars. Thank you.

20 THE COMMISSIONER: Thank you. Next George  
21 Million, followed by Trinitie Wilke.

22 MR. MILLION: Good morning, Commissioner.  
23 My name is George Million from Wausau, Wisconsin.  
24 For the past 24 years, I have been the health  
25 officer for Marathon County and the director of the  
Gramann Reporting, Ltd. (414) 272-7878



1 Marathon County Health Department. I thank the  
2 Commissioner of Insurance for this opportunity to  
3 comment upon the proposed Blue Cross Blue Shield  
4 conversion from a nonprofit to a for-profit  
5 corporation.

6 I appreciate that this proposed conversion  
7 raises unique questions and presents an  
8 unprecedented, at least in Wisconsin's history,  
9 opportunity for the citizens of the state to benefit  
10 from the dollars that Blue Cross & Blue Shield have  
11 garnered as a result, in part, of their many years  
12 as nonprofit status in the state. You will hear  
13 later the position of the Wisconsin Public Health  
14 Association of which I'm happy to be a longtime  
15 member. I wish to make only four points today. I  
16 will leave it to the representative of the  
17 association to go into greater detail.

18 It is my understanding that your office  
19 has agreed to conduct an independent evaluation of  
20 the true value of the proposed conversion, and I  
21 commend you for that. Experience in other states  
22 points to apparent -- an apparent tendency to  
23 undervalue assets initially in similar  
24 circumstances. And Wisconsin should not replicate  
25 that situation.

Gramann Reporting, Ltd. (414) 272-7878

1 Two, despite the fact that you've doubled  
2 your number of normal hearings, I urge you to expand  
3 these hearings to other locations throughout the  
4 state so that more members of the public, as the  
5 previous speaker indicated, who have helped  
6 contribute to these resources may have opportunity  
7 to attend and testify. This is a unique situation.

8 Three, I urge you as the Commissioner of  
9 Insurance to reject the proposed structure for  
10 managing of the funds. A more independent structure  
11 can be devised which will provide for greater public  
12 access, decision making, and accountability. The  
13 Blue Cross Blue Shield proposal to date appears to  
14 be what, if I were in an irreverent mood, I would  
15 say is a classic example of having one's cake and  
16 eating it too. Again, we can learn from nearly two  
17 dozen other instances nationwide what current best  
18 practices for the governance of this structure would  
19 suggest.

20 Lastly, my comments about the ability of  
21 the medical schools to represent the public in the  
22 matter of the expenditures of these funds. I never  
23 heard of a virtual school of public health until  
24 this morning. I'm a graduate of a nonvirtual school  
25 of public health at a little college called Yale.

Gramann Reporting, Ltd. (414) 272-7878

1 But I make my observation based on 24 years in the  
2 state of Wisconsin and also listening as -- and  
3 contributing to the listening sessions which were  
4 conducted by the medical schools earlier this  
5 summer.

6 I listened for three hours here in  
7 Stevens Point, commented, then read a summary which  
8 was provided by various groups later in the summer.  
9 Quite frankly, in looking at the proposal of the  
10 medical schools, I fail -- I -- I think they failed  
11 to hear much of what was being said at the listening  
12 session.

13 I want to be clear that I think these are  
14 very fine medical schools. They train doctors well.  
15 But they have no accredited school of public health  
16 among their many other departments and specialties.  
17 My experience in 24 years on various state advisory  
18 committees, the State Lab of Hygiene Board, Maternal  
19 and Child Health Advisory Board, and many other  
20 statewide groups, would indicate that the track  
21 record of both the medical schools in the area of  
22 public health could best be described as minimal.

23 With the possible exception of the family  
24 practice residency program which tries to train  
25 probably physicians in the most holistic form of

Gramann Reporting, Ltd. (414) 272-7878

1 medicine, I have not encountered many medical school  
2 faculty interfacing regularly with the public health  
3 community and then only on a sporadic basis. Now,  
4 maybe that's because Marathon County is a long way  
5 from these seats of learning. But maybe also it's  
6 because the training of physicians is more demanding  
7 each year from the scientific point of view and  
8 there just isn't the time and energy for much  
9 outside the field of training for medical care.

10 It wasn't too many years ago that I was  
11 told that our family practice residents in Wausau  
12 were too busy to learn about such things as refugee  
13 health, sexually transmitted diseases, or the  
14 control of communicable disease. They had other  
15 things that were of greater importance. Perhaps  
16 they did.

17 I think it's probably unfair to assume  
18 that the medical schools could take on this  
19 responsibility. From my perspective, it's unwise to  
20 expect that they can see much beyond the demands of  
21 medical education. I think they ought to be at the  
22 table. I don't think they ought to be running the  
23 show.

24 Thank you, once again, for this  
25 opportunity to state my views. Your office has a  
Gramann Reporting, Ltd. (414) 272-7878

1 rare opportunity to impact upon the public health of  
2 this state for many years to come.

3 THE COMMISSIONER: Thank you. Next we  
4 have Trinitie Wilke. And then following Ms. Wilke  
5 will be a number of speakers. I have a number of  
6 speaker slips. It's my understanding that the  
7 coalition represented by these speaker slips will  
8 not each be testifying, but representatives of the  
9 group will be. So I think I have five or more  
10 slips. But I think there's going to be four  
11 individuals? So that -- they will follow Ms. Wilke.

12 MS. WILKE: Good morning. My name is  
13 Trinitie Wilke. And I work for the Medical College  
14 of Wisconsin in the Center for Healthy Communities.  
15 Our mission is to form community academic  
16 partnerships to improve health.

17 I am a community program coordinator in  
18 Marion Area, which is about one hour northeast of  
19 here. I'm employed by the Medical College through a  
20 federal grant. The grant is from the Office of  
21 National Drug Control Policy. It's not possible for  
22 many people from the Marion Area to attend this  
23 hearing, so I have collected quotes and stories from  
24 community members which I would like to share with  
25 you.

Gramann Reporting, Ltd. (414) 272-7878

1                   Dick Pamperin, businessperson and  
2 community member: "I applaud having funds channeled  
3 to the Medical College of Wisconsin. They have  
4 worked in our community over five years and have  
5 impacted the youth, seniors, and schools in a very  
6 positive way. We need more of this effort in our  
7 rural communities."

8                   Patricia Wilke -- Mielke, Councilor of the  
9 City Council of Marion: "The partnership with the  
10 Medical College through the Center of Healthy  
11 Communities has been the glue that has brought the  
12 elements of local government, school, civic  
13 organizations, churches, and individuals together to  
14 focus on the wellness of our citizens. We have  
15 found progress in our combined efforts and hope for  
16 mutual efforts to continue in the future. It has  
17 brought people with separate interests together and  
18 given avenues to learn about our common interest.  
19 New relationships have been forged by the guidance  
20 and efforts of the Medical College staff to help us  
21 realize our potential and our abilities. Thank you  
22 for allowing me to share my thoughts."

23                   Pastor Bill Schrupa: "Our partnership  
24 with the Medical College of Wisconsin has been an  
25 exciting venture. MCW has brought to our area  
                  Gramann Reporting, Ltd. (414) 272-7878

1 expertise and resources otherwise unavailable to us.  
2 It has helped us to focus and direct our efforts  
3 towards building healthier communities. We are  
4 indeed thankful for its presence."

5 Chris VanHoof, high school teacher and  
6 community member: "As an instructor, I have heard  
7 students talk about -- positively about the field  
8 trips they have gone to to the -- at the Medical  
9 College. In addition to the positive things they  
10 say, last year's students still speak several months  
11 after the event. It has obviously impacted them.  
12 In addition, the entire Marion Area Christian Youth  
13 Initiative has been enhanced by the efforts financed  
14 primarily through the Department of Justice and the  
15 Medical College. The greatest benefits have been  
16 central organizations and the United Vision of  
17 Improving -- Improvements in Marion. It is a  
18 critical element that allows the initiative to be  
19 sustained."

20 Pastor Mark Ziemer: "MCW has become a  
21 major player in the Marion Area in bringing together  
22 a coalition of local leaders and organizations to  
23 address community health. MCW has helped the Marion  
24 community realize that there are large outside  
25 organizations like MCW that will work with us and  
Gramann Reporting, Ltd. (414) 272-7878

1 that there is much power and effectiveness that can  
2 be gained through our community and communications  
3 with one another."

4 As I mentioned, I am the community program  
5 coordinator through -- with a federal grant and  
6 would like to conclude with my observations. MCW  
7 took a risk and hired a community member to work two  
8 and a half hours away from MCW to maximize the  
9 commitment from MCW to the Marion Area. MCW has  
10 worked faithfully with this rural community to  
11 ensure a high quality of service and has shown  
12 dedication to their work and projects.

13 With a lot of community and MCW time and  
14 energy invested, it has become a very successful  
15 partnership. This community would never have  
16 benefited from just the money. The support and  
17 guidance that MCW contributed has helped the  
18 community use the funds to their full potential.  
19 Thank you, Commissioner.

20 THE COMMISSIONER: Ms. Wilke, but -- could  
21 you tell us just a little bit about the program,  
22 what kinds of services are offered within the  
23 community?

24 MS. WILKE: Under the federal grant, we  
25 are doing -- it's for substance abuse prevention.  
Gramann Reporting, Ltd. (414) 272-7878



1 And tying in with the Medical College, we send  
2 students to the Medical College to show rural  
3 students that it is possible for them to reach  
4 medical school. We also do mentoring programs. The  
5 Medical College brings medical students to Marion to  
6 promote rural health. And we do a wide range of  
7 activities.

8 THE COMMISSIONER: Great. Thank you.

9 MR. PETERSON: Good morning,  
10 Commissioner --

11 THE COMMISSIONER: Good morning.

12 AUDIENCE MEMBER: -- Members of the  
13 Public. My name is Bobby Peterson. I'm an attorney  
14 and executive director of ABC for Health, a  
15 nonprofit public-interest law firm with offices in  
16 Madison and co-located in the public health offices  
17 in Polk and Barron County.

18 We're working together with a coalition of  
19 concerned organizations and citizens. Over a  
20 hundred citizens have signed our statement of  
21 concern so far. And we will be submitting those to  
22 the Commissioner to add to the record. Our  
23 coalition includes the Wisconsin Coalition for  
24 Advocacy and the American Association of Retired  
25 Persons, who will be testify -- excuse me -- will be  
Gramann Reporting, Ltd. (414) 272-7878

1 testifying here also today.

2 I'd like to comment a little bit about the  
3 history of our organization and our coalition. We  
4 started working on this issue of the Blue Cross Blue  
5 Shield conversion before there was even an  
6 announcement of a conversion. Back in the spring of  
7 1998, we worked with two community coalitions -- one  
8 in Milwaukee called Healthwatch, that's organized by  
9 community advocates in Milwaukee, and Healthwatch in  
10 Dane County -- to raise some issues and concerns  
11 about what we believe may have been a de facto  
12 conversion by Blue Cross Blue Shield beginning as  
13 early as 1983.

14 As different for-profit subsidiaries were  
15 created, we were concerned that perhaps nonprofit  
16 assets were used to help those organizations begin.  
17 And we'll hear more about those transactions a  
18 little bit later. But those community efforts were  
19 important because we began to educate the public on  
20 the conversion process and two important legal  
21 doctrines, the ce pres doctrine and the charitable  
22 trust doctrine, which together provide that when an  
23 organization converts from a nonprofit to a  
24 for-profit, the original charitable intent of the  
25 organization has to be examined.

Gramann Reporting, Ltd. (414) 272-7878

1 We know that Blue Cross Blue Shield was  
2 created in 1939 by an act of the legislature with a  
3 meager \$5,000 and has grown into a organization  
4 worth hundreds of millions of dollars today. But  
5 the original purpose of that organization needs to  
6 be examined. And that original purpose was to help  
7 to serve the underserved and the uninsured in the  
8 state of Wisconsin.

9 When an organization converts, the assets  
10 of that corporation revert back to their original  
11 charitable purpose. Now, what's interesting about  
12 the proposal by Blue Cross Blue Shield is that as --  
13 when they made their announcement, there was a lot  
14 of political orchestration. Tommy Thompson was on  
15 the podium, along with Jim Doyle, which is a rare  
16 sight. Scott Jensen and Chuck Chvala were signing  
17 off on letters -- I'm sure they weren't in the same  
18 room when they signed about it, but they were both  
19 listed on the letter -- approving the process,  
20 saying it was a sound one, and that the Commissioner  
21 should move full speed ahead to approve it.

22 Well, at that time the proposal hadn't  
23 even been received in the Commissioner's office. So  
24 it was interesting that -- that there was pressure  
25 to approve something that hadn't even been approved  
Gramann Reporting, Ltd. (414) 272-7878

1 by the Commissioner.

2 We applaud the Commissioner's effort in  
3 taking a careful examination of the process, the  
4 proposal, hiring an outside evaluation. Those are  
5 fundamental issues that -- that needed to be  
6 addressed in terms of assuring the public's interest  
7 in this matter.

8 We were concerned though that part of the  
9 political orchestration that took place was  
10 designating the two medical schools as the  
11 beneficiaries of the conversion dollars. And for a  
12 long time, the two medical schools characterized it  
13 as a gift from Blue Cross Blue Shield. And, in  
14 fact, we heard that language yesterday. Well, this  
15 is not a gift. These are public dollars. And the  
16 Commissioner has the role at this point in  
17 determining the public's interest and how those  
18 dollars should be distributed.

19 By designating the two medical schools  
20 early on in the process, conducting listening  
21 sessions, they let loose sort of a runaway truck  
22 that many people felt was a done deal, that it's  
23 signed, sealed, and delivered and the med schools  
24 are going to be the beneficiaries of these dollars.  
25 Many people in the communities felt that there was

Gramann Reporting, Ltd. (414) 272-7878

1 no opportunity to take another look at the process.

2 And we're very glad that the Commissioner  
3 has conducted these hearings and is looking  
4 carefully at this proposal. But we all know that  
5 once you give a hungry dog a bone, it's very hard to  
6 take it away again. And some of the thinking that  
7 went into the process of making that early decision  
8 and designation, I think, makes it very difficult  
9 and challenging for those of us that are concerned  
10 about the proposal and ultimately the  
11 decision-makers that have to review the proposal.

12 Another area that I'd like to talk about  
13 is the testimony that we heard yesterday. I was  
14 struck by the testimony from the public health  
15 community and how concerned they are about the  
16 appropriate use of these dollars. I think that all  
17 of us can say categorically that this is not  
18 testimony in opposition to the medical schools. We  
19 all believe that they're fine institutions for what  
20 they do -- research and education and community  
21 service.

22 Interesting, the title of their proposal.  
23 And it -- it's an emphasis in the proposal that  
24 concerns many people in the public health community.  
25 We all know the value of research. But is that the  
Gramann Reporting, Ltd. (414) 272-7878

1 best use of these funds? Rare public health funds?  
2 Someone in my office made the comment, it's a lot of  
3 thinking and not a lot of doing. And I thought  
4 that's -- that's kind of true.

5 What are the resources that are available  
6 for research? The National Institute of Health that  
7 Dean Farrell was a public health officer for, as he  
8 indicated in his testimony, was appropriated  
9 \$17.9 billion by Congress for research. How much  
10 money goes to the public health community? Very  
11 little. An example is the Maternal and Child Health  
12 Block Grant, which has between 500 and 600 million  
13 that's distributed to the states for actual services  
14 in maternal and child health for pregnant women and  
15 children. It's quite a difference and dis --  
16 disproportionate amount of funding that is available  
17 nationally for research versus actually conducting  
18 some of the activities that local public health  
19 agencies engage in. Pharmaceutical companies also  
20 heavily fund research.

21 This money, it's a rare opportunity, as  
22 speakers have pointed out. But it also is a rare  
23 opportunity to actually accomplish some things for  
24 people across the state of Wisconsin. From Superior  
25 to Kenosha, from Platteville to Rhinelander, people  
Gramann Reporting, Ltd. (414) 272-7878

1 are in need of basic services and assistance by  
2 their local health officers. And they're in a great  
3 position to do it. Community health centers,  
4 advocacy organizations, agencies on aging are all  
5 poised and ready. We have an infrastructure in  
6 place also. We don't need to rebuild a complete  
7 public health infrastructure. But what needs to  
8 happen is that that infrastructure needs to be  
9 enriched. It needs to be supported. It needs to be  
10 funded. And this is an opportunity to do that.

11 On the national level, I talked with some  
12 people at the American Public Health Association  
13 about the proposal. Initially, when I said  
14 \$250 million was being proposed for a public health  
15 foundation, they expressed excitement. When I said  
16 that the money was being designated to the two  
17 medical schools, their reaction was shock, quite  
18 frankly. And, again, it's not to pointedly  
19 criticize the two medical schools. But it's a  
20 different mission. And as a part of our involvement  
21 in this process, we would be happy to provide expert  
22 testimony on the distinctions between the medical  
23 education model and the public health model.  
24 Because I think that would be instructive for the  
25 Commissioner in helping her make a -- a decision

Gramann Reporting, Ltd. (414) 272-7878

1 about the best use of these funds.

2 The testimony yesterday, I thought, was  
3 also instructive that the proposal was questioned by  
4 emeritus faculty and retired faculty from both the  
5 Medical School of Wisconsin -- or the Medical  
6 College of Wisconsin and the University of Wisconsin  
7 Med School. People that are involved in public  
8 health activities -- deeply involved in public  
9 health activities, understand public health and many  
10 of the nuances, aren't a part of institutions that  
11 are designed for research and education have serious  
12 questions about that. And we heard that yesterday.  
13 I thought that was very instructive.

14 The -- part of the proposal that we are --  
15 are also concerned about is that the two schools  
16 have designated very little for community outreach.  
17 In fact, the word "research" -- we counted -- was  
18 mentioned 80 times in the proposal, many more times  
19 than community outreach and community funds for  
20 communities.

21 I'm hearing different things from the two  
22 Deans than I see in the proposal. I see in the  
23 proposal that the Medical College of Wisconsin is  
24 not a grant-making institution. I see in the  
25 proposal from the University of Wisconsin Med School

Gramann Reporting, Ltd. (414) 272-7878



1 that 5 to perhaps 10 percent would be directed to  
2 community groups. The testimony I hear today was  
3 that a lot more was being directed towards community  
4 outreach, community groups. Their testimony was  
5 laced with that type of information, but I don't see  
6 that in the current proposal. Is it changed? I  
7 don't think any modifications have been submitted.

8 But that doesn't really matter. Because I  
9 think it's becoming very clear that the best way to  
10 proceed with the proceeds -- once a proper valuation  
11 has been conducted, the best way to proceed to  
12 preserve the interests of all Wisconsin citizens,  
13 all people concerned about public health, nursing  
14 schools, dental schools, pharmacy schools, local  
15 public health agencies, area agency on agings,  
16 et cetera, is to create an independent foundation.  
17 It doesn't have to be a big bureaucracy. It would  
18 probably cost less than creating a Dean's office at  
19 the University of Wisconsin Med School, which I  
20 think is probably -- two Deans' offices is going to  
21 cost at least a million dollars.

22 This is in the best interests of all the  
23 people of the state of Wisconsin. The rare  
24 opportunity is here before us. And the Commissioner  
25 has an important decision to make. But I think that  
Gramann Reporting, Ltd. (414) 272-7878

1 our coalition strongly supports the notion of a  
2 separate accountable foundation. And, of course,  
3 we're going to be as involved in the process as we  
4 can be up to the point of seeking judicial review  
5 for any decisions that we think are contrary to the  
6 public interest. But we have a lot of faith and  
7 confidence in the Commissioner and her  
8 decision-making ability.

9 And I'm going to turn it over now to my  
10 colleague Wade Williams, who's going to detail a  
11 little bit of information on the history of  
12 Blue Cross going back to 1939 and some of the  
13 transactions that have taken place into the future.

14 THE COMMISSIONER: Thank you. Maybe if  
15 you could have your -- the speaker following  
16 Mr. Williams to step up to this, just so we can keep  
17 the flow.

18 MR. WILLIAMS: Good morning, Commissioner.  
19 Is this on? Okay. My name is Wade Williams. I'm a  
20 nonprofit lawyer -- or public interest lawyer at  
21 ABC for Health. And I'd like to talk a little bit  
22 about the history of Blue Cross as an organization  
23 to help -- hopefully to help you look at how the  
24 organization has changed over time its face as a  
25 nonprofit institution to what has become more and  
Gramann Reporting, Ltd. (414) 272-7878

1 more a resemblance -- resembling a for-profit  
2 company and now culminating with their -- their  
3 attempt to convert officially to a for-profit  
4 corporation.

5 I was brought in on this project as a --  
6 as a researcher. And I examined approximately  
7 20 feet of documents at OCI and the State Historical  
8 Society and the Legislative Reference Bureau. It  
9 was about 30,000 pages or so. And I've given some  
10 of them to Steve already and would hope that you  
11 would look at those in your consideration of the  
12 original intent of the assets from -- starting from  
13 the creation in 1939.

14 Blue Cross started as part of a trend -- a  
15 nationwide trend to help solve the -- what they  
16 called the pressing social need of the time. And  
17 that was that large numbers of people in various  
18 parts of the country could not afford to pay for  
19 hospital care. In the 1930s, Wisconsin suffered,  
20 like most other areas did. And the legislature  
21 sought to come up with a creative idea to help  
22 people pay for hospitalization. And their twofold  
23 purpose was -- the twofold purpose of the  
24 legislature was actually written into the organic  
25 statute. And I'd like to read from that.

Gramann Reporting, Ltd. (414) 272-7878

1 This is Section 1 of what was originally  
2 Section 180.32 and in 1957 was 182.032 and now is a  
3 little bit different in Chapter 613. "As a guide to  
4 the interpretation and application of this section,  
5 the public policy of this state is declared to be to  
6 ease the burden of payment for hospital services,  
7 particularly in low-income groups where the advance  
8 of scientific methods, the payment for adequate  
9 hospital service, is a pressing problem with grave  
10 social ramifications. Nonprofit hospital service  
11 corporations, based on the test experience in many  
12 parts of the United States, economically sound and  
13 socially beneficent, are needed."

14 "While in no way changing the present  
15 status of voluntary hospitals in the state, these  
16 corporations will enable a larger number to procure  
17 for themselves adequate hospital services and leave  
18 the use of the free and part-free services given by  
19 the hospitals to those who -- to those whose  
20 economic status makes such self-procurement of such  
21 services impossible. Without opposing the burden on  
22 the public treasury and free from the profit  
23 motive" -- excuse me. I misread that. "Without  
24 imposing the burden on the public treasury and free  
25 from any motive of profit, these corporations will

Gramann Reporting, Ltd. (414) 272-7878

1 contribute to the solution of a pressing social and  
2 economic problem in the state and merit the support  
3 of the citizens."

4 And what we found as we went through the  
5 20 feet of documents was that -- that Blue Cross was  
6 organized. Based on this brand new statute, it was  
7 granted tax exemption from federal and state taxes.  
8 And it was -- it was mandated with this purpose  
9 provided in the organic statute.

10 The original Articles of Incorporation of  
11 the -- what was Blue Cross -- Blue Cross was known  
12 as then was Associated Hospital Services. The  
13 original Articles of Incorporation also provided  
14 that "No part of its net earnings shall inure to the  
15 benefit of any private shareholder or individual."  
16 And this is kind of a standard clause in -- in  
17 nonprofit organizations because it's required by --  
18 by law.

19 The Blue Cross is -- has -- it started out  
20 with about \$5,000 of donated funds. It was  
21 organized by a small group of what they called  
22 hospital men. They were basically doctors and  
23 hospital administrators. And it's now grown to, you  
24 know, unimaginable size. It's worth hundreds and  
25 hundreds of millions of dollars. And along the way,  
Gramann Reporting, Ltd. (414) 272-7878

1 it seems like its mission has changed as well.

2 Articles of Incorporation can be changed.  
3 They can be modified by a vote of the board of  
4 directors. And they have several times. And the  
5 reason I say that is because I -- I think it's  
6 important to look at the motives Blue Cross & Blue  
7 Shield may have in converting officially to a non --  
8 to for-profit status when you are comparing what  
9 they've proposed with what's in the interest of the  
10 public.

11 Blue Cross was -- was legally recognized  
12 as a charitable and benevolent institution in a 1961  
13 Wisconsin case that went before the Supreme Court.  
14 It was City of Milwaukee versus Associated Hospital,  
15 which was Blue Cross's former name. Milwaukee's  
16 argument was that Blue Cross acted like any other  
17 insurance -- insurance company who was for-profit in  
18 that they charged premiums and paid claims for  
19 hospital services. And Blue Cross argued back  
20 that -- that their situation was different and their  
21 motive was nonprofit. And the Supreme Court agreed  
22 with them in that they were a charitable and  
23 benevolent institution.

24 In 1979, Blue Cross sought to combine with  
25 Blue Shield, which is the medical plan of -- medical  
Gramann Reporting, Ltd. (414) 272-7878

1 plan component of the Blue Cross in Wisconsin.  
2 American -- or Associated Hospital Services was the  
3 Blue Cross plan, and Blue Shield was the Milwaukee  
4 County Society plan. The two nonprofits merged, and  
5 they became Blue Cross Blue Shield United of  
6 Wisconsin.

7 In the early '80s, CEO Tom Hefty came on  
8 board. And my understanding from what I've read is  
9 that that's when the culture of Blue Cross really  
10 began to change.

11 In 1983, Blue Cross Blue Shield created  
12 United Wisconsin Services, as -- as you know. This  
13 purpose of the United Wisconsin Services was to help  
14 raise revenues for Blue Cross, which was ailing at  
15 the time. At that time UWS was a wholly owned  
16 subsidiary of Blue Cross Blue Shield, which means  
17 that a hundred percent of the stock of UWS was owned  
18 by Blue Cross Blue Shield.

