

and Mr. Daly at the Forum, State Hospital, which...

## Blue Cross Payments Assailed By Both Hospitals and Clients

By DAVID BIRD

Blue Cross and Blue Shield of Greater New York, which pays hospitals in the metropolitan area almost \$1-billion a year, was charged at a State Health Department hearing yesterday with wasting subscribers' money by being too generous with hospitals and with endangering quality health care by not being generous enough.

The charge of overgenerosity came from the New York City Central Labor Council, whose members are covered by Blue Cross plans through union contracts.

Representatives of hospitals said there was a lack of generosity.

The hearing was on the formula that Blue Cross is to use in the coming year to reimburse hospitals for the services they provide to the insurance plan's nine million members.

### Outpace Living Costs

The Labor Council argued that hospital costs, which have been rising faster than the general cost of living, should be tied more closely to the general level of price changes to force hospitals to operate efficiently.

Donald Rubin, executive secretary of the council's hospital and medical care committee, testified "that in light of the fiscal difficulties facing the city, the inflationary spiral in hospital costs must be contained. . . . Increases in hospital costs must not be greater than increases in the general economy."

Representatives of hospitals said that their situation was unique and that they had to be adequately compensated or they would not be able to provide quality medical care.

Sister Evelyn M. Schneider, president of the Greater New York Hospital Association, questioned whether Blue Cross should be able to withhold payments if it determined services or facilities were being inefficiently used.

"A fundamental question exists," she said, "whether [Blue Cross] has the authority to act as a health planning agency."

In 1969 the State Legislature passed regulations requiring that payments for hospital service be "reasonably related to the costs of efficient production of such service."

In line with the state's new directive, Blue Cross retained Dr. Michael Gort of the State University of New York at Buffalo to develop a hospital price index that would tie payments to the hospitals at least partly to costs in the general economy.

Hospitals balked at the idea of using Dr. Gort's hospital index to compute their 1976 rates, insisting on using their actual costs to determine the rates they are paid.

In the rate formula finally proposed by Blue Cross, the index is only partially used and there is a heavy reliance on actual hospital operating costs.

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