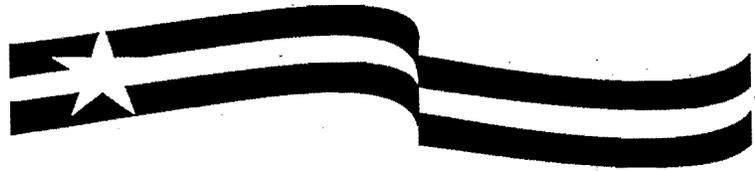


# WISCONSIN CITIZEN ACTION



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## MEMORANDUM

To: Jorge Gomez, Commissioner of Insurance and Randy Blumer, Deputy Commissioner  
From: Darcy Haber, Health Care Director, WCA (608) 256-1250 x 16; [dhaber@wi-citizenaction.org](mailto:dhaber@wi-citizenaction.org)  
Re: Our comments on MCW and UW Medical School Five Year Plans for BC/BS Conversion Funds  
Date: May 9, 2003

**“The conversion funds are best viewed as public capital charged with a particular purpose.” OCI Order, p.15.**

### Summary

Once again, we would like to express our appreciation for the interest and action your office took to ensure that none of the Blue Cross/Blue Shield conversion funds were spent on a new medical school building.

We have reviewed the revised plans of both schools and have concluded that, although there is no longer a “smoking gun” like the medical school building, both plans violate both the letter and the spirit of the Insurance Commissioner’s order. While the Medical College of Wisconsin is now the more obvious violator, both plans engage in self-dealing and use conversion funds to supplant existing and potential medical school funding sources.

We believe the Wisconsin United for Health Foundation will be meeting sometime during the week of May 19<sup>th</sup> to give final approval to both plans. If they grant approval, our understanding is that the funds can be released at that time. Thus, the best time to intervene would be before WUHF meets.

We believe OCI should strongly consider revising the make-up of the oversight and advisory committees to remove the undue influence of the medical school, since both schools have aptly illustrated the conflict of interest with which they are faced.

### Problems with MCW's Plan:

There are many critical problems with the final plan submitted by MCW. We would like to call your attention to the problems that specifically violate the Insurance Commissioner's order.

1. The violation that is most obvious, and should be easiest to correct concerns the supplanting clause included in the MCW Consortium's plan. The plan includes a provision to prevent supplanting stating, "the funds will not supplant federal, state or local government appropriations, or internal MCW non-grant funds." (page 28: Section IX: Funds Management, Sub Section B)

However, the Insurance Commissioner's order requires that "the application of the funds will not supplant other resources that may be available to accomplish the same purpose." Moreover, the medical school is required, for each proposal approved, and for each program funded, to make a written determination affirming that no such supplanting is occurring. (OCI Order, p.30.)

Clearly the wording in the MCW Consortium's plan does not meet the requirements of the Insurance Commissioner's order and must be revised to match the order.

2. The Research & Education Section details a plan which would spend these fund dollars on MCW budget priorities, thereby violating not only the supplanting clause, but also the purpose of this fund. There are many proposals in the plan to spend the funds in a way that will only benefit the MCW, and never make an impact throughout the state.

The problematic proposals, found under sub-section 3: "Education Priorities," include areas such as faculty development, medical college curriculum development and library services. Such spending may be needed to run a medical school, but these are areas that should be funded directly by the school's budget and *not* from monies designated for statewide, public health. To do otherwise violates the supplanting clause in the order.

3. The plan states that "funds to support staffing, administration and operating budget for the Consortium will be paid from the 35% allocation for public health and public health community-based initiatives." However, using funding from the lesser 35% that is required to go towards public health seems not only irresponsible, but also unjustifiable. If administrative costs and the like will come from this fund, then it is only right to take evenly, or on a pro-rated basis from each section.

An appropriate model with language addressing this issue is the UW Med School's plan. From page 32: "As permitted by the Insurance Commissioner's Order, the costs of program administration, including staffing, office and program expenses, will be charged to both the population health fund and the medical education and research fund. The allocation of expenses will be 35% and 65%, respectively. This allocation may change depending on the administrative efforts required after the plan is implemented..."

Finally, the background section of the final plan contains misleading information that supports a questionable theme that seems to influence the plan as a whole. This section refers to the funds from the conversion of BlueCross/BlueShield as "a gift" and claims to be a "beneficar[y] of the

new foundation.” However these funds are in no way a gift; the state’s two medical schools were entrusted with the responsibility of overseeing the funds: they are not, technically speaking, the recipients of these funds.

The idea that these funds were a gift directly to the MCW is seen throughout the plan, which is incredibly and dangerously self-serving and incongruent with the Insurance Commissioner’s order. This section must be revised to include the correct explanation for the formation of the fund and its purpose.

**Problems with the UW Medical School Plan:**

Despite revisions made in the draft presented by the UW Medical School OAC, there are still some components of the plan which stand to make the BlueCross/BlueShield funds less effectual and noncompliant with the Insurance Commissioner’s Order.

1. Pages 14-15 of the plan detail a plan to grant at least 51% (with a goal of two-thirds) of the 35% public health funds for community-academic partnerships. While this is certainly a step in the right direction, and an excellent use of the monies, the OAC is planning to require “an actively engaged UW Medical School faculty and/or academic staff partner” on each and every partnership. Of course, such a partnership will divert a significant percentage of each “community grant” right back to the medical school. While faculty involvement may be helpful in certain circumstances, making it a requirement is not appropriate, and is, indeed, very self-serving to the UW Medical School.

2. Page 16 describes three initiatives that will receive funding from the plan: Center for Urban Population Health, Native American Health Research, and Community-Based Public Health Education and Training. We do not in anyway want to diminish the importance of these programs, however, it is troubling that these “pet projects” of the medical school are automatically granted funding while community groups not associated with the medical school must apply independently for the funding. Again, we believe this illustrates the medical school’s attempts to serve its on interests and agendas over the interests of the state of Wisconsin.

Moreover, is inappropriate to designate monies from the 35% of OAC’s plan for these causes. These areas are all centered around research and education, and thus can and should be moved to the 65% of the plan. It is irresponsible to take the scarce funds designated for community-based public health initiatives, when the 65% designated for research and education, is directly in line with the goals of these centers.

Finally, as with all initiatives under this plan, the medical school is required, for each of these programs, to make a written determination that the application of the funds will not supplant other resources that may be available to accomplish the same purpose and file the written determination with the Oversight and Advisory Committee. (Order, p.30.) No such written determinations have been included as an appendix to the plan.

3. The plan proposes to fund "Population Health Fellows." This initiative may be very helpful to the communities where these fellows work. However, the plan does not specify that these fellows will be required to work in the state of Wisconsin, nor for how long. This requirement should be included in the plan, for several reasons. One, its inclusion is logical and not merely cosmetic. Two, it will necessitate the requirement and disallow any fellows who are not looking to work in the state of Wisconsin during their fellowship. This is important because discussions during the OAC meetings indicated that not all OAC members do feel that this requirement is necessary. It must be clear from the beginning that working within Wisconsin during the duration of the fellowship - at minimum, will be a requirement, because money from this fund is meant to help Wisconsin residents and this will help ensure that they do not leak away from this mission.