19 By 1991, UWS had become a leading provider  
20 of group health insurance and managed care health  
21 services primarily in Wisconsin. Its earnings were  
22 about \$290 million in 1990.

23 In 1991, around June 30th, Blue Cross  
24 Blue Shield United of Wisconsin gave away the  
25 following businesses to United Wisconsin Services.

Gramann Reporting, Ltd. (414) 272-7878

1 At that time Blue Cross Blue Shield only owned  
2 83 percent of the stock of United Wisconsin  
3 Services. Blue Cross gave to UWS -- which it didn't  
4 wholly own -- it gave Compcare, which was the  
5 largest and oldest HMO in the state; United  
6 Wisconsin Capital Corporation; Denticare, which is  
7 the largest and oldest dental plan in the state;  
8 Take Control; as well as United Hartland.

9 In 1993, UWS initiated a second sale of  
10 stock. At that time Blue Cross's ownership of UWS  
11 was reduced to 60 percent. In 1994, a third sale  
12 reduced ownership to 51 percent. In '95, another  
13 sale reduced it to 38 percent. And I understand  
14 that Blue Cross Blue Shield just recently purchased  
15 another 13 or 14 percent to bump up their ownership  
16 of UWS to 52 percent.

17 However, questionable transactions such as  
18 these, we think, should be looked at to consider  
19 whether or not the public's money was siphoned off  
20 for private benefit in contrary -- contrary to  
21 charitable trust law as well as ce pres law and a  
22 number of other -- number of other laws.

23 The present conversion seems to be the  
24 final chapter in the Blue Cross Blue Shield's  
25 history as a charitable nonprofit source of low-cost  
Gramann Reporting, Ltd. (414) 272-7878



1 insurance. Since the assets of Blue Cross Blue  
2 Shield originally were and have continued to be  
3 intended for charitable use, they should be  
4 continued to use in an identical way.

5 And in that light, I'd like to turn over  
6 the podium to Mr. Gar Stock.

7 THE COMMISSIONER: Thank you.

8 MR. STOCK: Thank you for the opportunity  
9 to speak at this hearing, Madam Commissioner. I'm  
10 Gar Stock from Sun Prairie, Wisconsin, presently  
11 serving as the chair of the Wisconsin AARP, a state  
12 legislative committee which is authorized to  
13 advocate for consumer interest of Wisconsin AARP  
14 members of which we represent approximately 750,000.

15 We are particularly concerned about -- as  
16 we have joined with the coalition, concerned about  
17 all of the citizens of the state of Wisconsin. We  
18 are concerned that the proposed plan is such that  
19 the monies that are being turned over should be,  
20 in fact, controlled by those citizens of the state  
21 of Wisconsin in a broad representation. The way the  
22 plan has now been projected, we feel that this would  
23 not be true.

24 The experience of other foundations shows  
25 that the most effective way to avoid bias is to  
Gramann Reporting, Ltd. (414) 272-7878

1 establish a community advisory committee which  
2 chooses the board members of the foundation. The  
3 members of the advisory committee may be appointed  
4 by an objective regulator such as the Commissioner  
5 of Insurance.

6       Once established, the advisory committee  
7 would continue to function as an independent  
8 nominating committee in perpetuity, choosing board  
9 members who reflect all segments of the community  
10 and who have experience and expertise needed to  
11 successfully govern the foundation and the  
12 distribution of the funds which have -- which would  
13 be, in fact, entrusted to that foundation. They  
14 should act as advisors to ensure that the -- the  
15 board carries out its public health mission. And I  
16 emphasize public health mission because there's a  
17 difference in terms of public health mission and the  
18 mission that the medical schools have in terms of  
19 the healing process once the disease has been  
20 contracted.

21       The other concern that we have about the  
22 proposed structure of the conversion is that the  
23 proposal would be to provide the funds to two  
24 administrative structures. And when we talk about  
25 two administrative structures, we're talking about a  
Gramann Reporting, Ltd. (414) 272-7878

1 highly inefficient type of way of handling these  
2 funds. We basically have duplication, which is very  
3 high cost. And I would venture to guess if one  
4 analyzed the cost of administration, it would be  
5 twice as high as it would be if we had one  
6 foundation and -- and one structure for the  
7 distribution of these funds which would include all  
8 of the organizations in public health as well as the  
9 research interests of the medical schools.

10 The -- the structure should be such that  
11 the largest amount of money possible would be left  
12 to be distributed to the various proposals that are  
13 made and that these funds then would, in fact, be  
14 used for the purposes for which they were intended  
15 and go back to the people that actually just -- were  
16 the ones that were responsible for these funds being  
17 generated in the first place.

18 It would then be able to cover many  
19 different health issues, many different health  
20 concerns, for citizens of all ages, including senior  
21 citizens, which we have a bias towards because that  
22 is our group that we represent. And for the  
23 elderly, for example, we need -- there are many,  
24 many needs such as community-based long-term care,  
25 nutrition, immunizations. Immunizations,

Gramann Reporting, Ltd. (414) 272-7878

1 for example, is a prime example of one that the  
2 immunization could prevent the disease. And if the  
3 disease is contracted, then it costs an enormous  
4 amount of money to try to cure that disease.  
5 Prevention is -- is very reasonable.

6 Other things, such as drug coverage,  
7 many -- many of our senior citizens living on  
8 limited income have no health insurance. There is a  
9 federal suit right now. The federal government or  
10 the federal health people are being sued because --  
11 for example, if you live in Florida, your -- you  
12 have Medicare and your drugs are covered. If you  
13 live in Wisconsin, your drugs are not covered. And  
14 so if you have inadequate amounts of money in terms  
15 of your limited income and don't have other  
16 insurance to cover your prescription drugs, you're  
17 in great difficulty. You have to choose many times  
18 between food and filling your prescriptions.

19 Other things that we are concerned about  
20 is working on social isolation, access to dental  
21 coverage, memory loss diagnosis clinics. Other  
22 things that the monies could be used for would be  
23 health screenings and in general mental health and  
24 particularly all of the public health concerns of  
25 the state of Wisconsin.

Gramann Reporting, Ltd. (414) 272-7878

1 Thank you for the opportunity to speak.

2 THE COMMISSIONER: And, Mr. Stock, I just  
3 want to clarify. This is -- will you be speaking  
4 again later on?

5 MR. STOCK: No.

6 THE COMMISSIONER: Okay. Thank you.

7 MR. STOCK: I'm part of the coalition.

8 Thanks.

9 THE COMMISSIONER: Okay. Our next  
10 speakers are Richard Withers, Paul Carbone, followed  
11 by Frank McLoughlin and Jaemin Kim.

12 MR. WITHERS: Good morning. Thank you,  
13 Madam Commissioner, for the opportunity to speak.  
14 My name is Richard Withers. I'm co-director of the  
15 Firearm Injury Center at the Medical College of  
16 Wisconsin. And after listening to some of the  
17 testimony and statements earlier this morning, I  
18 think I'll dispense with some prepared remarks and  
19 just comment briefly from my own experience at the  
20 Medical College of Wisconsin and the Firearm Injury  
21 Center there.

22 First, a little bit of background. I'm  
23 a -- an attorney. And in training at Boston  
24 University, I concentrated on health, law, and  
25 related issues and went on from there to take the  
Gramann Reporting, Ltd. (414) 272-7878

1 position of general legal counsel for the West  
2 Virginia Department of Welfare and Health, now  
3 Health and Human Services, and served in that  
4 capacity for about five years. Much of that  
5 position was involved in public health programming  
6 and services.

7 After that time and upon falling in love  
8 and moving to Wisconsin -- a good place to be -- I  
9 took a position for 10 years as the public affairs  
10 director and legal counsel for Planned Parenthood of  
11 Wisconsin, a statewide family planning agency that  
12 also provided education and -- and other services in  
13 addition to clinical services. During my tenure at  
14 Planned Parenthood of Wisconsin, I was privileged to  
15 be on the State Public Health Advisory Board for  
16 several years, the Maternal and Child Health  
17 Advisory Board, and several other commissions and  
18 boards of -- of state government.

19 While in -- in serving in that capacity on  
20 those boards, I learned of -- of a program being  
21 developed at the Medical College of Wisconsin, the  
22 creation of a Firearm Injury Center. And I was  
23 intrigued with the possibility that I might change  
24 careers and move from sex to violence.

25 The -- what I found out, because I had  
Gramann Reporting, Ltd. (414) 272-7878

1 been in the public health community for so many  
2 years, in the public health sector, was that some  
3 important changes had been taking place in medical  
4 education and that new ways of looking at the  
5 community and public health had begun to take hold,  
6 a change of perspective in the medical schools that  
7 I thought was intriguing and important.

8 I was skeptical, as I said, about both the  
9 history of the medical profession's role in public  
10 health and the apparent Balkanization between  
11 physicians and the medicine side and the public  
12 health side. And so I'm happy to report that at  
13 least in the past couple of years in my experience  
14 there, there has been a major sea change in the  
15 perspectives and approaches that I've seen in the  
16 programming and education that's provided by the  
17 Medical College of Wisconsin.

18 One of the things that I've learned in my  
19 years of work in the public health community has  
20 been that the best public health policy and  
21 programming is developed and implemented in a milieu  
22 that includes education, clinical service, research,  
23 and of course community service. And the mission of  
24 the Medical College of Wisconsin has recognized  
25 clearly that community service and the important

Gramann Reporting, Ltd. (414) 272-7878

1 role that an academic institution can take in  
2 community service is founded or is based in large  
3 part upon also the expertise and experience of  
4 clinical service, education, and research. It would  
5 be a mistake, I believe, to dispense with any one of  
6 those four areas in looking at the future of public  
7 health and the health of Wisconsin population.

8 But the real purpose of my testimony is to  
9 provide you with some concrete examples of how a  
10 public health programming effort can be implemented  
11 through one of the medical schools here in  
12 Wisconsin. The Firearm Injury Center houses a  
13 program known as the Firearm Injury Reporting  
14 System. We have just expanded statewide this past  
15 year.

16 This system of firearm injury reporting  
17 connects medical examiners and coroners to law  
18 enforcement records, to the State Crime Laboratory  
19 information, to the Bureau of Alcohol, Tobacco, and  
20 Firearms information, and provides what we would  
21 call a public health model for looking at problems  
22 of firearm injuries in the state. The model that  
23 we've developed is also now the basis for the  
24 development of a national system of firearm injury  
25 reporting.

Gramann Reporting, Ltd. (414) 272-7878



1 In Wisconsin, I'm pleased to say that our  
2 collaborations include the placement of one of our  
3 staff members with the Division of Public Health and  
4 in the injury section there. We employ the staff  
5 member, who is our statewide coordinator. And she  
6 works in the offices of the -- the Division of  
7 Public Health in the injury section. That, I think,  
8 forms a good partnership and basis for future  
9 activity. Because some of the activities that we  
10 engage in in the reporting system are clearly  
11 activities that should be sponsored and supported  
12 and funded by state government. But for a variety  
13 of reasons, state government may not always be able  
14 to act -- and local government -- not able to act on  
15 important public health issues such as the firearm  
16 injury issue.

17 In coordinating Firearm Injury Reporting  
18 System, as I mentioned we connect law enforcement  
19 agencies -- and now over 400 of them in the state --  
20 with 72 offices of medical examiners and coroners  
21 and then with many local health providing  
22 institutions from major hospitals to clinics to  
23 other health providers, including public health  
24 agencies. We provide education as well to both law  
25 enforcements and -- and the health community. This

Gramann Reporting, Ltd. (414) 272-7878

1 kind of synergy, I think, is incredibly important if  
2 we're going to make any real progress from a public  
3 health perspective in -- in addressing the reduction  
4 of firearm injuries and deaths in the state.

5 I've heard a little bit this morning about  
6 some -- and I hesitate to say this -- but vague  
7 notions of different points of view or different  
8 missions between public health community and the  
9 medical colleges. And I -- I think that that's --  
10 that's an inaccurate kind of a phrase and may be  
11 overreaching in order to try to make a point. I  
12 think that, quite clearly, there are several public  
13 health approaches and perspectives. One, taken by  
14 government agencies, involves looking at public  
15 health issues from terms of monitoring and  
16 surveillance and -- and the assurance of programming  
17 and the development of policy. That's a litany  
18 that's almost tired now.

19 But, actually, the real public health  
20 approach and model is more community-based than  
21 that. And it involves an evaluation of the  
22 environment in which disease can develop and occur.  
23 It involves looking at the victims or potential  
24 victims of disease, injury, other health problems.  
25 And it involves looking at the agents that cause the  
Gramann Reporting, Ltd. (414) 272-7878

1 disease and injury.

2 When we do that, we can bring to the table  
3 interests from around the community, as we've done  
4 with the Firearm Injury Center, that include law  
5 enforcement on the one hand and medical providers on  
6 the other hand and policy makers. And as an  
7 example, our advisory board for the center includes  
8 both the Archbishop, Archbishop Weakland, and the  
9 president of the Rifle/Pistol Association -- perhaps  
10 unlikely folks to gather around the table. But it's  
11 led to important discussion of common ground that  
12 will allow us to move to new ground.

13 So I wanted to provide the Commissioner  
14 with some information about the ways that the  
15 Medical College is involved with the provision of  
16 public health in community settings and to note how  
17 important I see that role developing. I want to  
18 emphasize that the proposals that I've heard so far  
19 that were offered by Blue Cross & Blue Shield would  
20 institutionalize for the long term this trend in the  
21 medical colleges. It would allow for a partnership  
22 rather than a Balkanization of the medical and  
23 public health communities. And I believe that it  
24 would also leverage a great deal of the resources  
25 already available in the -- the Medical College and

Gramann Reporting, Ltd. (414) 272-7878

1 the University that have to do with research, that  
2 have to do with education, that have to do with the  
3 direct provision of clinical service.

4 And I'd be happy to answer any questions  
5 that you might have and -- about the program, about  
6 how it works, or how I see these programs developing  
7 in the future. Thank you.

8 THE COMMISSIONER: Thank you. Good  
9 morning.

10 DR. CARBONE: My name is Paul Carbone. I  
11 am a professor emeritus in the Department of  
12 Medicine. I've been director of the Wisconsin --  
13 University of Wisconsin Comprehensive Cancer Center  
14 for 20 years and was president of the two largest  
15 societies for cancer research, both clinical and  
16 research, in the United States. I spent 20 years in  
17 the Public Health Service. And I'm a retired Public  
18 Health Service officer, most of that being at the  
19 National Institutes of Health.

20 I'm still active in seeing patients and  
21 doing research. And I've been involved, I think, in  
22 public health issues here in the state from a major  
23 medical institution. I would support completely my  
24 colleague from the University of -- from the Medical  
25 College of Wisconsin. The schools of medicine in --  
Gramann Reporting, Ltd. (414) 272-7878

1 in this state are actively involved in helping the  
2 people in this state in public health measures.

3 I've been involved with the Division of  
4 Public Health and the -- and the Tumor Registry.  
5 We've been involved in the Tobacco Coalition, the  
6 Women's Health Foundation, the Wisconsin Cancer  
7 Council, which is -- we helped form that, which  
8 involves 50 organizations around the state that are  
9 involved in cancer care. And I'm here to support  
10 the -- the -- the distribution of funds as planned  
11 by the -- the Blue Cross Blue Shield plan. Because  
12 I think it will be a long-term, far-seeking -- and  
13 it will eventually -- and it certainly will lead to  
14 improving the public health of the people of our  
15 state. I don't think it's focused only on the  
16 schools. I think it is -- and I certainly believe  
17 also that utilization of the funds to support  
18 research as well as community programs is absolutely  
19 essential.

20 And I want to put a -- a stress on the  
21 fact that research has a human focus, not just  
22 laboratory or mice. My career basically has been  
23 involved in trying to improve cancer care mainly by  
24 doing clinical research or involved in cancer  
25 trials. Let me talk first about cancer and aging

Gramann Reporting, Ltd. (414) 272-7878

1 and the elderly. And, of course, as I get older, I  
2 get more interested in elderly problems.

3 Now, first, cancer is a disease of older  
4 people. 50 percent of all cancers occur in people  
5 over 65 and 60 percent of the deaths. But did you  
6 know that older people do not get the right  
7 treatment for their disease? They're less likely to  
8 receive or be referred for expert help. They're  
9 more likely to be treated in small hospitals without  
10 the facilities. And we're not talking about the  
11 national figures. We're talking about research that  
12 was done here in our state.

13 There's an inverse relationship between  
14 your age and the hospital that you get diagnosed and  
15 treated at. The older you are, the more likely  
16 you're going to be kept and treated at a small  
17 hospital that doesn't have the facilities. You're  
18 more likely not to get the right treatment in terms  
19 of either surgery, radiation, or chemotherapy.

20 As a result, people with cancer and the  
21 elderly don't do as well. Is it a chicken and egg  
22 phenomena? Is it a problem because they don't get  
23 the right treatment?

24 And for many years, we tried to figure out  
25 why. And one of the things that we did was look at  
Gramann Reporting, Ltd. (414) 272-7878

1 the records of over 15,000 patients as part of a --  
2 I was chairman of a national study group involved in  
3 cancer trial. And we asked the question, is it --  
4 is the older person different in terms of their  
5 response or survival? And there wasn't any  
6 difference, whether you were under 70 or over 70.

7 But the one truth was that there were too  
8 few people who were treated over 70. If you look at  
9 the distribution, it should be a higher percentage  
10 of people over 70 being treated on these studies.  
11 And they were not. It was a very small number of  
12 patients that were being treated because they were  
13 never referred to the centers for their treatment.  
14 And so we then asked the question, is treatment more  
15 toxic in the elderly? And we found that, in fact,  
16 it wasn't.

17 As a result of these studies and other  
18 studies now -- and did you know that people over the  
19 age of 65 or 70 were not even allowed to be treated  
20 on clinical trials? And because of our studies and  
21 studies from other places, this has changed  
22 completely. And now the Federal Government has  
23 decided that people should not be restricted based  
24 on -- on age. And we now know that they -- they are  
25 not arbitrarily excluded.

Gramann Reporting, Ltd. (414) 272-7878

1 And we also know that chronological age is  
2 not as important -- not as important as  
3 physiological age. You can be very healthy and be  
4 old. And you can get basically the same results if  
5 you get the right treatment. There's no need to  
6 scrimp or to shortchange these people. And so I  
7 think this is a public health issue that, as a  
8 researcher in a medical institution, that I have  
9 been able to impact on probably a great deal more  
10 than if I had been just out in the community.

11 Now, let's look at the area of prevention.  
12 And I would agree, again, that the medical schools  
13 in the past haven't paid a lot of attention to  
14 prevention. But I think the concept of prevention  
15 that was in the community is all wrong. If we look  
16 at all the advances that have occurred in Leukemia,  
17 Hodgkin's disease, testicular cancer, and breast  
18 cancer, they've all come because of research and --  
19 going on in the community. And these have actually  
20 been applied to the community.

21 But did you know that the number of new  
22 cancer cases has continued to increase, that cancer  
23 mortality has still -- was increasing until just  
24 recently? And we also know that the benefits of  
25 these results of treatment have not been given to

Gramann Reporting, Ltd. (414) 272-7878



1 the older patients.

2 Now, if we try to figure out what -- where  
3 to go, I think the area to go is in prevention. And  
4 I think the University of Wisconsin has been in the  
5 forefront of prevention. Let me tell you just about  
6 some of the things that -- that have been done in  
7 terms of impacting on public health issues like  
8 breast cancer. There's a drug, tamoxifen, which has  
9 been used to treat cancer. And in animals it's  
10 useful in terms of preventing cancer as well. This  
11 was discovered at the University of Wisconsin. And  
12 they found that instead of giving it for short  
13 periods of time, if you extended the treatment,  
14 you'd get much better results.

15 We also show that this drug, which  
16 supposedly is an anti-estrogen, which might have  
17 adverse effects in women, actually helps them in  
18 terms of preventing osteoporosis and may prevent  
19 heart disease. As a result, there's a national  
20 study that was completed just recently in 14,000  
21 women that demonstrated that there was a 50-percent  
22 decrease in the incidence of breast cancer that  
23 could be prevented. Not only did it prevent their  
24 breast cancers, but it helped in terms of preventing  
25 osteoporosis. And we think that it's going to help

Gramann Reporting, Ltd. (414) 272-7878

1 in terms of preventing heart disease. This did not  
2 come out of a public health office in the county  
3 office. This came out of research that led to  
4 national studies that is going to impact on public  
5 health issues.

6 We also know that the impact of screening  
7 was developed too at a center through a clinical  
8 trial. And the mammography screening issue came out  
9 of research activities. We're now working on a drug  
10 that was discovered about 20 or 30 years ago in the  
11 laboratory that can prevent breast cancer, colon  
12 cancer, bladder cancer, skin cancers in animals.  
13 It's never been used in humans, until about 10 years  
14 ago. We decided to take this laboratory finding to  
15 the clinic. We've now shown that it's safe. And we  
16 have two studies that are going on right now that  
17 can prevent skin cancer and bladder cancer. And  
18 there are other trials that could be done to prevent  
19 colon cancer.

20 This is a drug that could be very  
21 inexpensive. It's off patent. It's not been --  
22 it's available. It's being produced by a single  
23 company now in Texas. But it could easily be made  
24 and be made very cheaply. Wouldn't it be nice if  
25 you could just take a pill and prevent and avoid  
Gramann Reporting, Ltd. (414) 272-7878

1 surgery and radiation. And this is going to have a  
2 major impact on public health, and there are other  
3 exciting findings that are going on.

4 For instance, we're working on a compound  
5 that comes from citrus fruits that may prevent  
6 breast cancer. And it actually has the -- comes  
7 from lavender oil as well. Did you know that  
8 broccoli has substances that can prevent cancer and  
9 that this substance is being identified? But just  
10 taking a lot of broccoli isn't going to help because  
11 some broccoli is very inactive in terms of producing  
12 this compound. Other broccoli has a tremendous  
13 amount of this compound, whether it's cooked or raw.  
14 This is not going to be discovered by telling people  
15 to eat broccoli. It has to be done in a laboratory,  
16 and those findings then have to be taken to the  
17 clinic. We're working on compounds now that contain  
18 Vitamin A and D. And also selenium has ways of  
19 preventing cancer.

20 Thus, I feel that -- that these funds when  
21 they've been used -- as for research and certainly  
22 in medical schools are the primary places for these  
23 research and many medical schools now are working  
24 with community hospitals -- involving them in the  
25 activity is in the best interest of the state. I

Gramann Reporting, Ltd. (414) 272-7878

1 think this joint ownership with leadership and  
2 direction is best.

3 The alternatives of providing these --  
4 these funds without a close connection to the  
5 academic environment leadership is like trying to  
6 create an army by giving everybody a gun and telling  
7 them that we're going to protect our country.  
8 Without the leadership, without the direction, I  
9 don't think we're going to get much done.

10 I think the proposed medical school --  
11 plan for the medical school provides us leadership  
12 and direction. It certainly implies and, I think,  
13 agrees working closely with community. And, again,  
14 we do this all the time. As a cancer specialist, I  
15 feel that I cannot provide the best treatment to my  
16 patients without offering them some of the new  
17 things that are coming out of the laboratory and  
18 made available to me as a member of our cancer  
19 center and we're making available to our community  
20 doctors. And to utilize these funds merely to  
21 foster today's treatments would only lead to our  
22 patients and citizens to miss out on the better and  
23 less-toxic prevention schemes.

24 Now, let me just respond to some of the  
25 comments. And I would agree with a previous speaker  
Gramann Reporting, Ltd. (414) 272-7878

1 from the Medical College that schools of --  
2 that's -- the one comment that was made that schools  
3 of public health are the font of wisdom in public  
4 health. Most of the advances that have occurred in  
5 modern medicine have not come from the schools of  
6 public health. They've come from the research that  
7 goes on at academic centers in AIDS, cardiovascular  
8 mortality, prevention of breast cancers I mentioned,  
9 the polio vaccine, and others.

10 They haven't come from the -- from the  
11 departments of public health. They've come  
12 basically from the research institutions that have  
13 generated this. And I think that we can also say  
14 that -- that the public health measures have failed  
15 in many ways in terms of preventing smoking,  
16 obesity, elder care, and Alzheimer's.

17 I think a second point that I'd like to  
18 make is that the model of a public health center as  
19 separate from the research is backward-looking. It  
20 represents the old model of infectious disease where  
21 you can prevent disease by isolating people from  
22 those who have the disease from those that don't.

23 Today's problems are completely different.  
24 They're not going to be handled by individuals in  
25 separate county public offices. Those people have

Gramann Reporting, Ltd. (414) 272-7878

1 to be tied in closely with the medical schools and  
2 the research that's going on in the medical schools  
3 and not just in our own schools but nationally and  
4 internationally. The problems that we deal with are  
5 not just limited to Wisconsin. They're national.

6 Again, I think that -- in my assessment,  
7 that an independent organization seems to me, with  
8 all the people and all the possibilities, creates a  
9 tower of babble with too many people doing -- trying  
10 to do too -- too much. I certainly would agree that  
11 the -- the plan as proposed and certainly with input  
12 and the community involvement from the medical  
13 schools and research activities tied into this is  
14 the best use of the funds.

15 The future is very, very bright. And  
16 we're on the step -- you know, the doorstep of a lot  
17 of advances that are occurring. And you need to tie  
18 the academic centers into the public health, and we  
19 need to create that increased environment. We are  
20 doing things now. I think this additional resources  
21 will even help that further. And I think that this  
22 needs to be and will be tied into the community as  
23 it has in the past. And I think we'll all benefit  
24 by this kind of use of the funds. Thank you, very  
25 much. And I'll be happy to answer any questions.

