[redacted]
Tempe, AZ 85282
August 21, 1993

Mr. Brian Lamb
C-SPAN
400 N. Capitol Street, NW
Suite 650
Washington, DC 20001

Dear Mr. Lamb:

I watched your recent interview with Ross Perot with interest and pleasure. I feel that it was fair and informative. Before Ross came on the political scene I had never ever written to a senator or a legislator. I felt like it was hopeless. Now I write, call and FAX and try to stay informed for the sake of this country and my kids. I really appreciate C-SPAN.

As an aside because of Ross I became politically active when the State of Arizona gave us a new health insurance plan that was benefitting the insurance company and its lobbyist and NOT the state employees. We organized letter writing campaigns, petitions and spent incredible hours with the legislators. It is still ongoing but we had the legislature pass a bill establishing an oversight committee for health insurance and the DOI is presently investigating the company. We are still fighting and national media have expressed interest in what is happening here.

Thanks again for having Ross on.

Sincerely,

[redacted]

Encl. about some of our problems.

I sent this to every AZ legislator!

DRAFT

GOVERNOR SETS FOX TO GUARD CHICKENS — DUTIES TO START BEFORE DAWN
FOX TO PLEDGE VEGETARIAN DIET

Governor Symington has nominated to be Director of the Department of Insurance (DOI), an officer of Intergroup Healthcare Corporation (IGHC), a company currently under investigation by the DOI. The nominee will serve as Deputy Director starting September 7, before the "market conduct examination" of his company is completed, and become Director next January. Although ARS 20-141 specifies "The director shall be a person well versed in insurance matters...," the nominee's experience in insurance is limited to a single year in "marketing and corporate relations."

The current health care contract with IGHC has led to widespread complaints by state employees. The Department of Administration (DOA) failed to enforce contract requirements on IGHC and repeatedly denied there were serious problems. (In a survey, commissioned by IGHC, state employees gave a 50% "UNFAVORABLE" rating to the IGHC *Interflex* plan citing "long waits for appointments, inadequate care and slow payment of claims.") Required reports were not submitted in a timely fashion and were not requested by DOA. IGHC acknowledged to a legislator in April that they were not in compliance with the contract. In May 1993, the DOA Benefits Administrator resigned. Despite poor performance and chaotic record keeping, with the state as its largest single customer, IGHC's profits have soared.

Last spring more than 2,800 state employees signed a petition protesting inadequate health care and requesting better health care options. (Employees even complained of life-threatening illness not being treated.) After hundreds of letters and telephone calls, extensive press coverage and 2,800 petition signatures the legislature established an oversight committee to monitor the award of future health care contracts by the DOA. In May 1993, in response to the numerous complaints about IGHC the DOI ordered a "market conduct examination" of that company.

The history of the present state contract begins in March 1992. On March 19, a letter suggesting how a Request for Proposal (RFP) could be structured was received in the Governor's office from a lobbyist "On behalf of Intergroup." This was forwarded to the Department of Administration (DOA) Procurement Office the next day. On March 31 the DOA issued an RFP that departed dramatically from past practices and which adhered closely to most of the suggestions of the IGHC lobbyist. In particular it permitted the contract to violate ARS 38-651, which states "Any indemnity health insurance ... plan designated as a qualifying plan by the DOA must be open for enrollment to all permanent full-time state employees." According to a memo sent by DOA Director Elliot Hibbs to state employees, a bid from CIGNA (for a lower total amount) was rejected specifically to allow IGHC to continue insuring state employees. Experience was supposedly a major criterion (45%) in the award. Although IGHC had only one year of troubled experience running their *Interflex* program on a very small scale, they were awarded a contract for it. On June 25, 1992, shortly after the state accepted the contracts with IGHC, Chris Herstam, the current nominee for Director of DOI, resigned as the Governor's Chief of Staff. During the first week the contracts were in effect Mr. Herstam was appointed Vice-President for Marketing at IGHC. His year in this post is his only professional insurance experience.

A DOI spokesperson has said Mr. Herstam is expected to recuse himself from decisions directly involving the market conduct examination of IGHC but that, since Mr. Herstam is not a lawyer, he would not be held to the more stringent standards for conflict of interest which lawyers must observe. Even if Mr. Herstam recuses himself, those conducting the present investigation can look forward to being evaluated by him in the future. Moreover, he can scarcely recuse himself from supervising IGHC's competitors. There is, at the very least, an *appearance* of conflict of interest in this appointment.

This fox may be a vegetarian, but us chickens don't want to depend on it!

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Tempe, AZ 85282

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