Gramann Reporting, Ltd. (414) 272-7878

1 THE COMMISSIONER: Thank you. Okay. Next  
2 we have Jaemin Kim, Frank McLoughlin, followed by  
3 Glen Safford and Jerry Waukau -- and I believe  
4 they're going to be testifying together -- followed  
5 by Irene Captain.

6 MS. KIM: Good afternoon, Commissioner  
7 O'Connell. It's -- it's good to be back here today.  
8 Both Frank and I testified yesterday as well. I'm  
9 from Consumers Union. We are perhaps best known for  
10 being the publisher of Consumer Reports magazine.  
11 Our New York office publishes that magazine. And we  
12 have advocacy offices focusing on consumer advocacy  
13 work in Washington, D.C., Texas, and the office  
14 where I'm from, which is the West Coast regional  
15 office in San Francisco. Frank is with Community  
16 Catalyst, our partner organization in Boston.

17 We represent a voice that's a little bit  
18 different from all the other voices you've heard  
19 today. We're a national consumer organization that  
20 has made it a special project to study these Blue  
21 Cross Blue Shield conversions throughout the nation.  
22 So far, we have been involved in 35 states and the  
23 Blue Cross conversions there as well as numerous  
24 hospital and other Health Maintenance Organization  
25 conversions from nonprofit to for-profit status.

Gramann Reporting, Ltd. (414) 272-7878

1           Although the Blue Cross conversion in this  
2 state may be unique since there is only one Blue  
3 Cross Blue Shield plan in Wisconsin, it certainly is  
4 not unique around the nation. There have been many  
5 conversions, and we have been in a position to  
6 determine what we've seen are the best practices for  
7 these conversions. So far in Wisconsin, although  
8 strides have been made in that at least in this  
9 state the Blue Cross plan is not contesting that it  
10 does, in fact, owe to the public all of its  
11 public -- all of its nonprofit assets if it were to  
12 formally convert to a for -- to a for-profit  
13 company, there are other problems with this  
14 proposal. The proposal is 1,000 pages long. It is  
15 available on the OCI Web site. And I encourage all  
16 of you to take a look at it.

17           However, there are two general areas of  
18 this proposal that needs substantial review. And --  
19 and we -- we are quite pleased to hear that the  
20 Commissioner is planning on holding more public  
21 hearings where evidence will be presented and the  
22 plan can be looked at in detail. And for the  
23 benefit of those of you who have not been able to  
24 attend the hearing yesterday in Milwaukee, I think  
25 that the crowd there was quite a bit larger than  
    Gramann Reporting, Ltd. (414) 272-7878



1 today. And we had the benefit of hearing quite a  
2 lot of testimony from experts in public health.

3 I think it's important to note that as far  
4 as what the proper value for the foundation that  
5 receives the assets, the proper value that -- that  
6 it would receive, all of the speakers who asked the  
7 Commissioner to go ahead and approve the proposal as  
8 it is were all either on the payroll of Blue Cross  
9 Blue Shield Wisconsin or somehow affiliated with  
10 them. In fact, the only voice to question whether  
11 the full and fair value is reflected in the proposal  
12 came from the community activists and the consumer  
13 advocates who spoke yesterday.

14 As far as the foundation and whether it is  
15 properly set up, managed, and the proper  
16 beneficiaries have been determined, again, I think  
17 it's significant to note that yesterday those --  
18 those who testified who were in favor of the  
19 foundation as proposed were either affiliated with  
20 the two universities or somewhat affiliated with  
21 Blue Cross Blue Shield. Again, all of the  
22 significant speakers who opposed the way the  
23 foundation is proposed came from the public health  
24 experts, those who work with the communities. The  
25 metaphor that's been used repeatedly here is that

Gramann Reporting, Ltd. (414) 272-7878

1 this has been like a speeding truck. This proposal  
2 was only filed with -- with the office of the  
3 Commissioner of Insurance in mid-June of this year.

4 I'd like to go into some of the  
5 discrepancies we've seen in the breath -- in the  
6 best practices in Blue Cross conversions in other  
7 states as compared to the Blue Cross of Wisconsin  
8 conversion that's on file currently. I think it's  
9 also important to note that no modifications have  
10 yet been made on that proposal. And so it is  
11 certainly premature for those who urged the  
12 Commissioner yesterday to approve it as it is  
13 written now to make that kind of statement.

14 First, to give the audience an example of  
15 how this is like a speeding truck and how premature  
16 decisions have been made, we'll start with before  
17 the proposal was ever filed with the Commissioner's  
18 office, there have been announcements that the plan  
19 is worth \$250 million. I took a look at the  
20 proposal. And nowhere in that proposal does it  
21 indicate that the plan is worth \$250 million.  
22 In fact, there has been no independent valuation  
23 conducted. And if there was a valuation conducted  
24 on -- on behalf of Blue Cross Blue Shield, it has  
25 not been disclosed to the public.

Gramann Reporting, Ltd. (414) 272-7878

1           So we need to find out what this plan  
2 truly is worth and not at the time of the conversion  
3 proposal, which is June of 1999. But we need to go  
4 back. And, as Wade Williams pointed out, we need to  
5 look at how Blue Cross Blue Shield may have shifted  
6 its nonprofit assets into its for-profit  
7 subsidiaries and then sold off those assets to the  
8 public without any compensation back to the  
9 nonprofit Blue Cross Blue Shield plan.

10           Another example of pretty important detail  
11 that many would like to speed along before there's  
12 any proper review is that there are undue  
13 restrictions and lots of legalese in this 1,000-page  
14 proposal that seriously question whether the  
15 foundation will be able to cash in the stock that it  
16 will own in Blue Cross Blue Shield for the fair  
17 price. I've compared this plan to at least one  
18 other plan, Blue Cross Blue Shield in Missouri.

19           That plan has benefited from substantial  
20 review by a coalition of consumer advocates that  
21 very much resemble the one here. In fact, it's  
22 arguable that the consumer coalition here in  
23 Wisconsin is actually stronger and more  
24 representative of the public than the one in  
25 Missouri. And it's important to note that they were

Gramann Reporting, Ltd. (414) 272-7878

1 granted the equivalent of party status in Missouri  
2 and in a review that should be even more heightened  
3 than here because that was before a judge, not a  
4 regulator.

5           Anyway, the -- the consumer coalition in  
6 Missouri sat down at the table with Blue Cross Blue  
7 Shield, the Attorney General, and the insurance  
8 department. And they hammered out what we thought  
9 were fair modifications that -- that -- that undid  
10 the undue restrictions that I've seen here in this  
11 plan. And I don't want to go into the details now  
12 because that would really take too long. But I  
13 think the audience must be aware and the  
14 Commissioner should be aware if -- I'm sure she is  
15 already -- that -- that the Blue Cross plan should  
16 not be able to hide behind what they call the Blue  
17 Cross Blue Shield Association national rules because  
18 there is simply much more than the Blue Cross Blue  
19 Shield Association rules that's in the proposal.

20           Finally, I'll move on past the valuation  
21 issues, which is certainly key, because no  
22 foundation should be endowed until we find out  
23 exactly how much they should get. But the  
24 foundation, again, is -- has been a shock to those  
25 of us who carefully monitor Blue Cross Blue Shield  
Gramann Reporting, Ltd. (414) 272-7878

1 conversions throughout the country. It's a shock  
2 because in no other state have we seen, without  
3 significant opposition at least, that two specific  
4 beneficiaries have already been singled out to  
5 receive the funds from the foundation. And not only  
6 that, on top of that, the Blue Cross Blue Shield  
7 plan decided that those same two beneficiaries would  
8 also manage the funds.

9 In fact, there is no foundation that's  
10 being set up by Blue Cross Blue Shield. It's been  
11 sort of a red herring. The foundation set up by  
12 Blue Cross Blue Shield, which Blue Cross has already  
13 somehow managed to appoint all nine directors  
14 despite no approval yet from this -- from the  
15 Commissioner -- in fact, that foundation will be  
16 dissolved in five years. And that foundation's  
17 purpose is simply to funnel the money to the two  
18 universities. We've never seen anything like this  
19 in any other state. Perhaps Wisconsin is different,  
20 and the universities are a proper beneficiary. And  
21 from what we've seen from the testimony yesterday as  
22 well as today, it seems pretty evident that the  
23 medical schools have some very important initiatives  
24 that do need more funding.

25 So perhaps later on when hopefully an  
Gramann Reporting, Ltd. (414) 272-7878

1 independent foundation is created made up of -- of  
2 proper experts in philanthropy and public health and  
3 properly appointed by an advisory committee made up  
4 of members of the community who know what  
5 Wisconsin's public needs, perhaps after that, the  
6 medical schools will successfully ask for grants and  
7 funding for its very important programs from this  
8 permanent independent foundation. That's what we've  
9 seen be the best practices in other states.

10 In fact, I'd like to give one other  
11 example of a converting Blue Cross entity. And  
12 that's Blue Cross of -- I'm sorry -- Empire  
13 Blue Cross in New York. They are also currently  
14 seeking regulatory review of a conversion. However,  
15 they went about their conversion a little bit  
16 differently than the Blue Cross plan in Wisconsin.  
17 They made no premature decisions about how the  
18 foundation would be set up. They -- they did not do  
19 the things that had happened here, such as the  
20 medical schools at the behest of Blue Cross Blue  
21 Shield having its own set of public hearings outside  
22 of the purview of this -- of this office of the  
23 Commissioner of Insurance. They held their own  
24 listening sessions all summer already deciding how  
25 they're going to start setting up their foundation.

Gramann Reporting, Ltd. (414) 272-7878

1 Again, a speeding truck that must be stopped.

2 And to give another example of why perhaps  
3 some good intentions have turned into a derailling  
4 speeding train or truck is a comment made by one of  
5 our foundation experts who -- whose job it is to  
6 specifically look at the foundations that result  
7 from converting nonprofit healthcare and Blue Cross  
8 entities. And she said, quote, these are the worst  
9 foundation bylaws I've ever seen, unquote.

10 We have charted -- and we have some  
11 handouts on the table today for you to see -- what  
12 some of the most egregious parts of this foundation  
13 is. But I think we only have to start with one  
14 thing to give you an example, and that is that this  
15 foundation is to be called the Blue Cross Blue  
16 Shield United of Wisconsin Foundation or something  
17 similar to that. This foundation has nothing to do  
18 with Blue Cross. Once Blue Cross becomes a  
19 for-profit insurance company, it should step away  
20 from this foundation and have none of the -- the --  
21 the rights that it purports to have now in managing  
22 the foundation. Thank you.

23 THE COMMISSIONER: Thank you. Now we have  
24 Mr. McLoughlin, followed by Glen Safford and Jerry  
25 Waukau, followed by Irene Captain. And if you -- it  
Gramann Reporting, Ltd. (414) 272-7878

1 would be your choice if you want to set up at one  
2 table or take opposing tables, whatever your  
3 preference is.

4 MR. McLOUGHLIN: It's worked very well for  
5 us doing the two-table approach. And I thank you,  
6 very much, Commissioner, again for allowing me to  
7 testify at this hearing today. And thank you for  
8 holding this hearing in a location where people from  
9 other parts of Wisconsin can -- can access the  
10 hearing.

11 I'm going to try as much as I can to not  
12 reiterate -- or "repeat" maybe is a better word --  
13 some of the very important comments that have been  
14 made today both by my colleague from Consumers Union  
15 and the local coalition members. And I certainly  
16 endorse everything and every concern that's been  
17 expressed here by those groups today.

18 I do want to talk a little bit about the  
19 different missions that we're really talking about  
20 here, which is something that was brought up by one  
21 of the local coalition members. Blue Cross Blue  
22 Shield United of Wisconsin is not a research  
23 institution. It's an institution that was founded  
24 for a very simple and a very noble reason, to help  
25 people in Wisconsin access healthcare at a time when

Gramann Reporting, Ltd. (414) 272-7878



1 it was difficult or -- if not impossible for a large  
2 percentage of the population of Wisconsin to access  
3 healthcare. It's a -- it's a tremendous history.  
4 And it's something that I know that both current and  
5 previous Blue Cross executives across the country  
6 with whom I've worked and with whom I've spoken are  
7 very proud of and I think justifiably so.

8 The foundation that's been proposed  
9 today -- or has been proposed in this process is not  
10 a foundation that continues that tradition. It's  
11 not a foundation that continues to use the assets  
12 that have been invested in Blue Cross in the way in  
13 which they were intended. And for that reason, it  
14 simply violates the law. It violates the law of the  
15 charitable trust -- charitable trust doctrine. It  
16 violates the law of ce pres. And it -- it simply is  
17 not the same intention that the subscribers over  
18 60 years had when they invested in this company over  
19 other possibilities.

20 I just also want to comment a little  
21 bit -- maybe more than a little bit -- about some of  
22 the testimony that we heard yesterday, much of which  
23 was, I found, very eloquent, both in support of and  
24 in opposition to this plan.

25 I'd like to address this in particular to  
Gramann Reporting, Ltd. (414) 272-7878

1 anyone who thinks that anybody in this room believes  
2 that research is not vital. Research is essential.  
3 If anyone has behaved dismissively towards research,  
4 they -- they should not, in my opinion. And I  
5 certainly know that members of the local coalition  
6 with whom we work in Wisconsin and our organizations  
7 feel that research is -- is very important. Both  
8 personally and as advocates, we understand that.  
9 And we also will stipulate -- use a legal term with  
10 that -- that these two schools, I'm sure, are  
11 excellent research institutions. I know that their  
12 reputation extends far beyond Wisconsin. And in the  
13 plan that's been submitted, there may be parts of  
14 that plan that are both research-oriented and serve  
15 the goal of improving access to healthcare for the  
16 people of Wisconsin.

17 I think that's -- you know, in other  
18 situations where Blue Cross foundations and other  
19 conversion foundations have been created with a  
20 mission to serve the low-income and vulnerable  
21 populations, there have been research studies that  
22 have been done. A research study into the effect of  
23 racial disparities, for example, that was mentioned  
24 yesterday would be an excellent research project and  
25 I think a very important project that would both --  
Gramann Reporting, Ltd. (414) 272-7878

1 that would benefit people in the state of Wisconsin  
2 very immediately, I would say.

3 But, again, Blue Cross Blue Shield United  
4 of Wisconsin is not about research. It was not  
5 founded to do research. It was founded to increase  
6 access. And let me just say that as important as  
7 research is, access -- access to healthcare, access  
8 to healthcare coverage, access to vital services in  
9 the state of Wisconsin -- is also tremendously  
10 important.

11 \$250 million, or whatever the amount will  
12 ultimately be, is going to be -- is something that  
13 could really be very useful and very helpful to  
14 people who need healthcare today, for people who  
15 need healthcare that can be treated today, in  
16 addition to other parts of the community. I've -- I  
17 have spoken mainly about people who are low-income  
18 and -- and so-called vulnerable populations. But  
19 access is not an issue that is limited to people who  
20 are low-income or poverty.

21 As you know and as I just mentioned and as  
22 some people mentioned yesterday, I thought very  
23 eloquently, access is a tremendous issue for people  
24 of all incomes who have a different race, a  
25 different ethnicity, speak a different language,

Gramann Reporting, Ltd. (414) 272-7878

1 gender issues.

2           These are issues that are both access  
3 issues and quality issues that I know you know,  
4 Commissioner, and that has been something that's  
5 been in the news very much lately and is shocking,  
6 the disparities that exist both here in Wisconsin  
7 and across the country. This is certainly a  
8 national problem.

9           Access is also denied to people of all  
10 incomes because of the kind of illness, the kind of  
11 disease or -- or malady that they suffer. Some  
12 people have very expensive and very difficult  
13 illnesses to treat. And even with a large income,  
14 there's -- in the current medical and healthcare  
15 system in this state, as in other states, it's very  
16 difficult to get full treatment and proper  
17 treatment. The issue of prescription drugs for  
18 seniors, for example, is another issue where  
19 access -- there's access, but not all access.

20           These are -- these are very important  
21 concerns that can be addressed with these funds.  
22 And I'm not here to say, well, we -- it should be X  
23 versus Y. I'm just here to say that Blue Cross Blue  
24 Shield was a organization founded to increase  
25 access. This foundation which -- should be created  
Gramann Reporting, Ltd. (414) 272-7878

1 to increase access.

2 And that being said, I reiterate, we  
3 reiterate, our concern about the -- the composition  
4 of this foundation board. It's just an obvious  
5 conflict of interest. Nine out of nine members of  
6 this foundation or this pass-through foundation --  
7 because as -- as my colleague said, it really isn't  
8 going to be a foundation very long -- have a direct  
9 and obvious conflict of interest to where these --  
10 this money goes. Both the name of the foundation  
11 and determining of the foundation assets as a gift  
12 from Blue Cross are -- are objectionable and really  
13 run contrary to charitable trust and ce pres law.

14 Independence of a foundation is very  
15 important. Blue Cross Blue Shield United of  
16 Wisconsin and the two medical schools have  
17 interests -- like any institution, they have  
18 interests that may at times run counter to the  
19 proper purpose of this foundation.

20 Furthermore, it's not enough to say  
21 that -- and this came up yesterday also -- that  
22 because the two medical schools have some level of  
23 accountability to state government, that the funds  
24 will be -- then be used properly. And I -- I hasten  
25 to say this to a -- a regulator. But governments

Gramann Reporting, Ltd. (414) 272-7878

1 also have their own agendas and have attempted in  
2 other states to use charitable assets to fill budget  
3 gaps or to use it in ways that are not  
4 health-related. So that is a concern of ours also.

5 I just want to say that these assets, as I  
6 said yesterday, are unique public trust assets.  
7 And, in effect, they are the people's money. The  
8 public should have a great deal of input into the  
9 establishment and operation of this foundation. And  
10 they have not. This foundation plan was announced  
11 to the public with the approval in advance of  
12 several powerful state officials, the proverbial  
13 speeding truck.

14 I do not know of any discussions Blue  
15 Cross Blue Shield United of Wisconsin had with the  
16 public prior to this announcement on the structure  
17 of the foundation or the decision to give all the  
18 assets to the two medical schools, essentially  
19 bypassing the foundation grant-making process. It  
20 really is unprecedented in this country.

21 Yesterday we heard a number of excellent  
22 ideas for the use of these funds, most of which fall  
23 outside the scope of the plan submitted by the two  
24 medical schools. I remain concerned that these and  
25 other ideas which may be very good will never be

Gramann Reporting, Ltd. (414) 272-7878

1 considered because Blue Cross Blue Shield United of  
2 Wisconsin and the two medical schools have  
3 predetermined the use of these funds.

4 An independent representative board  
5 accountable to the public is the best system for  
6 weighing these ideas and consistent with a proper  
7 mission in deciding how these assets will be used to  
8 benefit the people of Wisconsin.

9 I just -- want to just add one little  
10 thing that I did not mention yesterday, which I  
11 think is also something very important and worth  
12 mentioning. And that is the other side of the coin.  
13 When a conversion occurs, two things happen. One, a  
14 foundation is created. And hopefully it will be a  
15 foundation that's independent, as I've described.  
16 But, also, a company converts from nonprofit status  
17 with a charitable mission or a community-service  
18 mission to for-profit status.

19 What kind of company is this going to be?  
20 Well, I think we heard some -- some very promising  
21 things earlier today and I think yesterday also  
22 related to the current plans of the company to  
23 maintain current lines of business. I also heard  
24 some very nice things today from the -- one of the  
25 vice presidents of Blue Cross about some of the  
Gramann Reporting, Ltd. (414) 272-7878

1 programs that the company's involved in and some of  
2 the programs that some of the executives are  
3 involved in personally. And I would say that some  
4 of the programs are health-related and very -- very  
5 well may help people access healthcare, make -- help  
6 people afford Blue Cross's products that they may  
7 not otherwise be able to afford. And that's  
8 important.

9 Other things that she described fall into  
10 the category of corporate charity, which is  
11 wonderful -- and I think all corporations should  
12 engage in that -- but is not -- is not  
13 health-related or as health-related, sufficiently  
14 health-related.

15 The third category of things that were  
16 mentioned were the -- the activities of executives  
17 and directors and serving on charitable boards and  
18 doing charitable works. And I think that speaks  
19 more about the honor of those individuals than it  
20 does necessarily about the honor or the -- the  
21 record or behavior of the corporation.

22 I think it's very important in this state,  
23 as has been occurring in other states more and more,  
24 that regulators take a look at converting  
25 institutions, whether they're hospitals or health

Gramann Reporting, Ltd. (414) 272-7878



1 plans in this case, to ensure that they do what they  
2 can -- and this is not just Blue Cross's  
3 responsibility; this is a responsibility that should  
4 be shared by all managed-care organizations and  
5 insureds -- to do what they can to help repair the  
6 safety net here in Wisconsin. And with that, I  
7 thank you, very much, for this opportunity.

8 THE COMMISSIONER: Thank you. We will  
9 have for our next speakers Glen Safford and Jerry  
10 Waukau, followed by Irene Captain and Debbie Waite.  
11 Following Ms. Waite, we are going to take a short  
12 break. I think both the court reporter and,  
13 frankly, the pregnant hearing examiner would  
14 appreciate a real quick break to get a little rest  
15 and a quick -- very quick bite to eat. We'll  
16 probably only take about a 15-, 20-minute break and  
17 then resume with speakers.

18 MR. WAUKAU: Okay. Good afternoon. My  
19 name is Jerry Waukau. And I'm the chairman of the  
20 Wisconsin Tribal Health Directors Association.  
21 We'll be talking about four items here. We'll be  
22 talking about health status, resource trends, system  
23 responses, and some recommendations. As I said, the  
24 health -- I represent one of the -- the most  
25 underserved races in the U.S. and the state of

Gramann Reporting, Ltd. (414) 272-7878

1 Wisconsin. Regarding health status disparities,  
2 American Indians and Alaskan natives continue to  
3 suffer extreme shortages in healthcare resources and  
4 mortality rates in excess of those of other races in  
5 the United States.

6 Overall, the mortality rate is 30 percent  
7 higher than all U.S. races. Liver disease and  
8 cirrhosis is 440 -- 440 percent greater; diabetes,  
9 330 percent greater; tuberculosis, 530 percent  
10 greater; and pneumonia and influenza, 60 percent  
11 greater. So as you can see, we have a large  
12 disparity in -- in health status yet. Funding for  
13 health -- for Indian health has not kept pace with  
14 other health programs.

15 As an example, a recent Kaiser-funded  
16 study indicated less per capita funding for Indian  
17 people than for Medicaid and VA clients. Also, an  
18 additional study by the National Indian Health Board  
19 indicated Indian Health Service beneficiary funding  
20 of 1,132 per -- per year per capita versus 3,261 for  
21 U.S. civilian citizens.

22 In the Bemidji region of the Indian Health  
23 Service, the funding situation has been especially  
24 acute. Between 1993 and 1997, the per capita  
25 expenditure by Indian Health Services for healthcare  
Gramann Reporting, Ltd. (414) 272-7878

1 for American Indian people in Bemidji area actually  
2 fell by 14 percent when adjusted for inflation. A  
3 major factor was a 20 percent increase in the  
4 American Indian population in the Bemidji area, due  
5 in part to newly recognized tribes, as compared to 6  
6 to 10 percent increases in other areas.

7 In Wisconsin, certain factors have made  
8 this resource shortage even more acute. Business  
9 development has brought rapid client population  
10 increases as tribal members return home. Wisconsin  
11 tribes do not have hospitals available to help  
12 control contract health service costs. Increases in  
13 tribal employment opportunities has led to smaller  
14 proportion of people -- of populations being  
15 Medicaid eligible. And Wisconsin has many smaller  
16 tribes, which tend to depend on referral care and  
17 were not able to provide a lot of the direct medical  
18 service. And we don't have a lot of qualified staff  
19 who can help monitor if -- some of the referral  
20 care.

21 Because of this trend, what has happened  
22 is a lot of the local tribes have been forced to  
23 continue to support their own programs. And we do  
24 have a lot of unmet needs in our -- in our  
25 communities. And we are looking at annual

Gramann Reporting, Ltd. (414) 272-7878

1 contributions from local tribes of about 4 or  
2 500,000 a piece, you know. And it is making things  
3 a little difficult. Because, as we all know, with  
4 the healthcare industry the costs are just  
5 increasing. And it's making us -- difficult to  
6 maintain that primary healthcare systems.

7 So at this time I'd like Glen to talk a  
8 little bit about some of the system responses.

9 MR. SAFFORD: Okay. I'll try to keep this  
10 just to observations of what we feel has happened  
11 and draw a minimum of conclusions from that. There  
12 are two types of systems responses which have  
13 occurred in Wisconsin beginning with the formation  
14 in the early '80s of the Wisconsin Tribal Health  
15 Directors Association, through which the directors  
16 of the health -- tribal health programs in Wisconsin  
17 have sought to utilize economies of scale and work  
18 together to meet some of these expense challenges.

19 Six years ago, the Wisconsin Tribal Health  
20 Directors Association, under the leadership of the  
21 Board of the Great Lakes Intertribal Council,  
22 developed a contract with the Federal Government to  
23 operate a technical assistance unit called the  
24 Indian Health Programs Area of Great Lakes  
25 Intertribal Council, for which I work. And that

Gramann Reporting, Ltd. (414) 272-7878

1 unit has continued this work in a technical  
2 assistance capacity in assisting these tribes to  
3 work together to meet the challenge of the high  
4 levels of healthcare need and limited funding.

5 Specifically, at the direction and with  
6 the strategic planning input of the health  
7 directors, we have concentrated on health office  
8 management trying to become as entrepreneurial as  
9 possible, helping with functions such as data entry,  
10 referral care or contract teleservices management,  
11 coding, billing, accounts receivable processes, and  
12 so on, in order to have as efficient an operation as  
13 possible.

14 Another technical assistance area has been  
15 public health. We've retained that which has been  
16 an IHS tradition for many years. And under that  
17 area, just recently we have become one of the four  
18 primary epidemiological, slash, data centers under  
19 an Indian Health Service grant in the -- in the  
20 nation. The health directors wanted us to do this  
21 so that we could try to look at what types of  
22 approaches actually work out there in the field.

23 And, finally, there is training that we  
24 help to provide in working together with the tribes  
25 in many of these areas, often functionally specific

Gramann Reporting, Ltd. (414) 272-7878

1 training such as in nursing, diabetes, training of  
2 outstationing, benefit counselor staff, office  
3 functions, and so on and so forth.

4 Now, I mention this so that I can briefly  
5 indicate the tie-in with the next type of system  
6 approach which is -- has been coordination with the  
7 UW Medical School. Over the last 20 years or so,  
8 there have been areas like clinical training,  
9 placements at tribal centers, recruitment -- joint  
10 recruitment efforts, data coordination with our epi  
11 program with people like Pat Remington, for example,  
12 on an advisory group.

13 And we also work with the American Indian  
14 Health work -- work group at the University,  
15 recently had them at Lac de Flambeau and talked  
16 about joint training needs. We also have a grant  
17 that was jointly applied for right now by the  
18 University and the tribes that is operated out of  
19 Great Lakes, but we have staff actually down at the  
20 University. And that is called the Wisconsin  
21 Intertribal Managed Care Project.

22 That helps us to look at revenue  
23 enhancement strategies such as the outstationing  
24 training as well as the activities of our own IHP  
25 staff sort of working together and then also various  
Gramann Reporting, Ltd. (414) 272-7878

1 expense control strategies in the referral care  
2 area, things like working with doctors in forming a  
3 clinical group who employ the data developed to look  
4 at ways to manage chronic high-cost illnesses.

5 Also, we work on reduced-rate contracting  
6 strategies such as joint laboratory contracting --  
7 that is, multiple tribal laboratory contracting --  
8 pharmacy -- formation of a pharmacy purchasing  
9 group, common formulary development. And also we've  
10 provided -- worked with others to provide training  
11 in reduced-rate referral-care contract development  
12 on a multi-tribal basis.

13 All of this is to say that these programs  
14 kind of work hand in glove. And we've had a good  
15 working relationship, you know, not perfect all the  
16 time. We're two organizations. We have different  
17 needs. But certainly there has been a lot of common  
18 need, and it's been a good working relationship  
19 overall.

20 And we have appreciated the interest of  
21 people like Amy Lake and the WIM project and Dean  
22 Farrell, Dr. Murray Katcher, Pat Remington, and so  
23 on, who have taken the time to learn more about  
24 Indian health. That's something we do not take for  
25 granted. Sometimes there isn't that interest. But

Gramann Reporting, Ltd. (414) 272-7878

1 these individuals have taken the time to learn more  
2 about Indian health.

3 In the future, such collaboration with  
4 medical schools and the UW will be vital, we feel,  
5 to operating within these scarce resources by  
6 finding new and innovative solutions. Specific  
7 recommendations are three.

8 First of all, that there be a substantial  
9 and close involvement of the tribes with the medical  
10 schools in whatever system that you feel is  
11 advisable. Number two, that the additional benefit  
12 to tribal systems in areas such as epidemiology and  
13 data program development as well as education and  
14 training are particularly important. And we feel  
15 these are cutting-edge types of areas that can have  
16 a big effect as well as being areas where there has  
17 been some coordination already between the tribes,  
18 Great Lakes Intertribal Council, and the University  
19 System.

20 And, finally, we would encourage you to  
21 remember the existing resource and health status  
22 disparities that American Indian people face as you  
23 consider different models for the work that will be  
24 coming. We'd like to thank you, Commissioner, for  
25 this time and opportunity to testify.

Gramann Reporting, Ltd. (414) 272-7878



THE COMMISSIONER: Thank you, very much.

Next we have Irene Captain, followed by Debbie Waite.

MS. CAPTAIN: Hi. I'm Irene Captain from Wisconsin Rapids. I'm from AARP's. I'm on the state legislative committee representing Congressional District 7, which takes in a big part of the northern part of Wisconsin. Thank you for letting me testify.

In the conversion of Blue Cross Blue Shield, care should be taken that they -- to make sure they repay the people of Wisconsin for their nonprofit status. An independent foundation should be set up to distribute the funds with no interference from Blue Cross Blue Shield. Why do they think they should control the money? They claim to be giving to the medical schools. And why do they think they have a right to say where that money they owe to the people of Wisconsin should go?

An independent financial firm should be evaluating the worth of the Blues, which you have already appointed, and figuring how much they owe for the tax-free status they've had for 30 years. The assets should be placed in an endowment fund controlled by an independent board to help fund

Gramann Reporting, Ltd. (414) 272-7878

1 Wisconsin's public health needs. The Blue Cross  
2 Blue Shield logo is widely recognized and is worth a  
3 lot of money. Our state should be paid adequately  
4 too. Thank you.

5 THE COMMISSIONER: Thank you. Ms. Waite?

6 MS. WAITE: Thank you, Madam Commissioner,  
7 for the opportunity to testify today. I'm Debbie  
8 Waite, here representing Wisconsin Health & Hospital  
9 Association. WHA is a trade association  
10 representing the hospitals and health systems of  
11 Wisconsin. I'm particularly pleased to be here  
12 today for two reasons. The first is one that was  
13 referenced by a previous speaker. And that is that  
14 WHA's members have had a long history with  
15 Blue Cross. We were actually involved with its  
16 creation back in 1939 and provided some of the  
17 capitalization for that organization.

18 Secondly, some people may not realize, but  
19 several years ago there was legislation that was  
20 passed in this state that affected our members. And  
21 it related to the conversion of not-for-profit  
22 hospitals to for-profit organizations. Many of the  
23 issues that we worked on in that legislation are the  
24 same as those being discussed today. Those were the  
25 valuation of the assets, the use of the proceeds,

Gramann Reporting, Ltd. (414) 272-7878

1 and ongoing accountability to the community.

2 We were able to successfully work with the  
3 administration and with the attorney general to  
4 develop a set of criteria to address these issues in  
5 order to protect the public interest. Our  
6 historical perspective with respect to Blue Cross  
7 has been consistent. And that is to ensure that the  
8 actions and activities of that organization benefit  
9 the broad public interest. And that is our purpose  
10 in appearing here today.

11 To ensure that that public interest is  
12 protected into the future, we would support the  
13 Blue Cross application for conversion with  
14 appropriate resolution of two issues.

15 The first issue is valuation. And many of  
16 the speakers here today, and I'm sure yesterday,  
17 have talked about that issue. And there's been a  
18 lot of debate about what the value of that  
19 corporation is. We think the department's main  
20 responsibility here is to ensure that the process  
21 for offering the stock is fair and reasonable and  
22 maximizes its value to the people of Wisconsin. We  
23 commend Blue Cross for making the commitment to  
24 donate the full value of that stock to the  
25 foundation. And we also commend the department for  
Gramann Reporting, Ltd. (414) 272-7878

1 taking steps to retain an independent expert to  
2 ensure that that occurs.

3 The second issue relates to ongoing  
4 accountability. Once the funds are generated, the  
5 issue becomes how they're managed and used. Our  
6 position is that it is important that the funds be  
7 committed for public health initiatives that are  
8 directed to people in all parts of the state of  
9 Wisconsin. To achieve that objective, we support  
10 the creation of a separate foundation with a  
11 broad-based governing board. That foundation would  
12 be charged with four objectives.

13 The first would be to ensure that the  
14 funds are indeed used for public health initiatives,  
15 to ensure that those initiatives are directed  
16 broadly so as to benefit Wisconsin's population as a  
17 whole, to provide for opportunity for public input  
18 into those decisions and, finally, to ensure  
19 periodic accounting to the public as to how the  
20 funds were used.

21 We also believe that the strong  
22 involvement of the two medical schools in that  
23 process will help to achieve those goals. We're  
24 very pleased that OCI has focused its scrutiny on  
25 these very important issues and is taking steps to

Gramann Reporting, Ltd. (414) 272-7878

1 make sure that the public interests will be  
2 protected. By appropriately addressing the issues  
3 of valuation and continuing accountability, we can  
4 continue to assure the historic legacy of Blue Cross  
5 while allowing them to meet their business  
6 objectives. Thank you.

7 THE COMMISSIONER: Thank you. As  
8 indicated, we will take a short break, reconvening  
9 right about 1:00. When we return, the speakers --  
10 first five speakers will be Peggy Hintzman,  
11 M. Jocham, Sarah Hull, Linda Paschal, and John Lund.  
12 We are breaking at about 12:42.

13 (Lunch recess taken.)

14 THE COMMISSIONER: Okay. We're going to  
15 reconvene the hearing. It is now just about 1:15.  
16 And our first speaker is Peggy Hintzman.  
17 Ms. Hintzman will be followed by M. Jocham, Sarah  
18 Hull, and Linda Paschal. We'll need to take a few  
19 breaks in the afternoon. We do only have one court  
20 reporter today. And so -- just to -- to give a  
21 break -- just couple-minute break every once in a  
22 while. So I'll just let you know.

23 And if M. Jocham is available to come up  
24 to this table here? We'll start with Ms. Hintzman.

25 MS. HINTZMAN: Thank you. Good afternoon.  
Gramann Reporting, Ltd. (414) 272-7878

1 The Wisconsin Public Health Association appreciates  
2 the opportunity to address the issue of the Blue  
3 Cross Blue Shield conversion. We believe this  
4 conversion can have a significant impact on the  
5 public health and its future. WPHA is the largest  
6 multidisciplinary organization for public health in  
7 Wisconsin. We have both individual and  
8 organizational members who are dedicated to  
9 promoting and protecting the health of the people of  
10 Wisconsin. We are also the state affiliate for the  
11 American Public Health Association.

12 Our association has two major issues that  
13 we would like to address today. We believe both  
14 concerns relate to the public interest, which is the  
15 subject of your hearing.

16 First, we want to assure that a fair  
17 valuation of the nonprofit assets are provided for.  
18 And we would also like to see a provision for an  
19 independent public health foundation that broadly  
20 represents the public health interests of the people  
21 of Wisconsin and those funds -- public health  
22 initiatives be funded at the local level.

23 With respect to the first concern, we  
24 thank you for engaging the independent firm to  
25 review the valuation proposal. We are hopeful that  
Gramann Reporting, Ltd. (414) 272-7878

1 this review will result in establishing the fair  
2 value of assets which are to be returned to the  
3 Wisconsin citizens. We look to your office to  
4 assure that those benefits accrued to Blue Cross  
5 Blue Shield are returned to the public in ways which  
6 most effectively address the public health issues of  
7 our state now and in the future.

8 With respect to the second issue, we  
9 believe it is important that there be a public  
10 health foundation more independent in structure and  
11 more diverse in nature than what has been proposed  
12 so far. We urge that membership of the foundation  
13 board include a significant proportion of public  
14 health organization and professionals who have  
15 knowledge and experience in assessing and addressing  
16 the public health needs of our state and local  
17 communities.

18 We also urge that the appointment of the  
19 foundation board be through a more public process.  
20 An independent public health foundation with  
21 representation from a broad range of public health  
22 disciplines will create a pathway to better address  
23 the public health needs of our state than does the  
24 current proposal. The current proposal creates a  
25 prominent role for the University of Wisconsin

Gramann Reporting, Ltd. (414) 272-7878

1 Medical School and the Medical College of Wisconsin.  
2 These two institutions are recognized centers of  
3 excellence in medical research and teaching and,  
4 as such, contribute greatly to improving medical  
5 practice and ultimately the individual health of our  
6 population.

7 But public health as a discipline brings a  
8 different perspective than the study and perspective  
9 of medicine. Public health practice focuses on  
10 populations or groups of people who benefit from a  
11 specialized knowledge base centering on prevention  
12 rather than treatment and on collective behaviors  
13 rather than individual lifestyles.

14 Medical practice focuses on the special  
15 relationship between a physician and her patient.  
16 Public health research focuses on epidemiology,  
17 statistics, social sciences, and studies of the  
18 population as a whole. Medical research tends to  
19 focus on acute care of individuals and on those  
20 treatments.

21 I'd like to provide just three very simple  
22 examples of the difference between a public health  
23 approach and a medical science approach. One is a  
24 program that took place in our state over a year  
25 ago. It's called Guard Care. This program was  
Gramann Reporting, Ltd. (414) 272-7878



1 organized by the Wisconsin National Guard, by public  
2 health, by voluntary dentists, by community  
3 hospitals. They had discovered a gap in our health  
4 of our communities. And they designed a way to  
5 provide primary dental care for many individuals in  
6 our communities. This was primarily a donation of  
7 time and services. And, as such, the demand for  
8 that service out -- exceeded the reach.

9 Another example is child abuse. Medical  
10 science will apply its skills and knowledges to  
11 making the child well. Public health will ask why  
12 is the child abused and use its science-based  
13 understanding of relationships between effective  
14 parenting skills and reduction of child abuse to  
15 organize the community to provide skilled training  
16 and support for young families.

17 Last example, heart disease. Medical  
18 science research will tell us what causes heart  
19 disease and what to do to make the sick patients  
20 well. This could involve expensive drug therapies  
21 or surgeries. The public health professional will  
22 take that knowledge and say, how can we keep people  
23 well, how can we help them prevent the early onset  
24 of this disease and, therefore, lengthen their years  
25 of a healthier life. In response, they may organize

Gramann Reporting, Ltd. (414) 272-7878

1 their communities to provide aqua-exercise programs  
2 or promote walking in the mall. Public health  
3 professions -- professionals look at things  
4 differently. They have learned to leverage  
5 resources and to provide amazing returns on  
6 investment.

7 We support the efforts of the two medical  
8 schools to strengthen their research, teaching  
9 curriculum, and outreach activities to include a  
10 greater emphasis on public health practice and  
11 prevention strategies. However, we are concerned  
12 that the leadership and the vision that was  
13 expressed here today of the two medical schools may  
14 not have the institutional support to sustain their  
15 public health vision into the future. Therefore, we  
16 believe the Blue Cross Blue Shield funds should be  
17 used to support public health programs at the  
18 community level because public health is local.

19 Within the last several years, nearly all  
20 Wisconsin communities have completed a  
21 scientifically based assessment of the most  
22 important public health issues for their  
23 communities. These assessments were most often led  
24 by local health departments but included broad  
25 sector representation from the healthcare delivery

Gramann Reporting, Ltd. (414) 272-7878

1 system, the business community, the faith community,  
2 educational community, and other important sectors.  
3 These community groups know what needs to be done to  
4 improve the quality of life in their communities.  
5 But they need to have the resources to put the plans  
6 into action.

7 An earlier speaker talked about resources  
8 for research and used the National Institutes of  
9 Health as an example. I would like to add  
10 information to that example. And that is that one  
11 of the sources for public health -- funding for  
12 public health programs is the Centers for Disease  
13 Control. In contrast to the funding for the Centers  
14 for Disease Control, NIH receives eight times the  
15 amount provided in the current budget for CDC.  
16 NIH's budget is 15 percent greater this year than it  
17 was a year ago.

18 We need to support public health in  
19 Wisconsin with Public Health Foundation funds. We  
20 believe the best stewardship of the assets will come  
21 through a broader understanding of public health  
22 methods and processes and practices than what is  
23 currently proposed. Therefore, we are asking you to  
24 direct that the structure of the proposed Public  
25 Health Foundation be more independent and more

Gramann Reporting, Ltd. (414) 272-7878

1 responsive to the broader public health needs of the  
2 people of Wisconsin.

3 The new structure should be independent of  
4 Blue Cross oversight and include significant  
5 representation from public health professionals.  
6 Funding should be awarded to programs and activities  
7 that can improve the health and well-being of our  
8 communities. Such a broad and more representative  
9 structure will have a mission which fosters true  
10 collaboration among public health, medicine, and the  
11 public at large and will result in the greatest good  
12 for the public's health. Thank you, Commissioner.

13 THE COMMISSIONER: Thank you. Next we  
14 have M. Jocham -- I might be mispronouncing that,  
15 J-O-C-H-A-M -- Sarah Hull, followed by Linda  
16 Paschal, followed by John Lund.

17 MS. HULL: Thank you for the opportunity  
18 to speak today. I'm Sarah Hull. I'm the executive  
19 director of Bridge Community Health Clinic which is  
20 a community health center located in Wausau. Bridge  
21 Community Health Clinic serves all patients  
22 regardless of insurance status or ability to pay and  
23 is often the only place a patient can go for quality  
24 affordable health and dental care. Bridge Community  
25 Health Clinic is a good example of a safety net

Gramann Reporting, Ltd. (414) 272-7878

1 provider which has a strong focus on prevention and  
2 other public health initiatives. Additionally,  
3 Bridge Community Health Clinic has a strong  
4 partnership with the UW-Madison Family Practice  
5 Residency Program located in Wausau.

6 While I am not averse to the conversion of  
7 Blue Cross Blue Shield to a for-profit entity, I am  
8 concerned over the proposed distribution of the  
9 proceeds. I would submit that the basis for  
10 granting Blue Cross & Blue Shield nonprofit status  
11 in the first place was to provide greater access to  
12 healthcare through insurance for individuals in the  
13 state. An appropriate distribution which would  
14 continue the spirit of the original Blue Cross Blue  
15 Shield nonprofit purpose, access to healthcare  
16 services throughout the state, would be to assure  
17 all people -- excuse me -- would assure all people  
18 in the state benefit from that conversion.

19 First, I would like to acknowledge both  
20 the UW-Madison and the Medical College for their  
21 outstanding contribution to healthcare in Wisconsin.  
22 They are well recognized throughout Wisconsin and  
23 the nation. And while I believe that research and  
24 education benefit the health status of individuals  
25 in the state, the academic nature of the funds'

Gramann Reporting, Ltd. (414) 272-7878

1 distribution does not address the fact that there  
2 are many individuals who do not have access to basic  
3 healthcare.

4 The state currently has an uninsured rate  
5 higher than 8 percent. While the medical schools  
6 both propose ways to provide for existing public and  
7 community health programs, I question whether the  
8 level of funding is sufficient to meet the needs of  
9 the state. Additionally, I ask that they provide an  
10 assurance for the needs identified in the future but  
11 not yet considered.

12 One way to assure funding for public and  
13 community health-based projects would be to  
14 establish the proposed foundation in the spirit of a  
15 true foundation providing a grant-making mechanism  
16 for nonacademic community health programs. This  
17 foundation should be governed by a diverse mix of  
18 individuals providing representation from all  
19 geographic regions of the state as well as those  
20 with a strong understanding and experience of direct  
21 service within community-based programs.

22 I have attempted to be brief in my  
23 comments. And, in summary, I am requesting that a  
24 balance of health programs be considered in the  
25 evaluation of the distribution of funds from the

Gramann Reporting, Ltd. (414) 272-7878

1 conversion. The approach should be one that  
2 considers public health, community health, research,  
3 and education in a fashion that is balanced and  
4 responsive to the health needs of the people of the  
5 state of Wisconsin.

6 I look forward to continuing to work with  
7 the UW-Madison, of which BCH -- excuse me -- Bridge  
8 Community Health Clinic currently partners on many  
9 projects, as well as the Medical College of  
10 Wisconsin. Thank you.

11 THE COMMISSIONER: Thank you. Next we  
12 have Linda Paschal, followed by John Lund and Doug  
13 Mormann and Margaret Allen.

14 MS. PASCHAL: Good afternoon. My name is  
15 Linda Paschal. I'm the director of financial aid at  
16 the Medical College of Wisconsin. And on behalf of  
17 our Wisconsin medical students, I would like to  
18 request that some of the funds be used as  
19 scholarships to educate future health professionals  
20 who will then be able to administer to the needs of  
21 the people of Wisconsin.

22 To give you some data on the expenses a  
23 Wisconsin medical student incurs at our college for  
24 the '99/2000 academic year, I would like to give you  
25 the following facts. The annual budget ranges from  
Gramann Reporting, Ltd. (414) 272-7878

1 approximately 30,000 to \$32,000 per year. Now, if a  
2 student has dependent care expenses, the budget can  
3 be increased by 10,000 per year, depending upon the  
4 documentation that they provide. In addition, we  
5 have students who do come with undergraduate debt,  
6 for example, \$20,000.

7 Now, to briefly summarize, if a student  
8 borrows \$30,000 per year, after four years their  
9 debt is \$120,000. If the student borrows child care  
10 expenses at possibly 10,000 per year, the debt has  
11 now increased to \$160,000. Add on 20,000 of  
12 undergraduate debt. The total cumulative is  
13 \$180,000. And this is only principal balance, not  
14 interest that accrues. Obviously, this is the worst  
15 scenario. But even if a student borrowed the  
16 maximum of \$120,000, that figure is still a  
17 staggering amount of indebtedness.

18 Debt management is a major concern of most  
19 financial aid administrators. And recently I  
20 attended a financial aid conference in  
21 West Virginia. One of the sessions I attended was a  
22 panel of borrowers who are now in repayment. One of  
23 the borrowers was a doctor who wanted to practice in  
24 a rural or urban underserved area. He could not do  
25 that because of his indebtedness. So this has a

Gramann Reporting, Ltd. (414) 272-7878



1 significant tie-in. His loan payments are  
2 approximately over \$2,000 per month. So he had to  
3 become -- accept a position as a regional medical  
4 doctor for a center of corporate health. His intent  
5 was still to get back to the underserved. But at  
6 that time he could not.

7 So this leads into the benefit  
8 scholarships for medical students would create for  
9 the state of Wisconsin. The scholarships could be  
10 given to students who will make a commitment to  
11 practice in a rural or urban underserved area. The  
12 scholarships would decrease their debt and increase  
13 the likelihood of practicing medicine where doctors  
14 are sorely needed and in great demand.

15 A few more statistics. The percentage of  
16 Wisconsin medical students on financial aid  
17 currently is 89 percent. The average indebtedness  
18 of our graduating class in May was \$101,651. The  
19 loan that covers the majority of the students'  
20 expenses is called the Unsubsidized Stafford Loan,  
21 and this is an interest-accruing loan that  
22 capitalizes at the time of repayment.

23 I strongly believe that attaining a  
24 medical education should not only become a reality  
25 for the wealthy but also for the financially

Gramann Reporting, Ltd. (414) 272-7878

1 disadvantaged students who do not have the resources  
2 to pay for a medical education.

3 I know for a fact that our students who  
4 receive any type of favorable assistance are very  
5 appreciative, and they are the same type of students  
6 that will give back to the community. I sincerely  
7 hope that some of the Blue Cross Blue Shield funds  
8 will be utilized for scholarships for medical  
9 students to help defray the cost of medical  
10 education so that they can practice in the  
11 underserved areas and to help retain competent,  
12 qualified doctors to serve the many communities in  
13 the state of Wisconsin. Thank you, Commissioner.

14 THE COMMISSIONER: Thank you. We have  
15 John Lund and then Doug Mormann, followed by  
16 Margaret Allen.

17 MR. LUND: Hello. I'm John Lund. I'm  
18 vice president/general counsel of Howard Young  
19 Healthcare, a small rural health system located in  
20 the Woodruff/Minocqua area. For those of you who  
21 parachuted in from distant cities and distant  
22 states, that's about a hundred miles north of here.  
23 It's a resort area. You'd be well-advised to come  
24 visit us sometime.

25 THE COMMISSIONER: It's truly northern  
Gramann Reporting, Ltd. (414) 272-7878

1 Wisconsin.

2 MR. LUND: It is truly northern -- this is  
3 not northern Wisconsin, lest anybody -- I won't  
4 trespass on your time by reading a letter that I  
5 will put in at the close of the evidence. But --  
6 but I would like to thank you for your willingness  
7 to listen to everybody, even a small-town lawyer  
8 from Woodruff, Wisconsin, and the small hospital he  
9 represents. We speak in --

10 THE COMMISSIONER: You might have missed  
11 my earlier comment. I'm from Rhinelander. And  
12 so --

13 MR. LUND: Are you, really?

14 THE COMMISSIONER: Yes.

15 MR. LUND: You're local. You're our folk.

16 THE COMMISSIONER: That's right.

17 MR. LUND: Well, truly welcome. And I  
18 assume you'll have another hearing in the  
19 Rhinelander/Minocqua/Woodruff area.

20 The -- the fact that this transaction does  
21 strengthen Blue Cross has been well outlined by  
22 Mr. Hefty. And I've addressed it at least in my  
23 letter. I'll really raise only two other points.  
24 And that is that the essence of this transaction is  
25 that funds will be raised throughout the investment

Gramann Reporting, Ltd. (414) 272-7878

1 world, not just Wisconsin, and will then through  
2 gifts to Medical College of Wisconsin and UW be  
3 applied largely to the benefit of folks within  
4 Wisconsin. That is, funds raised all over now will  
5 be useful in helping those of us who live in  
6 Wisconsin. To my small-town mind, that's a pretty  
7 good thing.

8 Secondly, the funds are going to be  
9 applied, in part, to public healthcare. And public  
10 healthcare really has three goals: To keep people  
11 well, to detect medical problems early, and to  
12 manage those medical problems.

13 The last of those -- that is, managing  
14 medical problems -- is clearly the most expensive  
15 and consumes most of the healthcare dollars today.  
16 Any rational system would emphasize keeping people  
17 well and detecting problems early. The use of funds  
18 for this, you have proposed as exactly that.

19 When Ms. Siewert mentioned the gun lock  
20 programs, smoking cessation, and the like, she  
21 described Blue Cross's commitment to keeping folks  
22 well. Mr. Bolger and Dean Farrell reiterated that  
23 commitment. And then Dr. Carbone very appropriately  
24 pointed out that research is the foundation of  
25 keeping folks well, detecting medical problems

Gramann Reporting, Ltd. (414) 272-7878

1 early.

2           Simply put, we at Howard Young feel that  
3 this conversion is one case where good business is  
4 good public policy. We encourage your improvement.  
5 As to the selection of Medical College of Wisconsin  
6 and UW, these two institutions have trained more  
7 Wisconsin physicians than anyone else. As a result,  
8 there is no other Wisconsin institution that has  
9 such an inherent widespread and constellation of  
10 contacts and knowledge to serve as stewards for the  
11 funds. And we commend that you consider them as  
12 well. And come on back home.

13           THE COMMISSIONER: Thank you. Next we  
14 have Doug Mormann, who I haven't seen in years,  
15 followed by Margaret Allen. And has M. Jocham  
16 returned to the room at all? Jim Pionkoski then  
17 will follow Margaret Allen.

18           MR. MORMANN: My name is Doug Mormann.  
19 I'm the director of the La Crosse County Health  
20 Department. And I'm here testifying on behalf of  
21 the board of health. To give you a feel for what  
22 the board of health is like in La Crosse, it's made  
23 up of a majority of local elected officials -- that  
24 is, local county board of supervisors. It has two  
25 physicians, an RN, a public health RN, and a -- and  
Gramann Reporting, Ltd. (414) 272-7878

1 a dentist.

2 They believe and -- and, in fact, do --  
3 are able to help assure that delivery of good public  
4 health services at the local level. They offer  
5 three -- four -- three suggestions that you might --  
6 we hope that you will consider as you deliberate on  
7 this transaction.

8 First, they suggest that the funds be  
9 placed into a trust that's used over a long period  
10 of time. Their -- their feeling is that if it took  
11 60 years of community support to develop the  
12 resources that exist, that at least those funds  
13 should be made available over a significant -- a  
14 long period of time, something in that same  
15 neighborhood.

16 Second, they believe that funds should be  
17 used to deliver services that -- and promote  
18 services that prevent injury and illness. And they  
19 offer three suggestions for what those kinds of  
20 activities could be. First, supporting advanced  
21 education in public health for policy makers, not  
22 necessarily professionals, but policy makers, people  
23 who make decisions about how to improve the health  
24 of the population, as well as professionals in such  
25 fields as health education, public health nursing,

Gramann Reporting, Ltd. (414) 272-7878

1 public health administration, environmental health  
2 and nutrition, et cetera.

3 These efforts could be -- might be  
4 delivered through a Wisconsin school of public  
5 health, which we've heard discussed earlier today,  
6 or a Wisconsin public health leadership institute.  
7 The exact format isn't so important as the fact that  
8 it is important that those -- that kind of training  
9 is, in fact, made available and made available  
10 around the state.

11 Second, they -- in terms of another  
12 suggestion for delivering services, that it support  
13 programs that demonstrate the new and better ways of  
14 helping people make choices that enable them to live  
15 healthier and more productive lives. Translated,  
16 that's public health research. Examples might be to  
17 support home nursing visits to parents of frail  
18 infants to help them -- to teach us how to help them  
19 deliver that service in a better fashion.

20 A third suggestion for a kind of service  
21 that could come from this program -- or these funds  
22 would be to support local health departments to  
23 deliver high-priority public health services as  
24 determined through community health assessments.  
25 These health assessments are done by all local

Gramann Reporting, Ltd. (414) 272-7878

1 health departments in Wisconsin. The services to be  
2 delivered are not necessarily delivered through the  
3 local health department but, in fact, the local  
4 health department that gathers together the people  
5 who make recommendations for improvements in  
6 services.

7 For example, in La Crosse County, an  
8 example might be to further an effort that  
9 La Crosse -- in La Crosse to establish a dental  
10 clinic for low-income uninsured persons in  
11 conjunction with the Western Wisconsin Technical  
12 College that has a dental hygiene program. In other  
13 words, resources are not necessarily spent by local  
14 units of government. But local units of government  
15 gather together the people through local health  
16 departments that can identify important needs in  
17 their community.

18 The last overall suggestion for you to  
19 consider in your analysis is that whatever format  
20 that the form -- or the board is created, that that  
21 format include a mechanism for citizens to be  
22 involved in the decisions about how these funds are  
23 allocated. That can be in the -- that could be  
24 through the form of individuals appointed by elected  
25 officials. The exact form is not so important as is

Gramann Reporting, Ltd. (414) 272-7878



1 the concept of the general public, the community who  
2 contributed to these assets and are the  
3 beneficiaries of those assets, be able to be  
4 involved in the decision-making process for those  
5 fund allocations.

6 The board also had encouraged me to  
7 encourage you to establish an independent audit of  
8 this -- of the value of the Blue Cross Blue Shield  
9 company. And you, of course, have moved forward on  
10 that already. And, finally, they appreciate --  
11 asked me to pass along their appreciation of your  
12 interest and willingness to establish hearings at  
13 least in more than one location in the -- in the  
14 state to gather their input. We thank you.

15 THE COMMISSIONER: Thank you. Next we  
16 have Margaret Allen, followed by Jim Pionkoski.

17 MS. ALLEN: Again, I'd like to thank you  
18 for this opportunity to speak. I work as a library  
19 consultant with the Northern and Southwest Wisconsin  
20 Area Health Education Centers. The Wisconsin Area  
21 Health Education Centers and the Wisconsin AHEC  
22 system have a history of strong community  
23 partnership with the UW Medical School, and that's  
24 the basis on which I speak. I do live in northern  
25 Wisconsin in a small rural community of 1500, in

Gramann Reporting, Ltd. (414) 272-7878

1 Stratford.

2 I support directing the proceeds of the  
3 Blue Cross Blue Shield conversion to the two medical  
4 schools. My support is based on their involvement  
5 in community-based education, including the  
6 education of new physicians to serve underserved  
7 communities and continuing medical education to help  
8 healthcare providers maintain their competencies.  
9 In addition to formal medical education, these  
10 schools' libraries serve as a resource for the  
11 entire state providing just-in-time knowledge-based  
12 resources to support research-based clinical  
13 practice throughout the state.

14 THE COMMISSIONER: Can I ask you to read  
15 just a little bit slower?

16 MS. ALLEN: Oh, okay. I have a copy too.

17 THE COMMISSIONER: Okay. Good.

18 MS. ALLEN: So -- working with the  
19 Northern Wisconsin Area Health Education Center,  
20 which serves the northern 38 counties of Wisconsin,  
21 the UW Medical School has worked to provide us -- to  
22 provide medical student education in rural  
23 communities. And we work with them in that regard.

24 In addition, they have worked with us to  
25 provide access to full-text journal databases that  
Gramann Reporting, Ltd. (414) 272-7878

1 go beyond what is available via the state's  
2 Badger Link databases. Via these databases,  
3 clinicians can immediately access the literature  
4 rather than waiting for articles to be mailed or  
5 faxed. Continuation of this service requires  
6 ongoing resources. We hope that the medical school  
7 libraries will be able to use part of these proceeds  
8 to help provide statewide access to these databases,  
9 a resource offered in just a few other states. We  
10 are also working with the UW Outreach librarians to  
11 provide the education required to utilize these  
12 resources and work with the Continuing Education  
13 Office to provide CME credit for programs that we  
14 offer throughout the state.

15 Likewise, the UW Medical School is working  
16 with the Wisconsin AHEC system and the Division of  
17 Public Health to improve the telecommunications  
18 infrastructure to support medical practice in  
19 education throughout the state with a focus on  
20 providing access to high-speed Internet connections  
21 for even the smallest clinics. With this access,  
22 clinicians in rural areas will be able to maintain  
23 the professional linkages required for effective and  
24 satisfying practice.

25 In conclusion, I believe that the medical  
Gramann Reporting, Ltd. (414) 272-7878

1 schools should receive these funds because they have  
2 the systems in place to implement statewide programs  
3 such as the Area Health Education Center to enhance  
4 the health of our communities. And I thank you,  
5 again, for the opportunity to speak. And I would be  
6 pleased to answer any questions.

7 THE COMMISSIONER: Thank you. Okay. We  
8 have -- is Jim Pionkoski --

9 MS. HARDING: We're going to flip because  
10 we're -- my name is Katie Harding.

11 THE COMMISSIONER: Okay. Sure.

12 MS. HARDING: I'm not Jim Pionkoski. I'm  
13 Katie Harding. I'm the president of Flamme,  
14 Harding, Pionkoski, a communications firm based in  
15 Milwaukee. Our company specializes in creating and  
16 managing community initiatives funded through  
17 corporate sponsorships. We produce programs  
18 throughout Wisconsin and the United States.

19 I'm here today in support of the Medical  
20 College's plan, particularly because of their very  
21 forward-looking approach to leveraging the dollars.  
22 Leveraging -- and -- and it's my understanding in --  
23 in some of the coverage and in hearing about the  
24 hearings that there might be some misconceptions  
25 about what leveraging really is. And I can say that

Gramann Reporting, Ltd. (414) 272-7878

1 in -- in my world, in our world, leverage -- what  
2 leveraging dollars really means is taking existing  
3 funds, in many cases providing seed money to good  
4 ideas and worthy programs that may not have other  
5 funding sources, in order to bring private sector  
6 and foundation investment into the program. So, in  
7 other words, you multiply the dollars by providing  
8 seed funding and then work in partnership with the  
9 organizations to grow the programs.

10 Our business involves bringing community  
11 needs and corporate funds together on a day-to-day  
12 basis. We often serve sort of as matchmakers, if  
13 you will, between community organizations who need  
14 funding for good ideas to serve community needs and  
15 corporations who are looking for meaningful ways to  
16 become involved in the community through their  
17 philanthropic dollars.

18 These are ways that, again, in our world,  
19 involve more than check writing, really go beyond  
20 kind of the traditional corporate contribution  
21 category into real advocacy involvement and  
22 commitment. This is a relatively new phenomenon in  
23 corporate giving. And it's based on real sound  
24 business principles. And that's why businesses ask  
25 us to advise them on these programs.

Gramann Reporting, Ltd. (414) 272-7878

1 Companies know, quite basically, that --  
2 that's -- that what's good for the community is good  
3 for them. It's good for their employees and it's  
4 good for their business, at many levels. Here's one  
5 example. A recent study showed that 80 percent of  
6 employees, a national study, are more likely to stay  
7 with a company that supports community causes which  
8 are important to them as individuals. That means  
9 that it makes sense for businesses to invest in  
10 community partnerships, such as the Medical College  
11 envisions, to address business issues like employee  
12 retention, which we all know is a leading issue in  
13 the corporate world.

14 In our nearly 20 years of producing these  
15 types of community programs, I have never seen the  
16 leveraging approach fail. We have witnessed over  
17 and over how startup funding for good ideas to  
18 address community needs has resulted in more support  
19 for these programs from the foundation and private  
20 sector. Simply stated, it has enabled more people  
21 to do more good things. The Medical College plan  
22 recognizes and incorporates the leveraging to expand  
23 public health initiatives.

24 Let me give you one example quickly of a  
25 program that we worked on. We created a library  
Gramann Reporting, Ltd. (414) 272-7878

1 project that began with a relatively modest grant to  
2 fund a book collection. This was leveraged into a  
3 program that had what we know as legs into the  
4 community, which included grassroots outreach  
5 initiatives into schools, community centers, social  
6 agencies, parks, playgrounds, festivals, and other  
7 community venues -- in the community, local events  
8 and venues.

9 Leveraging helped make the books come to  
10 life through another program, a journaling program  
11 that had 20,000 students thinking, reading, and  
12 writing in new ways, all of which would not have  
13 happened without that kind of approach. These were  
14 sponsorship dollars totaling more than ten times the  
15 initial investment, all in less than two years  
16 through a leveraging approach. Along the way, more  
17 than \$250,000 in media support and sponsorship --  
18 that's hard dollars, not public service  
19 announcements -- provided a very powerful public  
20 information campaign thereby reaching many people  
21 who would not have seen the program through the  
22 events and in libraries.

23 I should also mention sort of in a  
24 super-leveraging context that that Wisconsin program  
25 served as a test for what ultimately became a  
Gramann Reporting, Ltd. (414) 272-7878

1 national program serving communities all over the  
2 country and obviously many multiples in dollars  
3 invested in the original -- of the original amount.  
4 The Medical College plan really understands how what  
5 we call the three Cs of leveraging, the essence of  
6 leveraging -- community, collaborations, and  
7 commitment -- can build partnerships to advance  
8 public health in Wisconsin.

9 In our view, this commitment to leveraging  
10 by the Medical College really says that the buck  
11 doesn't stop here, that the plan is committed to  
12 fostering partnerships aimed at bringing more  
13 private sector funds into these programs and, thus,  
14 really endowing worthwhile programs by the  
15 community. Thank you.

16 THE COMMISSIONER: Thank you. Is Jim  
17 Pionkoski here? Followed by Kevin O'Connell -- I  
18 assure, no relation -- and Bill Hettler.

19 MR. PIONKOSKI: Hi. Thank you. My name  
20 is Jim Pionkoski. And I'm -- Katie Harding, who  
21 just spoke, I am her partner at the communications  
22 agency of Flamme, Harding, Pionkoski in Milwaukee.  
23 And I just wanted to echo her comments and give you  
24 one or two examples of why we think that it's a good  
25 idea for the conversion plan to go ahead as outlined

Gramann Reporting, Ltd. (414) 272-7878



1 in the proposal.

2 Leveraging that Katie kind of defined and  
3 talked about a little bit, I think, is one of the  
4 major components of the program that is really going  
5 to make it reach more of the community and reach the  
6 maximum number of people that it can, through our  
7 experience. And I'd like to just take a second or  
8 two to give you a couple of examples of real-world  
9 situations where we have seen that kind of private  
10 and public sector monies come together to create  
11 programs that really affected the community.

12 The first one that I want to talk about  
13 was a client of ours who was in the retail food  
14 business, a quick-service restaurant, that had a  
15 program that was based upon printing and  
16 distribution of planning grids for fire safety in  
17 the home. It was a very modest program in  
18 southeastern Wisconsin. There was going to be about  
19 a hundred thousand -- modest for them. There was  
20 about a hundred thousand brochures that were going  
21 to be printed and distributed at a cost to them of  
22 about \$10,000.

23 Through our efforts in that program, we  
24 took that \$10,000 investment in planning grids for  
25 home safety and reached out to radio stations

Gramann Reporting, Ltd. (414) 272-7878

1 throughout southeastern Wisconsin. We had eight  
2 radio stations involved in the program, each of them  
3 contributing air time as well as remote broadcasts  
4 on a particular Saturday in October during Fire  
5 Safety Month, totalling about \$80,000 worth of media  
6 support for the program.

7 In addition, one of the television  
8 stations in Milwaukee signed on as a media sponsor  
9 and added another \$50,000 support as well as help  
10 distribute the -- the planning grids in other  
11 locations. We reached out to another Wisconsin  
12 corporate citizen and had 30,000 batteries donated  
13 to the program for smoke detectors. So in total,  
14 the \$10,000 investment that our client made in the  
15 program totalled about \$160,000 in leveraged add-on  
16 of -- of the program.

17 And you may look at that and say, well,  
18 those were advertising dollars and those were  
19 dollars -- they weren't hard dollars. But when  
20 we're talking about public education, the education  
21 of the public is the product. And with television  
22 and radio stations' involvement, we were able to get  
23 that message out to about 1.4 million people in  
24 southeastern Wisconsin.

25 The nice part about the program is we  
Gramann Reporting, Ltd. (414) 272-7878

1 distributed the 20,000 free batteries on a Saturday  
2 in October. And a lot of times you can't measure  
3 your results in programs. A lot of times you can.  
4 And in this one, there was actually a family of six  
5 that were saved as a result of picking up their  
6 planning grids and their free battery. And they  
7 actually came forward and told our client about  
8 that.

9 They had just -- they had gotten their  
10 plans, reviewed the plans in their home. And that  
11 weekend their Christmas tree that was outside that  
12 was lit up shorted out because of some faulty wiring  
13 and burned their house down. But they had their  
14 plan in place, and it actually saved their lives.  
15 So as far as public health is concerned, I think  
16 saving lives is one of -- one of the main goals.

17 Another program, again involving  
18 education, this time in terms of environment and in  
19 terms of kids, we did a program with the Zoological  
20 Society in Milwaukee County which had two goals.  
21 One was to have outreach into the community and  
22 reach kids that were not able to get to the zoo and  
23 to see the programs that were going on there. The  
24 second issue that they had was a funding one. They  
25 had picked up the budget to feed the animals at the  
Gramann Reporting, Ltd. (414) 272-7878

1 zoo in Milwaukee from the tax rolls and were going  
2 to do that privately, and they needed to raise  
3 money. We developed a program where they could do  
4 both of those things. And we toured a Raptore show  
5 in grade schools throughout southeastern Wisconsin  
6 for a year. That's a nice program. It's very  
7 expensive to do, and it doesn't raise money for  
8 their other goals.

9 So what we did is reached out into the  
10 corporate community, went to a grocery store chain  
11 and asked them for more than ten times the value of  
12 that program, again in terms of hard dollars in cash  
13 as well as marketing support through their stores  
14 and through their owner/operators. We then took  
15 that money and went to the newspaper in town and  
16 said here's what the grocery store that's a good  
17 advertiser of yours is doing for the program, what  
18 can you give us in return as a co-sponsor with them.

19 And they offered us a 16-page insert that  
20 went in the Sunday newspaper throughout the state of  
21 Wisconsin, educating the public about the  
22 environment, about animals, about what to do in your  
23 neighborhood when you find animals and so on. That  
24 also advertised the fact that the corporations were  
25 supporting those programs as well as some of the

Gramann Reporting, Ltd. (414) 272-7878

1 programs that the Zoological Society was running in  
2 the Milwaukee community. The result of that was  
3 that we had six figures in funding to supply the  
4 money needed for the funding of the feeding of the  
5 animals as well as selling out all of the  
6 programming that the Zoological Society did  
7 throughout that summer as well as increasing their  
8 membership. So the message really resonated  
9 throughout the community and throughout the state  
10 where people had more than the 10 or \$15,000 that  
11 was originally invested in the program. Again, it  
12 was leveraged and multiplied well beyond where it  
13 started.

14 So I guess, in closing, I'd like to say  
15 that "leveraging" really isn't a dirty word as I  
16 guess some people had been saying yesterday. It's  
17 really the way to maximize the benefit of the money  
18 that is going to be made available by the program.  
19 And as a lifelong resident in Wisconsin, I'd like to  
20 urge the Commissioner to approve the plan.  
21 Thank you.

22 THE COMMISSIONER: Thank you. Okay. Next  
23 is Kevin O'Connell?

24 DR. HETTLER: No. He -- he left.

25 THE COMMISSIONER: Okay. Bill Hettler,  
Gramann Reporting, Ltd. (414) 272-7878

1 followed by Jeanne Reiter and Rubin (sic) Carufel.

2 DR. HETTLER: Thanks for coming. And, you  
3 know, UWSP is the host of the National Wellness  
4 Conference, which is the largest wellness conference  
5 in the world, held in this building every summer.  
6 And our campus also has a facility up near  
7 Rhinelander, called Tree Haven, that sponsors a lot  
8 of workshops and community action kinds of  
9 programming.

10 There's been a lot of good testimony  
11 today. And the plan that's been proposed might be a  
12 good one. I happen to believe that there could be a  
13 better plan. And I also believe that we should take  
14 advantage of the analysis that is available of all  
15 the previous conversions. And I know that you know  
16 about that. For those in the audience though, the  
17 information is available in one nice publication,  
18 and everything is on the Web today. And I've put  
19 all the relevant information that I've been able to  
20 identify in one place. And it's my personal Web  
21 page, Hettler.com/Blues, with a capital "B." And  
22 there are many links there that talk about what  
23 really is involved here.

24 THE COMMISSIONER: Do you have a link to  
25 our Web site from that?

Gramann Reporting, Ltd. (414) 272-7878

1 DR. HETTLER: I will put it there when I  
2 get back.

3 THE COMMISSIONER: Because we have a lot  
4 of documents on our Web site as well.

5 DR. HETTLER: Before you get back home, it  
6 will be there. And my office is in the next  
7 building. My job is I'm director of a University  
8 Health Service. And I have been the director of  
9 this University Health Service since 1977. This  
10 won't be the first, nor the last, time that I  
11 disagree with the position of our chancellor.

12 Our chancellor has essentially said that  
13 he thinks that these two medical schools are the  
14 best way to handle this money. I disagree strongly.  
15 I am very concerned about the makeup of the proposed  
16 board. I would urge everyone in the room -- and I  
17 know the Commissioner's already aware of the best  
18 practices that have been identified as to how boards  
19 should be set up to maximize the benefit to their  
20 constituency.

21 I'd like to talk about my simplified view  
22 of what we ought to be doing. I went to a good  
23 medical school, just like the two medical schools in  
24 our state are good medical schools. My oldest of  
25 six graduated from one of the medical schools in  
Gramann Reporting, Ltd. (414) 272-7878

1 this state and has \$85,000 in debt which she is  
2 slowly paying off.

3 The things I was trained to look at is,  
4 first of all, what kills the most people that you  
5 can do something about; second, what hurts the most  
6 people that you can do something about; and, third,  
7 what makes them look and smell better.  
8 Unfortunately, Americans spend their money in the  
9 opposite priority system.

10 But our state has done this before. And  
11 we have the advantage. Some of us who are savers --  
12 much to my wife's chagrin -- have the book that was  
13 written in 1978 when our state created a commission  
14 on prevention and wellness. And I bring this up  
15 because at that time we created a board that was  
16 representative of the entire state, was  
17 representative of -- of medical schools as well as  
18 other legitimate health providers. And I thought it  
19 was a very good system.

20 And I would make that available, if  
21 there's not one available somewhere in Madison. But  
22 most of the people were from the southern tier of  
23 the state, and so there's probably several copies  
24 down there. The important elements of that plan  
25 were to maintain no conflict of interest, that all

Gramann Reporting, Ltd. (414) 272-7878



1 of us were very carefully selected so that we  
2 weren't representing any big business entity.

3 And I'm concerned about the proposed  
4 structure that's been submitted. I'm also  
5 concerned -- if you do the analysis of all the  
6 previous conversions -- that these conversions --  
7 only a couple of them decided to be 501(c)(4)  
8 organizations. I'm concerned that our particular  
9 Blue Cross Blue Shield conversion is proposing to be  
10 a 501(c)(4). And one of the unique features of  
11 501(c)(4) organizations is that they are allowed to  
12 lobby.

13 My question is, why did they decide they  
14 wanted to create an organization that could lobby?  
15 Who are they going to lobby? And why are they going  
16 to lobby? Again, I'm concerned about the  
17 perceptions of continued influence by the corporate  
18 entity.

19 A rational way that we could address how  
20 to spend the money is, once we create a public  
21 foundation to which both medical schools could apply  
22 for funds, we find out what percent of those deaths  
23 in Wisconsin are the result of lifestyle behaviors  
24 and we try to fund the money proportionately. And  
25 physicians and hospitals and doctors make an impact.

Gramann Reporting, Ltd. (414) 272-7878

1 There's no question. I do that as part of my job.  
2 And I'm very proud of that part that I play. But we  
3 only make a difference in 10 percent of the deaths.  
4 The majority of deaths in Wisconsin -- actually,  
5 over 50 percent -- are the direct result of choices  
6 people make.

7 As the rod is bent, so grows the tree. We  
8 need to invest upstream in the disease process. And  
9 "upstream" for me means schools. I have not heard  
10 much about how we're going to use some of these  
11 funds to influence the developing minds and bodies  
12 of our children of the state of Wisconsin.

13 Someone earlier testified about each  
14 county working hard to define what their needs are.  
15 That has happened in this county. A group of about  
16 30 people have produced a plan. I would encourage  
17 the funding to look to local solutions for local  
18 problems.

19 When you invest the money through a  
20 medical school, there is a tremendous voltage  
21 droppage that occurs before anything happens that's  
22 of any use. And if you want a clear example of how  
23 that might happen, you could look at the five-minute  
24 testimony of the first four presenters that took  
25 50 minutes. There's an example of the kinds of

Gramann Reporting, Ltd. (414) 272-7878

1 overhead that we have to deal with.

2 I'd like to close by encouraging everyone  
3 to become informed. I am excited that our  
4 Commissioner is going to continue this process. And  
5 I'm excited that our Commissioner is going to let us  
6 look at a proposed response for more public input.  
7 I think that the more public input in this process,  
8 the better will be the outcome. I hope we invest  
9 this money for the long term and create a  
10 permanently endowed foundation that is not connected  
11 to any one medical school or any two medical  
12 schools, but is connected to the state of Wisconsin.  
13 Thank you.

14 THE COMMISSIONER: Thank you. Next we  
15 have Jeanne Reiter, followed by Rubin Carufel, Donna  
16 Lohry, and Richard Katschke.

17 MS. REITER: Hi. My name is Jeanne  
18 Reiter. And I work for the UW Health as a contract  
19 employee to the UW Cancer Center in Wausau, so I  
20 actually wear two hats. Representing the UW Health,  
21 we have outreach facilities in five different  
22 communities: Wausau, Manitowoc, Sheboygan, Beloit,  
23 and Freeport. And there are others in negotiation.  
24 This helps bring the expertise of the cancer program  
25 to the rural communities. We, in turn, each have  
Gramann Reporting, Ltd. (414) 272-7878

1 outreach communities that we -- we go to. So the  
2 fingers spread throughout the entire state.

3 The purpose of this is to bring the same  
4 quality of care that is offered in Madison to these  
5 communities. Part -- part of our affiliation with  
6 the UW is medical oversight. And the physicians in  
7 both the medical and radiation oncology oversee our  
8 physicians to make sure that we meet the same  
9 standards of care, help work with difficult cases,  
10 and are used as a tertiary source. Management  
11 oversight would be myself being an employee of the  
12 UW but also working in the outreach communities.

13 One of our biggest assets, as Dr. Carbone  
14 explained this morning, is the research program at  
15 Madison. And because of our affiliation, we are  
16 able to take part in every one of the clinical  
17 trials that are in the Phase II and III. This  
18 offers people in rural communities the opportunity  
19 to take part in these clinical trials and -- without  
20 traveling to Madison or Milwaukee to do so.

21 For example, we are now taking part in one  
22 in prevention for the tamoxifen/Raloxifene study in  
23 breast cancer prevention. This is now open to  
24 55,000 people in our 15-county area simply because  
25 of our affiliation. So we are also involved in

Gramann Reporting, Ltd. (414) 272-7878

1 recruitment and retention of physicians. They help  
2 us select our physicians and making sure that they  
3 too abide by the standards of the University.

4 So the purpose, I guess, of saying this is  
5 that this is a model, I think, that can be used in  
6 other primary care specialties and other specialties  
7 that could offer the same types of opportunities for  
8 the patients in -- in our northern community.  
9 Thank you.

10 THE COMMISSIONER: Thank you.

11 MR. CARUFEL: Good afternoon. My name is  
12 Robin Carufel.

13 THE COMMISSIONER: Sorry about that.

14 MR. CARUFEL: That's all right. And the  
15 last name is C-A-R-U-F-E-L. I -- I'm a Ojibway or  
16 Chippewa Indian and Sioux Indian from Lac de  
17 Flambeau. I'm also a expectant father. I also am a  
18 tribal health administrator of a ambulatory clinic  
19 located in northern Wisconsin. Earlier this  
20 morning, you heard Jerry Waukau, the chairperson of  
21 our Tribal Health Directors Association. You also  
22 heard from Glen Safford representing the Great Lakes  
23 Intertribal Council, which is a consortium of all  
24 eleven tribes in the state of Wisconsin.

25 What I'm here today is to talk about how I  
Gramann Reporting, Ltd. (414) 272-7878

1 as a health administrator of our ambulatory clinic  
2 is going to be affected by this initiative put out  
3 by the Blue Cross Blue Shield and the Medical  
4 College of the state of Wisconsin.

5 First what I want to say is that the  
6 Indian health program, especially in Wisconsin, make  
7 up one of the oldest and best primary healthcare in  
8 rural setting in the United States. We do that by  
9 having direct services which are provided on site to  
10 eligible people at either IHS or a tribally operated  
11 health service. We also have a large contingent of  
12 public health functions, such as prenatal care,  
13 nutritional services, immunizations. We also offer  
14 mental health, AODA, dental, pharmacy, vision,  
15 environmental health, and outpatient clinical  
16 services.

17 For the services that we can't provide on  
18 site, we contract with neighboring providers such as  
19 hospitals, other outside pharmacies, other  
20 specialties -- other specialists. We've come a long  
21 ways in the last 25 years. And we're going to begin  
22 the next century in a lot of different and a lot  
23 stronger position than we even began in the last  
24 ten. Tribal clinics provide access to healthcare  
25 for over 40,000 tribal members across rural  
Gramann Reporting, Ltd. (414) 272-7878

1 Wisconsin. And we are also starting to see a large  
2 increase of providing healthcare to a lot of  
3 nonnative employees that work at -- in tribal  
4 communities.

5 We have a strong commitment to primary  
6 healthcare and to public health. Our immunization  
7 rates typically exceed 90 percent, while the  
8 statewide rate seldom exceeds 60. We have dental  
9 programs that emphasize preventive services for  
10 children. We offer fluoride, a rinse program. We  
11 have dental sealant programs at each of our tribal  
12 schools.

13 We also are able to offer prenatal care by  
14 offering prenatal educational classes. We are a  
15 WIC site. We promote community health by having  
16 health fairs. We do things such as TB -- mandatory  
17 TB, P.P.D. -- when you get that shot on your arm and  
18 you check it -- a Mantoux test. I'm sorry.

19 And so -- and we're also doing things like  
20 having flu shots often, not just for our tribal  
21 members, but of our -- the entire community.  
22 Because our communities many times are just not made  
23 up of native people, but of nonnative. So we've  
24 come a long ways in the last 25 years.

25 Tribes all -- tribal health departments  
Gramann Reporting, Ltd. (414) 272-7878

1 also coordinate, with the State of Wisconsin, a lot  
2 of different initiatives: HMO, Medicaid, managed  
3 care, BadgerCare, Family Care, the long-term care  
4 initiative. We've also worked with many advocacy  
5 agencies such as the, you know, ABC for Health and  
6 some of the other ones in -- in Milwaukee. So we've  
7 come a long ways in -- in very short time.

8       Why I'm here today is that what has  
9 happened in the Lac de Flambeau over the past, say,  
10 three years under my watch is that we've had a good  
11 relationship with the UW-Madison and Medical College  
12 of Wisconsin. They've worked out as -- bringing one  
13 of their pediatricians -- lead professors bringing  
14 some pediatrician candidates to provide some of that  
15 early screening or early -- just talking with the --  
16 the moms and the -- seeing some of those young --  
17 young patients. That has really done a lot -- lot  
18 of good things as getting the stepping stone to get  
19 access to other specialty services that those  
20 patients may need.

21       Tribes like Lac de Flambeau, we over  
22 employ 900 -- 900 people, both native and nonnative.  
23 Lac de Flambeau tribe provides no-cost health  
24 insurance. So when BadgerCare comes to Lac de  
25 Flambeau, it doesn't really impact us. You know,  
      Gramann Reporting, Ltd. (414) 272-7878



1 Lac de Flambeau has -- has reduced welfare in Oneida  
2 and Vilas and Price County.

3 We've had -- taken a step forward to work  
4 on our Indian and non-native relationships. Because  
5 diabetes, cardiovascular disease, cancer -- that  
6 six-letter word that took my -- changed my life,  
7 took my dad from me. And it doesn't know -- it  
8 doesn't care if I'm a tribal member. It doesn't  
9 care if I'm a county resident. It doesn't care if  
10 I'm a -- if I'm a -- a -- a -- a migrant worker  
11 working in -- down in the central part of Wisconsin.  
12 It doesn't care if I -- if I'm any one of those.  
13 Doesn't care if I have a -- make \$200,000 a year.  
14 It doesn't care.

15 So at Lac de Flambeau, we -- especially  
16 from a tribal health perspective, I encourage my --  
17 this -- this initiative as long as there's some  
18 flexibility and understanding of what a lot of these  
19 other advocates have been saying, that you can't  
20 forget that we're worrying about plans, we're  
21 worrying about past plans, we're worrying about  
22 dollars and cents going here and there.

23 But we've got to keep in mind that these  
24 are people's lives. These are -- these are like my  
25 dad. These are like my -- my future -- my future

Gramann Reporting, Ltd. (414) 272-7878

1 child. We gotta keep that in mind that we lose  
2 sight of -- of that these are people that are going  
3 to be affected by a lot of these decisions that your  
4 agency is going to try to help give some  
5 recommendations to the development of this  
6 initiative.

7 But I'm -- I'm here also to -- to say that  
8 I -- I -- as administrator of our clinic, you know,  
9 we depend on the -- the universities to -- we depend  
10 on each other. Because we provide them an  
11 opportunity to have their students come up and do  
12 some preceptorship. You know, we have collaboration  
13 efforts with the Marshfield Clinic. We have a  
14 collaboration -- a real strong collaborative effort  
15 with the Howard Young Healthcare Center. We care  
16 about what happens to the people in northern  
17 Wisconsin, what happens to people, whether Indian or  
18 non-Indian, what happens to people that live above  
19 in the Highway 29.

20 So I'm here to -- to lend my support to --  
21 as a tribal health administrator on this initiative  
22 as long as they keep in mind that my door is always  
23 open as a representative of the Lac de Flambeau  
24 tribe to sit down and discuss and to make some  
25 things happen for the -- the healthy people of the  
Gramann Reporting, Ltd. (414) 272-7878

1 state of Wisconsin. I'd like to say Miigiiwich to  
2 that. And -- and if there's any other information  
3 you might need, I believe that Glen and Jerry left  
4 some packets with you available for us. So  
5 thank you, very much.

6 THE COMMISSIONER: Thank you. We have  
7 Donna Lohry next. And then we're just going to take  
8 a quick five-minute break after that.

9 MS. LOHRY: Hello. Yes, I am Donna Lohry.  
10 I'm from Oshkosh, and I am here with the AARP  
11 coalition. And I would just like to reiterate some  
12 of the points they have made. We would like to see  
13 the independent appointment committee made up of  
14 persons representing a wide range of citizens and  
15 not controlled by Blue Cross or the medical schools;  
16 also, to set up an independent foundation not  
17 controlled by Blue Cross or the medical schools; to  
18 see that organizations, especially nonprofit,  
19 throughout the state can apply for and receive funds  
20 from the independent foundations; also, ensure that  
21 the assets are placed in an endowment fund  
22 controlled by an independent board to fund a wide  
23 range of organizations with close-up knowledge of  
24 Wisconsin public health needs. I would also ask  
25 that you have more meetings so that the public can

Gramann Reporting, Ltd. (414) 272-7878

1 speak.

2           And then I would like to add a personal  
3 note. I suffer from an immune deficiency. This  
4 produces symptoms of hypersensitive airways. When I  
5 am involved in places that the air is not clear, I  
6 have memory loss, confused thinking, lots of  
7 fatigue. I worked for 18 years in a county jail.  
8 There was smoking in that facility for 15 years,  
9 which was nonstop, three levels -- floor levels of  
10 people smoking nonstop. And I think that that  
11 contributed a great deal to my present health  
12 situation.

13           I have asked physicians to send me for  
14 research. And they tell me that there is none being  
15 done for this illness. I also just recently, in  
16 July, had a simple gallbladder surgery which has  
17 resulted in a -- in a total overload of my delicate  
18 immune system. And I am now being treated for high  
19 blood pressure. And thank God that there's  
20 treatment for that.

21           As we see the epidemic treatment of --  
22 with Ritalin to ADD students in this state -- and  
23 my -- certainly my illness, I think, is connected  
24 with that same overall scenario -- I wonder why  
25 there is not research being done for this illness.

          Gramann Reporting, Ltd. (414) 272-7878

1 Because my health was in jeopardy, I had to retire  
2 three years before I had planned to retire.

3 So I ask the things that I -- I mentioned  
4 before. From a personal perspective, I think that  
5 we -- we need to have more research on things,  
6 certainly as simple as -- as what I deal with. I  
7 have to be very careful of how I -- I'm -- I travel.  
8 I may not get on airlines where diesel fuel -- where  
9 you're sitting on a -- on a airstrip. These are  
10 things -- you know, and I have this illness. But  
11 how can I help myself? What can I do? There should  
12 be research going on for all of these things.  
13 Thank you, very much.

14 THE COMMISSIONER: Thank you. We'll just  
15 break for just a couple minutes.

16 (Brief recess taken.)

17 THE COMMISSIONER: We'll be starting with  
18 Richard Katschke.

19 MR. KATSCHKE: Thank you, Madam Chairman.  
20 First of all, I'd like to introduce myself. My name  
21 is Richard Katschke. I'm the assistant  
22 vice president for public affairs at the Medical  
23 College of Wisconsin. I'd like to address the  
24 misperception that has come through these hearing --  
25 the -- the session today and yesterday, that the two  
Gramann Reporting, Ltd. (414) 272-7878

1 medical schools have no commitment or experience in  
2 public health.

3 There was a question that was raised  
4 earlier today, in fact, that there was -- someone  
5 wondered whether the medical schools could sustain  
6 their public health initiatives through these plans  
7 in years to come. I'd like to point out that long  
8 before the announcement of Blue Cross Blue Shield's  
9 hope to convert and their proposed gift to the two  
10 medical schools, the Medical College of Wisconsin  
11 and the University of Wisconsin Medical School have  
12 had a long history and involvement in public health  
13 programs. And I'd like to speak briefly about some  
14 of the programs at the Medical College of Wisconsin.

15 First of all, for over 10 years, the  
16 Medical College of Wisconsin has offered a master's  
17 of public health degree in preventive medicine as  
18 well as in occupational medicine. We currently have  
19 450 students that are enrolled in that program.  
20 Through this period, we've trained hundreds of  
21 public health professionals whose degree is just as  
22 valid as someone who would have graduated from a  
23 school of public health. So we do, indeed, have a  
24 history and a track record in public health  
25 education.

Gramann Reporting, Ltd. (414) 272-7878

1 Today you heard earlier about the Medical  
2 College of Wisconsin Center for Healthy Communities  
3 and a program we have in Marion on drug abuse in  
4 rural communities as well as our Firearms Injury  
5 Center that works with counties throughout the state  
6 to track and identify what kinds of injuries are  
7 occurring with firearms, who's being injured, what  
8 kinds of steps may be taken to try and address these  
9 problems and correct them, tailored to the different  
10 needs in different communities throughout the state  
11 of Wisconsin.

12 Yesterday there was testimony that was  
13 offered on the Medical College of Wisconsin's Center  
14 for the Advancement of Urban Children. This is a  
15 partnership with the Milwaukee Public School System,  
16 with the City of Milwaukee's Public Health  
17 Department, as well as with Children's Hospital of  
18 Wisconsin. And what we're doing in that program is  
19 we're trying to identify children in urban areas  
20 that may not have access to healthcare, working  
21 through the schools so that they may be able to get  
22 the immunizations and the other health needs that  
23 they have addressed within the schools because they  
24 may not be addressed in any other setting.

25 Briefly, I'd like to identify a few of the  
Gramann Reporting, Ltd. (414) 272-7878

1 other programs that are in place. The Center for  
2 Healthy Communities also has a cancer awareness,  
3 detection, and prevention program that's working  
4 with the City of Milwaukee's Health Department as  
5 well as the Housing Department. It's in public  
6 housing units in Milwaukee. Again, we're trying to  
7 reach people in public housing projects that may not  
8 have information about cancer, trying to help  
9 educate them about cancer, arm them with  
10 information, and help them identify what their risks  
11 are and how they may be able to prevent or detect  
12 some of the problems related to cancer.

13 In the African-American community, one of  
14 the major health problems is hypertension or high  
15 blood pressure. We sponsor the Milwaukee  
16 African-American Hypertension Program. And a major  
17 component of that program is developing culturally  
18 sensitive material that is oriented to the  
19 African-American community to help people identify,  
20 first of all, awareness of the high blood pressure  
21 and, secondly, detecting high blood pressure and how  
22 to get help in high blood pressure.

23 We are one of the federally designated  
24 spinal cord injury centers in the United States.  
25 And related to that, we're looking at the kinds of  
Gramann Reporting, Ltd. (414) 272-7878



1 injuries that -- what -- what are the situations  
2 that lead people to have spinal cord injuries in the  
3 state of Wisconsin. One of the leading causes of  
4 spinal cord injury in Wisconsin are diving  
5 accidents. And so one of the programs that we  
6 sponsor statewide is a diving education and accident  
7 prevention program so that we can work with  
8 different programs that are teaching people how to  
9 swim or programs that are oriented toward swimmers  
10 to let people know if and when you're diving, what  
11 are the safe ways to dive so that you won't be at  
12 risk for a spinal cord injury.

13 One of the programs that we offer in  
14 Kenosha and Racine is for those people who are  
15 spouse abusers. This is a counseling and behavior  
16 modification program oriented toward those people  
17 who have been identified either through the -- the  
18 criminal system or through the hospitals as being  
19 spouse abusers. And we're trying to work with these  
20 individuals to help them change their behavior --  
21 identify what's leading to this behavior, identify  
22 patterns and ways that we can work with these people  
23 to change their behavior.

24 One of the other things that we're doing  
25 is we are working with -- our Palliative Care  
Gramann Reporting, Ltd. (414) 272-7878

1 Program is working with nursing homes throughout the  
2 state of Wisconsin on identifying -- on detecting  
3 and identifying and developing programs for pain  
4 management among the elderly, especially Alzheimer's  
5 patients.

6 One of our problems in the state is that  
7 Alzheimer's patients that are in nursing homes may  
8 not be able to express their pain to their  
9 caregivers. What we're doing is we're training  
10 caregivers throughout the state in these nursing  
11 homes how to find out -- even though these patients  
12 won't be able to share this information -- what are  
13 the signs, what are the signals, so that they will  
14 be able to know how to provide care for pain in some  
15 of these patients.

16 And then we are part of the governor's  
17 task force on tobacco control. And through that  
18 program, one of the things that we've been doing is  
19 we've had staff that are working with employers in  
20 southeastern Wisconsin so that they can develop  
21 smoking-cessation programs within their work places  
22 for their employees so that they can -- they can,  
23 you know, stop this -- this behavior.

24 Clearly, the kinds of programs I've  
25 identified do more than dealing with issues of  
Gramann Reporting, Ltd. (414) 272-7878

1 looking or smelling better, which was a point that  
2 someone had raised before. These are issues that go  
3 far beyond that.

4 The one program I would like to talk a  
5 little bit about today though is the Medical College  
6 of Wisconsin Center for AIDS Intervention Research.  
7 This is one of only four federally designated  
8 centers in the United States by the National  
9 Institutes of Mental Health that are oriented toward  
10 behavior modification programs for high-risk  
11 populations at risk for contracting the HIV -- HIV.  
12 As I said, there are only four federally designated  
13 centers in the United States. The other three are  
14 Columbia University in New York; the University of  
15 California in Los Angeles, UCLA; and the University  
16 of California at San Francisco.

17 We are the only center between New York  
18 and California. We're also the only center that is  
19 not located in a state that has already had a  
20 devastating impact by HIV. One of the reasons why  
21 the Federal Government and the National Institutes  
22 of Mental Health have been interested in supporting  
23 this program is because they see hope. By investing  
24 in Wisconsin, by investing in this program at the  
25 Medical College, they feel that they may be able to  
Gramann Reporting, Ltd. (414) 272-7878

1 change behaviors so that people that may have been  
2 put at risk, may have been infected with the virus,  
3 can be helped before they are infected.

4 It's interesting. If we were to follow  
5 the traditional medical school model that others  
6 have defined before, if we were addressing AIDS,  
7 what we would be doing is we would be putting all of  
8 our efforts into the research laboratory where we'd  
9 be looking to try and find some sort of vaccine or  
10 some sort of cure for the -- for AIDS. While there  
11 is activity in this area, we feel that the greatest  
12 promise is focusing on behavior modification and  
13 prevention, which is really a public health model.

14 The program that we have in Milwaukee is  
15 staffed by over 75 people. These are public health  
16 professionals: Psychologists, psychiatrists, social  
17 workers, and counselors. And just to give you a  
18 sense of some of the programs that we have in place  
19 and what we're looking at right now, we're working  
20 with people who have been diagnosed as being HIV  
21 positive in rural communities in Wisconsin, rural  
22 areas of Wisconsin. And what we're trying to do is  
23 provide them with counseling and support.

24 Our research has shown that people that  
25 are isolated, people that are depressed, that are  
Gramann Reporting, Ltd. (414) 272-7878

1 HIV positive, are more likely to engage in high-risk  
2 behaviors. If we can work with these people who  
3 have been identified as HIV positive and give them  
4 the kind of counseling and support that they need,  
5 their chance of putting others at risk of this virus  
6 are diminished.

7 One of the other programs that we're  
8 working with is with Wisconsin housing -- with  
9 public housing projects in Milwaukee to develop and  
10 train leaders to develop -- to deliver  
11 risk-reduction information. And what we have found,  
12 our research has shown that popular leaders can  
13 deliver information -- they are more effective than  
14 health professionals in delivering information that  
15 can lead to risk reduction.

16 And so what we've done in these housing  
17 units is we've found out who are the people that are  
18 popular in these public housing units. Who are the  
19 people that are respected. We put these people  
20 through training programs, and they help deliver the  
21 message. And what we've built into this process  
22 then are measurement tools so we can identify after  
23 the fact, are they working, is this a process that's  
24 paying off, is this something that's helping. And  
25 what we have found is that the residents of these

Gramann Reporting, Ltd. (414) 272-7878

1 public housing units have identified a reduction in  
2 the kinds of risk behaviors they've been involved  
3 in.

4 One of the other things that we're doing  
5 is we're working with Wisconsin prisons. In fact,  
6 just south of here, in Portage, we've been working  
7 with the Columbia facility there on risk-reduction  
8 programs for young men who are going to be paroled  
9 in upcoming years. We know that prisoners, young  
10 men in prisons, are more likely -- they engage in  
11 behaviors and they are more likely to have been at  
12 risk of contracting HIV. These are going to be  
13 people released to the community again. We want to  
14 make sure that when they get out of prison, they've  
15 been armed and educated so that they aren't going to  
16 be putting others at risk. And so that's the intent  
17 behind that program.

18 One of the groups that's at great risk for  
19 HIV right now are teenagers and especially urban  
20 teens. And what we've tried to do is we've tried to  
21 figure out a way that we can deliver information on  
22 risk-reduction programs, on abstinence and safe  
23 sexual behavior to teens without alienating parents.  
24 So one of the things that we've done in Milwaukee  
25 and the urban areas of Milwaukee is we've formed  
Gramann Reporting, Ltd. (414) 272-7878

1 parent advisory boards who are working with us as we  
2 develop programs for urban teens on risk-reduction  
3 for HIV. These are programs that are endorsed -- in  
4 fact, the ideas that are generated come from the  
5 parents themselves. So they're the ones -- they --  
6 they have the greatest sensitivity. They have the  
7 greatest concern. We're able to build on the ideas  
8 that are generated from the parents.

9 One of the -- one of the other areas that  
10 we've looked at is addressing the high-risk  
11 behaviors among gay men in small urban areas of  
12 Wisconsin. Two of the communities we've looked at  
13 have been La Crosse and Superior. Traditionally,  
14 when people think of high-risk behaviors, you think  
15 of some of the larger urban areas: Milwaukee,  
16 Chicago, Los Angeles, places like that.

17 What we've found is that if you get into  
18 La Crosse or Superior or some of these other urban  
19 markets, some of the people who participate in  
20 high-risk behaviors think that they're immune. It's  
21 not a disease that's in our community. It's not  
22 something that's coming here. And so what we've  
23 realized is that there needs to be as aggressive  
24 activity in some of these communities as you would  
25 in -- as you'd find in a larger community, in fact

Gramann Reporting, Ltd. (414) 272-7878

1 perhaps more so. Because right now there isn't an  
2 awareness in those communities that there's really a  
3 problem.

4 In Milwaukee, one of the other programs  
5 that we've been looking at is developing  
6 risk-reduction programs for the chronically mentally  
7 ill and the homeless. We have found that those are  
8 two populations that really haven't been identified  
9 before that are at high risk for developing HIV. We  
10 look at the rates of sexually transmitted diseases  
11 that these populations have, and they far exceed  
12 what the norm would be. And the kinds of behaviors  
13 that have led to those sexually transmitted diseases  
14 would also put these same individuals at risk for  
15 HIV.

16 What we're doing is we're finding ways to  
17 try and communicate with the chronically mentally  
18 ill in terms that they'll understand and language  
19 that they'll understand, as well as the homeless, so  
20 that they'll know, first of all, what the risks are  
21 that they have and, secondly, how to say no. When  
22 put in situations that are awkward situations, how  
23 can they protect themselves, how can they stand up  
24 for themselves. These have been people that have  
25 been taken advantage of. And what we're trying to  
Gramann Reporting, Ltd. (414) 272-7878



1 do is help them understand ways that they can  
2 empower themselves.

3 In the same vein, one of the programs that  
4 we have in Milwaukee is working with urban women in  
5 Milwaukee who have partners that are at high risk  
6 for HIV. These would be men that either have  
7 multiple sex partners, or these are men that may  
8 have IV drug abuse problems. But what we're trying  
9 to do, again, is empower women so that they know how  
10 to take control of a situation so that they can  
11 protect themselves when they are with these  
12 individuals.

13 These -- one of the things that we have  
14 found in the process of developing these programs  
15 and doing research -- you know, "research" isn't a  
16 dirty word. You can be doing public health research  
17 in all of these areas. We've learned a lot. And  
18 there's been a lot of information that's been  
19 valuable that benefits, not only what we're able to  
20 put in place in Milwaukee, but also some of the  
21 programs that could be put in place throughout the  
22 state. They could also benefit other communities  
23 throughout the nation as well as throughout the  
24 world. And what we've found is that one of the  
25 frustrations is that when research is developed, it

Gramann Reporting, Ltd. (414) 272-7878

1 appears in some of the professional journals, but  
2 then it's never translated.

3 We have a grant from the National  
4 Institutes of Mental Health to develop mechanisms so  
5 that you can take the results of research in the  
6 public health arena and get the information in the  
7 hands of the public health providers, the community,  
8 and the county organizations so that they can  
9 actually know what the latest information is and  
10 know how to develop programs that they can use to  
11 build the health programs that are necessary.  
12 It's -- it's taking the information from the ivory  
13 tower and really making it part of reality.

14 The reason I addressed that is that one of  
15 the things that we heard at the listening sessions  
16 as we went around Wisconsin this last summer was a  
17 real frustration in almost every market that people  
18 knew that there was research that was being  
19 conducted at the University of Wisconsin and the  
20 Medical College of Wisconsin as well as medical  
21 schools throughout the nation, but they didn't know  
22 what the results of that research was. And one of  
23 the messages that we got from the people of  
24 Wisconsin at these different hearings was find ways  
25 to get the information back to us. Find ways to

Gramann Reporting, Ltd. (414) 272-7878

1 communicate with us what you've learned so that we  
2 know how to improve our health.

3 I raise that because already we have a  
4 program that's a model in place through our Center  
5 for AIDS Intervention Research that could help both  
6 medical schools as we try to address this -- this  
7 issue of -- of getting information on health  
8 advances to the people of Wisconsin. Thank you,  
9 very much.

10 THE COMMISSIONER: Thank you. Roy Melvin.

11 MR. MELVIN: Hello. My name is Roy  
12 Melvin. I represent the AARP, along with a few  
13 ideas of my own. In my long life, why, we've seen  
14 many changes. For example, to use our -- my own  
15 personal change that's happening right now, years  
16 ago when we've had our first youngsters, the Blue  
17 Cross Blue Shield was just founded probably about  
18 10 years and hadn't got the salesmen out enough to  
19 sell us insurance at that time. So as a result, the  
20 delivery of our two boys -- prenatal care, delivery,  
21 and postnatal care cost us \$65. And three weeks  
22 ago, my wife made a visit to the doctor, and it was  
23 15 minutes. The cost was \$65. So you can see the  
24 changes that have taken place during the -- that  
25 time, plus many good and some not so good.

Gramann Reporting, Ltd. (414) 272-7878

1 During the 20 years -- last 20 years  
2 especially, many values have increased rapidly --  
3 more especially, property taxes, property wages and  
4 taxes. And so along with that, we know that Blue  
5 Cross Blue Shield value has also increased. Thus,  
6 we need an impartial evaluation of their value. So  
7 that is important that we do that. You have heard  
8 this perhaps before today. But it's very important  
9 that we get an impartial evaluation.

10 We understand that the back -- the  
11 given-back assets be given to a foundation with nine  
12 board members with five members to be appointed by  
13 Blue Cross and two each by the two medical schools.  
14 We know and we think this is wrong. We need one  
15 independent board made up of persons representing a  
16 wider range of citizens and not controlled by the  
17 method presented.

18 Another fact is that our politics here is  
19 confusing -- confused because of the political  
20 campaign financing. We need better regulation. And  
21 it is my feeling that if I give something in kind or  
22 money, that I am going to expect something in  
23 return. Blue Cross Blue Shield has supposedly  
24 helped prominent politicians by giving them campaign  
25 money.

Gramann Reporting, Ltd. (414) 272-7878

1           Paying executives huge salaries does not  
2 necessarily make a successful management program.  
3 As we learned by for-profit, they will be able to  
4 pay their executives more salary. How much is  
5 enough? Salary plus perks, last year's Blue Cross  
6 Blue Shield CEO was 762,000 plus is a fine salary.  
7 But how much can one person need or use? Many times  
8 high-paid executives make mistakes that must be paid  
9 by patrons, many who make salaries of 25,000 more or  
10 less per year. Many make more than -- make less  
11 than that.

12           I would hope that a fair settlement could  
13 be made in changing Blue Cross Blue Shield from a  
14 nonprofit to a for-profit organization, thus  
15 avoiding expensive fees. I thank you.

16           THE COMMISSIONER: Thank you. William  
17 Donaldson?

18           MR. DONALDSON: Madam Commissioner, good  
19 afternoon. I am Bill Donaldson, counsel to the  
20 Board on Aging and Long-Term Care. I appear today  
21 to discuss the board's concerns regarding the  
22 proposed conversion of Blue Cross Blue Shield United  
23 of Wisconsin into a stock insurance corporation. I  
24 will keep my comments brief and hopefully to the  
25 point.

          Gramann Reporting, Ltd. (414) 272-7878

1 At the July 7th meeting, the seven-member  
2 Board on Aging and Long-Term Care expressed concern  
3 over three primary areas of this proposal. In its  
4 role as an advocate for the interests of the aging  
5 and disabled consumers of Wisconsin, the board would  
6 like to see specific attention from your office  
7 directed to these issues.

8 We believe there is a need for a  
9 pre-conversion audit of all Blue Cross assets that  
10 are to be converted. We are concerned about the  
11 limitation of direct beneficiaries of this  
12 conversion to the two medical schools. And,  
13 finally, we are concerned about the composition of  
14 the board of trustees of the foundation.

15 The board believes that a pre-conversion  
16 audit of Blue Cross assets should be conducted by an  
17 independent agency. The need for assurance that all  
18 current assets are completely disclosed to and that  
19 the distribution of these assets is thoroughly  
20 understood by the public at the time of conversion  
21 is of immense importance.

22 As a second point, the board would  
23 strongly advise consideration of options for the  
24 effective use of the proceeds of this conversion  
25 over and beyond the stated intent from public health  
Gramann Reporting, Ltd. (414) 272-7878

1 initiatives solely through the University of  
2 Wisconsin Medical School and the Medical College of  
3 Wisconsin.

4 Without any further information that has  
5 been thus far given by the conversion plan summary,  
6 it is unclear exactly what level of direction the  
7 foundation will be able to provide to the schools in  
8 selecting areas of policy research to be supported.  
9 Additionally, the board is concerned about the  
10 relative distribution of funds between the two  
11 schools. We would like to know if the foundation  
12 will propose a formula for funds' division before  
13 receiving specific research proposals.

14 Although limiting the plan to two academic  
15 institutions will undoubtedly simplify the  
16 foundation's administrative tasks, this limitation  
17 will prohibit other perhaps equally worthy  
18 institutions' access to the funds made available by  
19 this conversion.

20 Despite their renowned and generally  
21 recognized superior quality of research, the  
22 University of Wisconsin Medical School and the  
23 Medical College of Wisconsin are not the only  
24 sources of valuable health policy development or  
25 input within the state of Wisconsin. To

Gramann Reporting, Ltd. (414) 272-7878

1 unilaterally restrict other entities from  
2 participation in the conversion plan may, in fact,  
3 represent a significant restriction of potential  
4 benefits to the consumers. We feel that a  
5 substantial portion of the proceeds of the  
6 conversion should be devoted to the provision of  
7 direct services to healthcare consumers at the  
8 community level.

9 Finally, as regards to the foundation's  
10 board of trustees, the Board on Aging and Long-Term  
11 Care would urge that a minimum of 51 percent of the  
12 membership of this group be representative of  
13 consumers from the state. While it is  
14 understandable that the participants must be  
15 represented on the board, we believe that it is  
16 imperative that the ultimate beneficiaries of the  
17 plan have a clear majority voice.

18 If necessary to assure representation of  
19 Blue Cross and of the schools, the membership of the  
20 board may need to be increased. Nomination of  
21 consumer members of the board should be made by  
22 advocacy groups representing all regions of  
23 Wisconsin.

24 Thank you, Commissioner O'Connell, for  
25 allowing me this opportunity. The Board on Aging  
Gramann Reporting, Ltd. (414) 272-7878



1 and Long-Term Care will submit additional written  
2 testimony on our positions. And we are, of course,  
3 as always, available to your staff for additional  
4 input at your request. Thank you.

5 THE COMMISSIONER: Thank you. Next we  
6 have Patricia Gadow.

7 MS. GADOW: Thank you. You caught me at a  
8 surprise. I grabbed my paper and ran up here. I am  
9 Pat Gadow, director of the City Health Department,  
10 Madison, Wisconsin. And I want to thank you for the  
11 opportunity to present a couple of thoughts today.  
12 In listening to some of the testimony, I came here  
13 prepared with something that I was going to read.  
14 And in listening to some of the testimony, some of  
15 the points I wanted to make were made better than I  
16 could possibly do them. And a couple of them, I  
17 kind of wanted to borrow on. So I will vary from my  
18 notes here a little bit. I also brought along  
19 another brochure that I will leave with you also.

20 First of all, I want to say that this is a  
21 unique opportunity, I think, for public health.  
22 I've worked in public health in Wisconsin since  
23 1962, which is a very long while. All that means is  
24 I've been around to see a lot of things happen. And  
25 I think this is one of those unique opportunities

Gramann Reporting, Ltd. (414) 272-7878

1 that we really need to spend the serious time that  
2 you're giving this to see how we can enhance public  
3 health in the state.

4 There are two issues not surprising to you  
5 that I will address. One is the valuation of the  
6 assets, which I think you have already taken a very  
7 significant step in addressing. I feel really  
8 assured that you and your office are seriously  
9 looking at the value, as other states have. And I  
10 have talked to a number of colleagues across the  
11 nation. And I know that as their states have looked  
12 at this, the first important step is to find out  
13 that value. And I think the independent view of  
14 that is -- is a very right step. And I applaud  
15 that.

16 The second issue, I think, is a -- is a  
17 issue of -- of concern and more delicate and more  
18 difficult to deal with. And that's the independent  
19 nature that we need to address the public health  
20 issues for the state. I certainly support the  
21 Medical Schools' desire to improve and to add on to  
22 their prevention aspects of their program. I  
23 certainly applaud their desire and their interest in  
24 doing public health research. I think both of those  
25 are -- are laudable things. I also think that those  
Gramann Reporting, Ltd. (414) 272-7878

1 are initiatives that are initiatives they should be  
2 taking on in their own organization and -- and do  
3 add to the public health system, but they add a very  
4 small piece.

5 Healthcare and healthcare delivery,  
6 individual care, is one small part of a very large  
7 network of services called the public health system.  
8 And I don't think we want to see those dollars and  
9 that foundation captured, so to speak, in an area  
10 that's looking primarily at academic resources and  
11 at research. So I would ask that, first of all, we  
12 look at some more independent kind of way of  
13 developing a foundation for the public's health.  
14 There are examples in other states. I think  
15 California has done a remarkable job. I think there  
16 are places we could look. I certainly would love to  
17 have the opportunity to provide you with any  
18 information that I can get ahold of that would help  
19 look at other options.

20 I think the independence is important.  
21 We've heard people speak to how that board that  
22 oversees that function are selected. And I think  
23 the independent selection of -- of those members are  
24 very important as well.

25 I also am concerned about the  
Gramann Reporting, Ltd. (414) 272-7878

1 representation. We've heard a lot today about the  
2 various kinds of healthcare and health-related  
3 people. And I really believe the diversity of that  
4 group needs to be considered. I also think if we're  
5 really looking at healthful communities and a  
6 healthful state, we need to remember environmental  
7 health is an important piece of this. And how does  
8 environmental health plug in? Some of the speakers  
9 today, this afternoon, have spoken about the impact  
10 of smoke environments and talked about workplace  
11 environments. There are many, many environmental  
12 health things we need to be sure are looked at in  
13 this public health issue as well.

14 One last thing I will say about the  
15 diversity and the involvement of -- of organizations  
16 is I really think that -- I heard testimony, which I  
17 have to make sure I don't get a frog in my throat or  
18 a little catch in my voice as I talk to you about  
19 it. Because when I listened to Robin, I thought  
20 Robin captured for me what I believe all of my  
21 colleagues in public health feel. And that's the  
22 stewardship for the public's health. And that's  
23 something that is -- is a soulful, emotional kind of  
24 a thing that I think is -- is there among our public  
25 health community in -- in Wisconsin and something

Gramann Reporting, Ltd. (414) 272-7878

1 that I think you need to and are -- are hearing.

2 And it is the care and the willingness to  
3 move forward in producing a healthful environment  
4 where we don't look for disease and try to prevent  
5 the disease from getting worse, but we create an  
6 environment where people are healthy and look for  
7 health and wellness and try to keep people that way.  
8 So I think that's really -- I just was really moved  
9 by his testimony.

10 One last thing I wanted to mention is that  
11 over the last two years, I've been involved very  
12 heavily with a national committee with my national  
13 organization of the county and city health officials  
14 and CDC and several other large national  
15 organizations in developing a community strategic  
16 planning tool. And I will leave this with you  
17 because it -- it describes, I think, quite well what  
18 some of us have been trying to talk about. And  
19 that's the community togetherness, the networking of  
20 a public health system in a community and what it  
21 looks like and how you might strategically plan for  
22 public health in a community.

23 Because we really believe that public  
24 health is community health. And public health is  
25 happening at the community level. There are a lot

Gramann Reporting, Ltd. (414) 272-7878

1 of things that can be done at the state level and  
2 national level to enhance that and to assure that  
3 there are systems out there. But where it happens  
4 is in the community. And where it happens is with  
5 people coming together in the community. And we  
6 really want to stress that as you look at how can  
7 you make those dollars work to really improve and  
8 strengthen the health of the people in the state of  
9 Wisconsin. And I really thank you for this  
10 opportunity.

11 THE COMMISSIONER: Thank you. If you want  
12 to bring the materials up now or leave them with --  
13 next I have Dr. Suzanne Matthew.

14 DR. MATTHEW: Thank you for bringing this  
15 important hearing to central Wisconsin. My name is  
16 Suzanne Matthew. I am the executive director of the  
17 Northern Wisconsin Area Health Education Center in  
18 Wausau. Our community-based organization is part of  
19 the Wisconsin AHEC system. And we have worked both  
20 with the University of Wisconsin Medical School and  
21 the Medical College of Wisconsin for the past  
22 seven years. We've also worked with many of the  
23 organizations that have testified today at this  
24 hearing.

25 The NAHEC mission is to improve access to  
Gramann Reporting, Ltd. (414) 272-7878

1 healthcare in northern Wisconsin's underserved  
2 communities. We do this primarily through the  
3 education of present and future healthcare  
4 professionals. We accomplish this by working with  
5 communities to identify local health needs and to  
6 find resources to meet those needs. NAHEC functions  
7 as a conduit or a link between local communities and  
8 the medical schools. This, I believe, is an  
9 excellent example of the Wisconsin idea of extending  
10 the boundaries of the university to all corners of  
11 the state and to all of its residents.

12 The UW Medical School has impacted  
13 northern Wisconsin by working with us and other  
14 AHECs in the state to extend health professional  
15 training programs to rural communities as well as to  
16 urban underserved communities. This has resulted in  
17 more graduates choosing to practice in the  
18 nonprofessional urban or rural environment. It has  
19 created a situation where graduates have been able  
20 to go to communities and to experience the positive  
21 experiences there.

22 AHEC and the medical school have developed  
23 interdisciplinary training programs that involve  
24 students and practitioners in medicine, nursing,  
25 social work, and pharmacy. They all work together

Gramann Reporting, Ltd. (414) 272-7878

1 to deliver community-oriented primary care. Working  
2 as partners, we've also enhanced cultural competence  
3 through academic curriculum and continuing  
4 education.

5 And, finally, the UW Medical School and  
6 the AHECs are improving access to library learning  
7 resources, distance technology, and continuing  
8 education for health professionals through  
9 collaborative activities. The Dean of the  
10 University of Wisconsin Medical School has provided  
11 dynamic leadership for us in our activities. They  
12 have always been positive partners and have allowed  
13 us to remain neutral in all of the activities that  
14 we perform.

15 The end result of this partnership is that  
16 we have been involved in improving health status for  
17 the citizens of our state. In all of the examples  
18 above, the Wisconsin AHEC system has served as a  
19 neutral convener and has worked with many diverse  
20 organizations to work together for a common goal.  
21 We believe that our community-based governance  
22 structure and our neutrality are very important  
23 features that add to our effectiveness.

24 We look forward to working with this new  
25 Public Health Foundation to fulfill the goal of  
Gramann Reporting, Ltd. (414) 272-7878



1 improved public health in the state of Wisconsin.  
2 Thank you for the opportunity to share my thoughts.  
3 And I would be happy to answer any questions.

4 THE COMMISSIONER: Thank you. Next I have  
5 Harland Kirchner.

6 MR. KIRCHNER: Good afternoon. I'm  
7 pleased that you have invited us to come and discuss  
8 a very important issue to healthcare for all of the  
9 state of Wisconsin. And I've just got a few words  
10 to say. My name is Harland Kirchner. And I'm a  
11 long-life resident of Clintonville where I have been  
12 a business owner, a citizen member of various public  
13 and private boards. On the regional basis, I am  
14 currently president of North Wisconsin AHEC and  
15 serve on the Wisconsin AHEC system. And I'm also  
16 president of the Behling Home that purchased the  
17 hospital that went into bankruptcy.

18 One of the things I like to do is I kind  
19 of like ties. And I like to wear a tie that might  
20 be appropriate for the situation that I'm in. And  
21 as I thought about this this morning and looked at  
22 my display of ties, I have a Dr. Seuss tie on. And  
23 the reason I wore that is this is the beginning of  
24 human beings. And from that on, they get to be as  
25 old as I am and older. So I thought it would be

Gramann Reporting, Ltd. (414) 272-7878

1 appropriate to address it from that point of view.

2 THE COMMISSIONER: And I have -- obviously  
3 have a fascination with Dr. Seuss in the upcoming  
4 months. So I appreciate your tie.

5 MR. KIRCHNER: Thank you. As a business  
6 owner and concerned citizen, I'm keenly aware of the  
7 importance that quality accessible healthcare as  
8 well as high-level health status for a small town in  
9 rural Wisconsin. Indeed, it is vital that our  
10 future economic stability and community grows. I  
11 have a strong belief that if we have a healthy  
12 community, that that's an economic boon to our  
13 communities.

14 When our hospital in Clintonville closed  
15 several years ago -- excuse me -- it was a difficult  
16 time for our community. But we regrouped and joined  
17 with the attached nursing home to turn the facility,  
18 now called the Behling Center, into an elderly  
19 assisted-living facility with a medical mall on the  
20 main floor. In the process though, our community  
21 lost healthcare providers.

22 We would like to attract new providers and  
23 are planning to do just that with the help of  
24 Wisconsin AHEC and the UW Medical School. By  
25 working together, we hope to bring health

Gramann Reporting, Ltd. (414) 272-7878

1 professions -- profession students to our area for  
2 training, including a rotation at the Behling Center  
3 for hands-on experience in generic healthcare.

4 By working with the Wisconsin AHEC system  
5 and the medical schools, the Clintonville area has  
6 had improved access to continuing education for  
7 health professionals through distance education.  
8 Our neighboring community of Marion is currently a  
9 research and demonstration site for a  
10 health-improvement project focused on alcohol abuse  
11 prevention. This was made possible through close  
12 collaboration with the Medical College.

13 Within the plan, dated September 29, 1999,  
14 I believe there are two components that we -- will  
15 be particularly responsive to the needs of our rural  
16 communities in our state. One is creation of an  
17 enhanced community and rural health fund; two,  
18 serving the underserved populations of Wisconsin.  
19 Both components rely on strong academic community  
20 partnerships that can facilitate -- be facilitated,  
21 I should say, by AHEC. Partnerships and strong  
22 working relationships take time to develop. And  
23 with AHEC and the University, there is a track  
24 record of successful collaboration. These  
25 collaborations will truly expand the boundaries of  
Gramann Reporting, Ltd. (414) 272-7878

1 the University to every corner of the state and  
2 improve the health of the public.

3 And now I'd like to take out the other  
4 tie, which I think is what I'm going to talk about  
5 next. And that has all these big dollar bills on it  
6 and hundred dollar bills on it. I can't -- if I put  
7 it around my neck, it can't get tied that fast. But  
8 I'll just put it around.

9 I really would hope and believe that a  
10 portion of this wonderful gift that we have received  
11 for the state of Wisconsin be invested in long-term  
12 basis, the residual of which would be available for  
13 community health programs at an annual basis. One  
14 of the problems we face is that as programs are --  
15 are developed and started and we receive funding  
16 from grants from state and federal funding, they go  
17 for a certain period of time and then they die. And  
18 then you have to look for other sources.

19 This would be an excellent source so that  
20 we could complete and -- completely initiate the  
21 kinds of programs that would be long-term in the  
22 small communities in rural Wisconsin.

23 I thank you very much for inviting me to  
24 speak and trust that we might do something about a  
25 different balance on the board of the association or  
Gramann Reporting, Ltd. (414) 272-7878

1 whatever it is that's going to manage this fund.  
2 Thank you, very much.

3 THE COMMISSIONER: Thank you.

4 MR. KIRCHNER: I have a copy.

5 THE COMMISSIONER: Next we have Dr. Mark  
6 Sager.

7 DR. SAGER: I first would like to  
8 compliment the gentleman on his ties. Very nice.  
9 Madam Commissioner, I want to thank you, very much,  
10 for allowing me to talk. My name is Mark Sager.  
11 I'm an associate professor in the Department of  
12 Medicine at the University of Wisconsin Medical  
13 School and director of the Wisconsin Alzheimer's  
14 Institute.

15 I'm here for two reasons. One, I was --  
16 happened to be in the area today. And, second of  
17 all, when I got up this morning, there was an  
18 article that appeared in the Wisconsin State  
19 Journal. And I'll just read it to you.

20 And it says, "Health official hits  
21 Blue Cross plan. Emphasis on research doesn't  
22 reflect public needs," he says. And, of course,  
23 that's referring to -- I don't know how accurate  
24 that is. But it does refer to a letter allegedly  
25 written by Joe Llean concerned about the content of  
Gramann Reporting, Ltd. (414) 272-7878

1 research in the proposals. And I would specifically  
2 like to address that concern as a physician who  
3 spent the majority of my career really in private  
4 practice and as an academic and the director of an  
5 institute at the university.

6 I want to -- my -- my concern is that  
7 research has gotten a dirty word. And I think I  
8 know Joe Leraan well. And I certainly respect him.  
9 But I think his vision is a little shortsighted.  
10 And I'll tell you -- I want to give you a very  
11 real-world example of that. At the present time,  
12 one of the greatest public health challenges  
13 confronting Wisconsin is how to provide quality  
14 long-term care services to the residents of this  
15 state. One of the consequences of an aging society  
16 is that we have an increasing need for long-term  
17 care.

18 Currently, the State of Wisconsin spends  
19 \$2 billion -- the State of Wisconsin and its  
20 taxpayers -- \$2 billion for nursing home care alone.  
21 That does not include community-based long-term  
22 care. Approximately half the people in Wisconsin  
23 nursing homes have a diagnosis of dementia. It's  
24 estimated that another 30 percent are suffering from  
25 a cognitive impairment or related dementia.

Gramann Reporting, Ltd. (414) 272-7878

1 In other words, the largest healthcare  
2 consumer in this state for long-term care are those  
3 people with Alzheimer's disease and related  
4 dementias. This has become an extraordinary concern  
5 for state officials primarily because how are we in  
6 this state going to pay for that extraordinary cost  
7 that's going to accrue over time.

8 The GAO estimates that we're -- that we're  
9 going to be facing a 51 percent increase in the  
10 percentage of persons with Alzheimer's disease over  
11 the next 15 years. That could easily translate into  
12 a nursing home bill for the State of Wisconsin close  
13 to \$6 billion. So concerned are state officials,  
14 including Joe Lekan and the governor, is that they  
15 have spent millions of dollars and many hours of  
16 time developing what's called Family Care.

17 And for those of you who are not familiar  
18 with Family Care, Family Care is an effort to  
19 streamline our long-term care system and include --  
20 and improve efficiency. One way to think about  
21 Family Care is that it's an HMO for long-term care.  
22 Now, I want to ask you a very simple question. If  
23 through research we could find a cure or an  
24 effective treatment for Alzheimer's disease, we know  
25 that we could delay institutionalization and

Gramann Reporting, Ltd. (414) 272-7878

1 substantially lower the cost of long-term care.  
2 It's been estimated that if we could reduce or  
3 shorten the -- or prolong the amount of time that  
4 people live in the community and did not -- or did  
5 not have to go into a nursing home, we could save  
6 this country on average \$2 billion a year, just a  
7 one-month delay in entry into a nursing home.

8 An effective therapy for Alzheimer's  
9 disease gained through research could literally  
10 solve this state's long-term care problem. Would  
11 you rather have -- and I would ask your parents and  
12 I would ask your husband whether they would rather  
13 have a cure for Alzheimer's disease or an effective  
14 therapy or Family Care.

15 The question is also what impact -- what  
16 program would have the greatest impact on the  
17 long-term public health and financial well-being of  
18 the state of Wisconsin, an effective treatment for  
19 Alzheimer's disease or Family Care. I am not here  
20 to argue for research. I'm here to say that it has  
21 a point. There is a place in public health that is  
22 critical, that it is the reason why we had a  
23 25 percent reduction in the mortality from  
24 cardiovascular disease in the 1960s, that one of the  
25 greatest public health problems confronting this

Gramann Reporting, Ltd. (414) 272-7878



1 state currently is the neurodegenerative diseases  
2 like Parkinson's disease and Alzheimer's disease and  
3 that there is an investment that needs to be made on  
4 behalf of public health to solve and use the  
5 resources of a major university, two medical  
6 schools, to help solve them.

7 I want to compliment the woman from  
8 Madison -- I don't remember her name -- who's also a  
9 public health official. I thoroughly agree with her  
10 that we -- public health is to promote health and  
11 wellness. And health and wellness also involves  
12 learning to manage some of the chronic diseases that  
13 confront -- that represent the major challenges  
14 confronting our society.

15 So do I think Blue Cross & Blue Shield  
16 made the right decision? No one will ever know.  
17 But the reality is it is an investment to invest in  
18 two medical schools and the future. And the future  
19 is not a bad place to be when you're thinking about  
20 an aging society and especially some of the terrible  
21 diseases that are confronting our society such as  
22 Alzheimer's disease, cancer, and the massive amounts  
23 of cardiovascular disease that seem to be present in  
24 this country.

25 I want to thank you for allowing me to  
Gramann Reporting, Ltd. (414) 272-7878

1 talk. Glad to answer any questions if you have any.

2 THE COMMISSIONER: Thank you. Next I'll  
3 call Molly Carnes.

4 DR. CARNES: Hello again. I'm Molly  
5 Carnes. I'm a professor of medicine at the  
6 University of Wisconsin Medical School, a physician,  
7 an educator, and a researcher. And I'm also a wife,  
8 a mother, and daughter of an aging parent.

9 I have been spearheading initiatives to  
10 develop academic programs in women's health and  
11 women's health research at the University of  
12 Wisconsin. While these efforts emanate from the  
13 medical school, like women's health they are  
14 interdisciplinary, involving faculty from eight  
15 schools, including nursing, pharmacy, and social  
16 work.

17 I'm here today to express my support of  
18 the proposal to make the state's two medical schools  
19 the recipients of the proceeds from the Blue Cross &  
20 Blue Shield conversion as well as to urge funding to  
21 be earmarked for women's health issues.

22 Women make up 51 percent of the population  
23 of the state of Wisconsin, make more physician  
24 visits, consume more prescription medications, make  
25 the majority of healthcare decisions for their

Gramann Reporting, Ltd. (414) 272-7878

1 families, and constitute an increasingly  
2 well-educated and economically powerful force, both  
3 in the state and in the nation.

4 The voices of women were heard strongly in  
5 the surveys of Wisconsin citizenry. In these  
6 surveys, 89 percent of -- of respondents cited  
7 women's health as a public health problem about  
8 which they were concerned. Furthermore, 84 percent  
9 cited aging as an area about which they were  
10 concerned. Because women age with more disability  
11 than men, live longer, are more likely to be  
12 caregivers of disabled family members, and require  
13 far more home healthcare and nursing home care than  
14 men, any aging issue is also a women's health issue.

15 We are fortunate at the University of  
16 Wisconsin to be one of 17 sites in the nation to  
17 have a national Center of Excellence in women's  
18 health funded by the United States Public Health  
19 Service one year ago. This initiative mandates the  
20 promotion of models of care that are responsive to  
21 the very different needs of all women across the  
22 life span. And it mandates the creation of  
23 partnerships with community organizations around  
24 women's health issues. In response to these  
25 mandates, we have drawn together in a common purpose

Gramann Reporting, Ltd. (414) 272-7878

1 academic leaders who have spent years devoted to  
2 advancing women's health, women's health research,  
3 or curricular reform related to gender-specific  
4 health.

5 We have also spent the past year educating  
6 ourselves on the important women's health issues in  
7 the state and building networks and coalitions among  
8 academic, professional, community, private, and  
9 public groups around issues of women's health.  
10 These partnerships have been formed by doing what  
11 some people say women do best, talking and talking  
12 about women's health issues, researchers talking to  
13 educators, clinicians talking across specialty,  
14 social scientists talking to biologists, professors  
15 talking to politicians, women in the full spectrum  
16 of salaried employment talking to nonsalaried women  
17 who work at home.

18 And we have been doing another thing that  
19 women do well, listening and listening to women's  
20 voices around the state -- married, single,  
21 divorced, grandmothers, adolescent girls, midlife  
22 women, women from diverse cultures and races, Hmong,  
23 Hispanic, African-American, American Indian women,  
24 women with disabilities, women who are poor, women  
25 in nursing homes, women in rural areas who are

Gramann Reporting, Ltd. (414) 272-7878

1 geographically isolated, women who are victims of  
2 partner violence or childhood sexual abuse. Each of  
3 these women are wonderfully unique. And yet all  
4 these women share common concerns about their health  
5 and the health of their families.

6 Activities of the Center of Excellence  
7 show how funding academic leaders through the  
8 medical school translates quickly into improved  
9 health of the entire state. For example, in the  
10 past year, we have established and maintained a  
11 Web site to provide access to information on women  
12 and girls' health.

13 In collaboration with the Wisconsin  
14 Women's Health Foundation, the Center of Excellence  
15 has provided experts from UW to travel around the  
16 state and, in conjunction with local health  
17 professionals, reach women on a one-to-one basis  
18 through the rural health roundtables. We are  
19 consulting with Wisconsin Public Television on  
20 bringing health and wellness information to the  
21 women of Wisconsin.

22 We are represented on the Wisconsin  
23 Migrant Workers Coalition to learn about the health  
24 issues faced by the growing numbers of migrant and  
25 seasonal farm-working women. We have developed a  
Gramann Reporting, Ltd. (414) 272-7878

1 large and diverse advisory committee with broad  
2 racial, ethnic, community, and academic  
3 representation.

4 Through our community outreach program, we  
5 have mentored a parish nurse in grant writing, a  
6 successful proposal to begin an exercise program for  
7 African-American women through the witness project.  
8 Such efforts to empower community leaders are vital  
9 in ensuring that health and wellness efforts become  
10 self-sustaining. Because the infrastructure is in  
11 place and groundwork laid, funding for women's  
12 health from the Blue Cross & Blue Shield conversion  
13 will hit the ground running.

14 In closing, I want to reiterate my support  
15 for the proposal and assure the citizens of  
16 Wisconsin that they will see immediate benefit of  
17 funds earmarked for women's health. Thank you.

18 THE COMMISSIONER: Thank you. Next I have  
19 Dr. Lynn Eggman. This is absolute proof that I have  
20 no bias in calling my speakers, because as a former  
21 patient, as the former Connie Hagen, I would have  
22 called you much earlier if I would have had bias.  
23 Good to see you.

24 DR. EGGMAN: Good to see you too.  
25 Thank you, Commissioner O'Connell, for allowing me  
Gramann Reporting, Ltd. (414) 272-7878

1 to testify here today. My name is Lynn Eggman. I'm  
2 a pediatrician from Rhinelander, Wisconsin, and have  
3 practiced in Rhinelander since 1965. The last two  
4 and a half years, I've been medical director of the  
5 walk-in clinic at the Rhinelander Regional Medical  
6 Group. I received my undergraduate medical  
7 education at the University of Wisconsin and did my  
8 pediatric internship and residency there also.

9 Since 1967, I have been involved in  
10 various capacities in the preceptorship program of  
11 the University of Wisconsin Medical School in  
12 Rhinelander. The preceptorship program is a program  
13 for the fourth-year students where they go out into  
14 medical communities and learn to practice medicine  
15 firsthand as opposed to receiving academic  
16 education. In 1998, I was a recipient of the  
17 Max Fox Preceptorship Teaching Award.

18 I'm here to speak on behalf of the  
19 University of Wisconsin Medical School and the  
20 Medical College of Wisconsin.

21 Approximately two thirds of the physicians  
22 of the state of Wisconsin have been trained at  
23 either of the two colleges. All of the physicians  
24 and other allied medical personnel have access  
25 through the teaching programs of the University of  
Gramann Reporting, Ltd. (414) 272-7878

1 Wisconsin Medical School and the Medical College of  
2 Wisconsin for postgraduate training through  
3 seminars, lectures, and sabbaticals. The schools  
4 are recognized worldwide as being among the leaders  
5 in medical education and research and involvement in  
6 local, state, and health issues.

7 The schools together are in the forefront  
8 for doing comprehensive assessments of state health  
9 needs and have the existing infrastructure to help  
10 address these needs, thereby decreasing the amount  
11 of any funds that might be available that would have  
12 to be used for developing new infrastructures. Both  
13 schools have excellent existing systems for  
14 efficient investment and distribution of these  
15 funds. They continue to be engaged in developing  
16 new and better methods for curing and preventing  
17 disease.

18 I would like to add that all of the, as I  
19 mentioned before, medical personnel -- or allied  
20 medical personnel have access to training programs.  
21 These are not only in the medical centers themselves  
22 but are throughout the state.

23 Both colleges interact statewide with the  
24 communities in various ways. In Rhinelander, as in  
25 many other communities, medical students are trained  
Gramann Reporting, Ltd. (414) 272-7878



1 on a local level through various programs, including  
2 the preceptorship program. Currently, there are  
3 about 30 communities that are involved in the  
4 fourth-year program -- teaching program, the  
5 preceptorship program. But there are over a hundred  
6 communities that are involved at the various levels  
7 of teaching medical students.

8 In addition, the medical schools have  
9 developed and support many community programs  
10 throughout the state. I would like to conclude by  
11 describing one such program in Rhinelander. The  
12 University of Wisconsin Medical School several years  
13 ago developed a memory diagnostic program. This was  
14 centered in Madison. And people and families  
15 interested in having evaluations had to travel to  
16 Madison not only for their primary evaluations, but  
17 for subsequent evaluations.

18 A few years ago, in conjunction with the  
19 Wisconsin Alzheimer's Institute, the University of  
20 Wisconsin Medical School did develop regional  
21 clinics in four to five cities, one of which is in  
22 Rhinelander. Significant funds for the development  
23 and running of these clinics have been contributed,  
24 along with other monies, by the University of  
25 Wisconsin. By that, I mean other sources besides  
Gramann Reporting, Ltd. (414) 272-7878

1 the university.

2 A multidisciplinary team is first  
3 trained -- and this can include physicians,  
4 neuropsychologists, social workers, nurses,  
5 et cetera -- to help assess the memory problems of a  
6 client. The purpose is to identify as early as  
7 possible any memory problems that a patient may  
8 have. This includes early Alzheimer's disease.

9 They are to help the families understand  
10 more about the memory problems and what they can do  
11 to help the patient. They are to -- have -- to  
12 outline the various community services that may be  
13 available to help these families cope with these  
14 problems. And, lastly, they refer back to the  
15 referring physician, the families, with some advice  
16 on how to help take care of this, these problems,  
17 and hopefully delay the necessity for long-term care  
18 in various facilities such as we have recently  
19 heard.

20 Funding for these projects is administered  
21 through the Wisconsin Alzheimer's Institute. In  
22 Rhinelander in the past year, since its inception,  
23 the memory clinic has seen and evaluated  
24 approximately 100 people. Currently, there is a  
25 six- to eight-week waiting list -- or waiting time

Gramann Reporting, Ltd. (414) 272-7878

1 for evaluations. This is an example of one of the  
2 many programs that our two medical schools use to  
3 reach out to the citizens of the state on a local  
4 level.

5 The proposed grants would help further  
6 fund existing programs such as the memory diagnostic  
7 clinics. This would result in the ability of these  
8 existing clinics to serve more people in a more  
9 timely basis. It would also allow the state to  
10 develop further clinics in other areas of the state  
11 and also to develop new programs that would further  
12 help the needs of the residents of the state.

13 I recommend a decision in favor of the  
14 proposal put forth by Blue Cross & Blue Shield  
15 Foundation to designate the University of Wisconsin  
16 Medical School and the Medical College of Wisconsin  
17 as stewards of this fund to help address the  
18 ever-increasing health needs of the citizens of  
19 Wisconsin. Thank you.

20 THE COMMISSIONER: Thank you. Corey  
21 Ladick is next.

22 MR. LADICK: Hi. I'm Corey. And the  
23 reason why I came here today is because I heard that  
24 as you're going public, you are donating some money  
25 to medical research. And I would like to strongly

Gramann Reporting, Ltd. (414) 272-7878

1 urge you to make sure that some of that money goes  
2 to diabetes research. I think a lot of people don't  
3 know what a great toll diabetes takes on our  
4 society.

5 Diabetes afflicts 16 million Americans.  
6 It kills over 180,000 Americans every year. And it  
7 has a direct cost of over 91 billion -- yeah -- over  
8 \$91 billion to the United States. And that is a  
9 direct cost. So that's, you know, like in -- you  
10 know, insurance payments and prescriptions and stuff  
11 like that.

12 In fact, treating diabetes and its  
13 complications accounts for 10 percent of all medical  
14 expenditures in the United States. So that means  
15 that if you would make sure that some of this  
16 research money does get directed toward diabetes  
17 research and we can have -- find a cure or at least  
18 a significant breakthrough to lessen the toll of  
19 diabetes on the United States, your costs as an  
20 insurance company could go down by 10 percent, which  
21 I think would be good for all of us because that is  
22 a significant amount of money that can be saved.

23 So I'll leave this information packet with  
24 you so you can look it over further. There's a lot  
25 of facts in there. But I didn't want to, you know,  
Gramann Reporting, Ltd. (414) 272-7878

1 bore you too much here. But thank you for your  
2 time.

3 THE COMMISSIONER: Thank you. And I  
4 should mention, just so you know, I'm the  
5 Commissioner of Insurance and am considering the  
6 plan from Blue Cross to convert. So I'm not  
7 actually the insurer. Thank you. Next we have Bob  
8 Jaeger, Physicians of Wisconsin. And, again, I  
9 apologize if I'm massacring anybody's names.

10 DR. JAEGER: Actually, that's correct.  
11 Good afternoon. I am a obstetrician/gynecologist  
12 here in Stevens Point, Wisconsin. I do  
13 approximately 175 to 200 deliveries a year, 200  
14 major surgeries, another 400 minor surgeries, see  
15 approximately 120 patients a week in the clinic.  
16 And, in fact, I just came from the clinic two blocks  
17 away. The -- and I must say at the outset that I am  
18 much more comfortable in the operating room or the  
19 delivery suite than I am sitting in this chair.

20 I am a member of the Wisconsin Delegation  
21 to the American Medical Association. And I sit on  
22 the board of directors of the State Medical Society.  
23 I am the past president of the state OB/GYN society  
24 and currently am treasurer for District 6 of the  
25 American College of Obstetrics and Gynecology. I am  
Gramann Reporting, Ltd. (414) 272-7878

1 an assistant clinical professor of obstetrics and  
2 gynecology with the Medical College of Wisconsin.  
3 And I am the current president of the Medical Alumni  
4 Association of the University of Wisconsin. All  
5 that and a quarter won't get you a cup of coffee  
6 downstairs. The reason I mention it is that I do  
7 have a passing knowledge of the healthcare in  
8 Wisconsin from a physician's perspective.

9 I come to you then as an unbiased observer  
10 to commend you -- to commend you for your  
11 consideration of the two premiere medical schools in  
12 the state as stewards of the proceeds from the Blue  
13 Cross Blue Shield stock sale. As the centers of  
14 excellence in medical education, medical research,  
15 clinical care, and community service, these two  
16 institutions are uniquely qualified to guide the  
17 productive use of this landmark resource. They  
18 already possess the professional and community  
19 partnerships to which identify and practice  
20 healthcare needs for -- prioritize, I'm sorry --  
21 prioritize healthcare needs for Wisconsin citizens  
22 and the expertise to expediently develop programs  
23 without the loss of funds through the creation of  
24 additional bureaucracies.

25 Most of Wisconsin's physicians were  
Gramann Reporting, Ltd. (414) 272-7878

1 trained by our two medical schools. And that  
2 includes me. I graduated from the University of  
3 Wisconsin-Madison in the medical school. And I did  
4 my residency and internship at the Medical College  
5 of Wisconsin. All of us rely on them for continuing  
6 education as well as state-of-the-art referral  
7 centers for patients with difficult problems.

8 From a very broad perspective, Wisconsin  
9 ranks 47th lowest in the nation in annual Medicare  
10 expense per beneficiary. We're 44th lowest in  
11 Cesarean section rate, 34th lowest in health  
12 insurance rates. Only 7 percent of Wisconsinites  
13 are not covered by Medicare, Medicaid, private  
14 insurance, or BadgerCare. Only 4.1 percent of  
15 Wisconsin Medicaid dollar goes to pay physicians.  
16 Wisconsin ranks near the highest in the nation  
17 repeatedly in the longitude of its residents as well  
18 as independently ranked studies ranking us in the  
19 top five healthiest states in the nation to live in.  
20 And this didn't all happen by accident.

21 44 percent of the University of  
22 Wisconsin-Madison graduates, and I suspect a similar  
23 proportion of the MCOW graduates, stay in practice  
24 in Wisconsin, forming a healthcare community that --  
25 that provides high-quality accessible and

Gramann Reporting, Ltd. (414) 272-7878

1 cost-effective care to all of our residents. We  
2 have a large stake in maintaining the superb system  
3 we've already begun in this state.

4 The University provides weekly  
5 teleconference lecture series to the various  
6 hospitals throughout the state. And this hospital  
7 is available on Thursday mornings through the  
8 library. We also receive lectures from the  
9 University of Wisconsin faculty giving grand rounds.  
10 And when somebody from Madison comes to talk about  
11 hypertension or the judicious use of antibiotics,  
12 that impacts the welfare of every patient in Portage  
13 County and -- and perhaps even further beyond that  
14 as they travel beyond the -- around the state.

15 Student rotations through various services  
16 keep us all on our toes. The family practice  
17 residency in Wausau provides -- sponsored, in part,  
18 by the University of Wisconsin-Madison -- provides a  
19 steady stream of primary care providers for this  
20 whole area of the state. The enhancement and  
21 expansion of these programs which could be made  
22 possible by the Blue Cross Blue Shield gift will  
23 benefit all of us in the state.

24 But a lot remains to be done. In my own  
25 area of interest, women's healthcare, many essential  
Gramann Reporting, Ltd. (414) 272-7878



1 research studies are needed. Women get more  
2 non-insulin-dependent diabetes melitis than men.  
3 They constitute 75 percent of those afflicted with  
4 the autoimmune diseases: Lupus, rheumatoid  
5 arthritis, scleroderma, and multiple sclerosis.  
6 Women have a higher rate of osteoporotic fractures.  
7 They develop alcoholic liver diseases at a much  
8 lower exposure to alcohol. They progress from HIV  
9 infection to AIDS at a much lower viral load, making  
10 them more susceptible to the disease.

11 Women are twice as likely to develop  
12 gallstones. Women have a higher mortality rate from  
13 myocardial infarction than men. Women have a  
14 greater incidence of major bleeding with  
15 thrombolytic therapy. Women who smoke are more  
16 likely to develop lung cancer than men. And if they  
17 do, it's more likely to be ones that are difficult  
18 to treat such as small cell cancer or  
19 adenocarcinoma.

20 Women are twice as lucky to -- likely to  
21 suffer from depression and three times as lucky --  
22 likely to suffer from anxiety disorders as well as  
23 anorexia nervosa and bulimia. Women have a far  
24 greater risk of drug-induced arrhythmias and are  
25 more susceptible to epileptic seizures and are more

Gramann Reporting, Ltd. (414) 272-7878

1 sensitive to opioid analgesics. We need to  
2 understand the etiology of these gender-based  
3 differences.

4 The Blue Cross Blue Shield gift will  
5 enhance studies in these areas as well as furthering  
6 the women's health initiative, which you've already  
7 heard about, which is currently in progress. The  
8 careful investment of the bulk of these funds in an  
9 endowment for future needs is a very compelling  
10 part, I believe, of the Medical School's plan, as  
11 are plans to invest in research in urban and rural  
12 health. And I'm ecstatic about the possibility of  
13 periodic revision of priorities as things continue  
14 to change.

15 Two very important priorities have already  
16 been achieved by this gift. The first is, I think,  
17 the most complete assessment to date of the state's  
18 healthcare needs has been undertaken. And we've  
19 identified problem areas that all of us will be able  
20 to direct our efforts in, both in organized medicine  
21 and through the medical schools. And possibly even  
22 as important, there's been established a much closer  
23 collaboration between the two medical schools, a  
24 collaboration which needs to exist if we are to  
25 progress productively into the next millennium.

Gramann Reporting, Ltd. (414) 272-7878

1 I'm sure there are many areas this  
2 generous gift could be put to use for temporary  
3 benefit. But the long-term investment in research  
4 leading to treatment and hopefully ultimately to  
5 prevention of disease can best be accomplished by  
6 the state's two medical schools whose commitment to  
7 these goals is unchallenged and unparalleled.  
8 Thank you.

9 THE COMMISSIONER: Thank you. If anyone  
10 has registered to speak and missed having their name  
11 called or I haven't called their name, please let me  
12 know. Our next speaker is Phyllis Devlin -- who we  
13 will let you take off your coat.

14 MS. DEVLIN: Hi. I'm Phyllis Devlin. I'm  
15 director of St. Michael's Foundation, which is the  
16 foundation for St. Michael's Hospital, the local  
17 hospital here in Stevens Point. And I apologize. I  
18 just kind of came in, so I didn't realize I'd be  
19 speaking right away. So I apologize. I haven't  
20 heard earlier testimony. And hopefully I won't be  
21 repetitive, something that you had heard earlier  
22 today.

23 But, primarily, in the information that I  
24 have reviewed to date -- and I did attend the  
25 hearing that was held at the Holiday Inn earlier  
Gramann Reporting, Ltd. (414) 272-7878

1 this summer. Excuse me. Primarily, two of the  
2 points, I guess, that we wanted to emphasize as  
3 someone who's involved in funding community outreach  
4 and education initiatives for our community is, one,  
5 our hope is that the funding that would become  
6 available is, in fact, looked at long term in some  
7 kind of endowment type of mechanism.

8 We hope that there's some kind of ongoing  
9 support that would be available as opposed to the  
10 funding being available just kind of as a one-time  
11 opportunity.

12 And, secondly, we hope that there would be  
13 some kind of involvement or some kind of link to  
14 local entities such as ours. We are kind of what  
15 you might say here in the trenches, so to speak, as  
16 far as knowing what healthcare needs there are in  
17 our local community. Our foundation is a little  
18 different possibly from a lot of other hospital  
19 foundations in that we get involved only in funding  
20 community outreach and education initiatives. We do  
21 not get involved in funding capital expenditures for  
22 our hospital.

23 And so as a result of that -- for example,  
24 St. Michael's Hospital has a community mission  
25 coordinator on staff. We're constantly assessing  
Gramann Reporting, Ltd. (414) 272-7878

1 the needs of the community and what those healthcare  
2 needs are beyond the four walls of our facility.  
3 And so we would hope that there would be some  
4 emphasis on community outreach, community education,  
5 community health, community wellness, whatever you  
6 wish to call it, and that there would be a mechanism  
7 in place that would help us do some of the  
8 initiatives that we're currently doing in that arena  
9 and that there would be a way that we would have  
10 some input into what those -- what those needs are.

11 I think it's very admirable what is being  
12 planned by Blue Cross Blue Shield. They have a  
13 regional office here in Stevens Point. So I don't  
14 mean to imply that they aren't too aware of some of  
15 our concerns here in the community, but I think the  
16 interest particularly of a community such as ours in  
17 Stevens Point that is different from a larger urban  
18 area. We would hope that there would be mechanism  
19 and ways that we could not only tap into the  
20 resources that would become available with this  
21 funding, but also that we could have some input into  
22 how the -- how -- how the funding is used and what  
23 the needs are for an area such as ours.

24 THE COMMISSIONER: Thank you.

25 MS. DEVLIN: Thanks.

Gramann Reporting, Ltd. (414) 272-7878

1 THE COMMISSIONER: Do we have any other  
2 speakers in the audience? We are going to keep the  
3 hearing open until the published 4:00 p.m. time in  
4 case anyone else arrives. So we will wait. But we  
5 might as well take a break since we don't have  
6 anybody at this time.

7 (Brief recess taken.)

8 THE COMMISSIONER: Okay. I'll officially  
9 close the hearing. I want to mention that written  
10 comments on the application for conversion may be  
11 submitted for the record until 5:00 p.m. on  
12 December 13, 1999. Comments may be sent to -- the  
13 address is Blue Cross Conversion Comments, Office of  
14 the Commissioner of Insurance, P.O. Box 7873,  
15 Madison, Wisconsin, 53707-7873.

16 In the near future, the appraisal  
17 committee and OCI staff will be making  
18 recommendations to me as Commissioner regarding the  
19 application for conversion. These recommendations  
20 when completed will be made available on OCI's  
21 Web site and to the public for review. There will  
22 be an opportunity to comment -- the period of time  
23 is yet to be determined -- prior to the rendering of  
24 a decision on the application for conversion.

25 This concludes the Section 601.62,  
Gramann Reporting, Ltd. (414) 272-7878

BCBS Conversion Public Hearing, 11/30/99 231  
611.76 (6), and 613.75 of the Wisconsin Statutes  
informational hearings regarding the Blue Cross &  
Blue Shield United of Wisconsin's application for  
conversion. We are closing the hearing at 4:00 p.m.  
(Proceedings concluded at 4:00 p.m.)

\* \* \* \* \*

Gramann Reporting, Ltd. (414) 272-7878

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

1

1 STATE OF WISCONSIN )  
 ) SS.  
2 COUNTY OF MILWAUKEE )

3 I, Bobbi Peterson, a Registered  
4 Professional Reporter and Notary Public in and for  
5 the State of Wisconsin, do hereby certify that the  
6 foregoing proceedings were recorded by me and  
7 reduced to writing under my personal direction.

8 I further certify that said proceedings  
9 were taken at University Center, 1015 Reserve  
10 Street, University of Wisconsin-Stevens Point,  
11 Stevens Point, Wisconsin, on the 30th day of  
12 November, 1999, commencing at 10:00 a.m.

13 I further certify that I am not a relative  
14 or employee or attorney or counsel of any of the  
15 parties, or a relative or employee of such attorney  
16 or counsel, or financially interested directly or  
17 indirectly in this action.

18 In witness whereof I have hereunto set my  
19 hand and affixed my seal of office at Milwaukee,  
20 Wisconsin, this 7th day of December, 1999.  
21  
22

23 BOBBI PETERSON - Notary Public  
24 In and For the State of Wisconsin

25 My commission expires September 8, 2002.

Gramann Reporting, Ltd. (414) 272-7878



