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Consumer News

Melissa A. Murphy

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FCC attempts to cut cable prices again

A year and half ago, Congress vowed to cut cable television prices by passing the Cable Television Consumer Protection and Competition Act. But instead of instituting the promised 10 percent unilateral rate reduction, many cable companies raised rates by as much as 33 percent. In response to consumer and Congressional criticism, the Federal Communications Commission (FCC) has tried again to force cable companies to lower their rates.

The FCC unanimously approved an additional seven percent price roll back for cable rates last winter. When added to the original 10 percent reduction, cable rates could fall as much as 17 percent from those charged before the Cable Act passed in October 1992. The new regulations went into effect on May 15, but cable companies could take advantage of a 60–day deferral period, making the deadline July 15. According to FCC Chairman Reed Hundt, "It's one of the greatest consumer savings in the history of American business regulation."

While the FCC chairman is optimistic about the effect of the new regulations, newspaper surveys in New York and Arizona show that the typical cable subscriber's bill may not change at all as a result of the regulations.

"The kind of rate decreases that the Federal Communications Commission has been talking about are as fictional as the Disney Channel," said Richard Kessel, head of the New York State Consumer Protection Board.

Predictably, cable operators have characterized the new rules as everything from "arbitrary" and "unfair" to "probably unconstitutional." The industry argues that a rate cut would hurt smaller, regional cable operators, and that strict regulations may jeopardize investments in new communications technology such as the much–hyped national information superhighway.

Although he voted for the new rules, FCC commissioner Andrew Barrett said he disagreed with much of the FCC's new regulations. "We may have caused small entrepreneurs to go out of business as a direct result of government regulation," he said. "We may have completely foreclosed on the growth of cable television." While the larger cable operators can withstand a rate cut, Barrett said it would be difficult for smaller operations to continue under the new regulations.

The new FCC rules have already been blamed for the collapse of two multi–billion dollar mergers between cable and telephone companies that were intended to develop advanced networks. Plans for a merger were disrupted when Atlanta–based phone company Southwestern Bell and cable operator Cox Enterprises backed out of the $4.9 billion merger because of the new FCC rules. Similarly, TCI and Bell Atlantic Corp. both blamed the FCC for the collapse of their proposed merger.

But Commissioner Quello called the FCC's action a "reasoned approach." He believes the rate reduction, which could cost the cable industry $2 billion, will not harm the industry's ability to invest in new services. Also, Quello felt that consumers would be "better served by the additional reduction."

Many consumers feel the FCC cable regulations are justified. Most cable operators enjoy exclusive franchises and have been free to raise prices for years. Since the government deregulated the cable industry in 1986, cable rates have risen at double the rate of inflation. ■

New health–care plan in Oregon implements health–care rationing

On February 1, the Oregon Health Plan went into effect, and with it, the first explicit health care rationing in the nation's history. Under the plan, the state will extend health–care coverage to Medicaid recipients and the uninsured working poor by rationing medical services on a cost–benefit basis.

The Oregon plan, the result of a ten–year effort of community involvement led by Oregon Health Decisions, a non–partisan citizen organization, pays for treatment for 565 specific medical conditions out of a list of 696 conditions normally insured by Medicaid, the federal–state medical assistance program for the poor. The reduced list of covered services will apply to the 257,000 people who were previously on Medicaid in Oregon, as well as those who were uninsured. The plan does not affect those people covered by private insurance or health maintenance organizations.

The medical conditions included on the list of 565 include most major diseases, prescriptions, and dental care. The plan does not, however, pay for the treatment of illnesses that get better on their own, such as the common cold, or illnesses for which there is no useful treatment, such as end–stage AIDS. The plan also operates on a managed–care system, which means that a primary care doctor will coordinate care and thus prevent patients from going to expensive and inefficient emergency rooms for basic medical treatments.

Consumer News is prepared by the News Editor, Melissa A. Murphy. A limited list of materials used in preparing the stories appearing here is available for a $5 compilation charge. Please be specific (include volume number, issue number, and story title) when ordering. Send requests to: News Editor, *Loyola Consumer Law Reporter*, One East Pearson Street, Chicago, Illinois 60611.

The plan has been approved by the federal government, which pays about two–thirds of the costs over and above the cost of the old Oregon Medicaid program. However, the plan has only been approved as a five–year demonstration project. Key members of the Clinton administration and of Congress have made it clear that they had strong reservations about such approval. For example, testifying in Congress in 1991, Vice President Gore, then a senator from Tennessee, called federal approval of the Oregon plan a "tragic choice and a horrible mistake."

Regardless of such reservations, however, Oregon residents who qualify have been signing up for the program in droves. The state had expected to enroll 13,100 people by the end of March. By the middle of February, however, only two weeks after the program officially began operation, 46,000 phone calls had been logged into an information hotline and nearly 25,000 applications had been mailed. "I think what we're seeing is that people will gladly trade off procedure number 566 for the coverage," said Jean Thorpe, director of the state's Office of Medical Assistance.

Even with all the uncertainties surrounding it, however, Oregon residents seem willing to take their chances on something new. According to Carolyn Auger, an employee of HealthChoice Inc., the company hired by the state to operate its information hotline, "I think most people are just concerned about being able to go to the doctor, or having their teeth cleaned. They're not concerned about what it will cover or won't. They just want to get in."

If the high enrollment level continues, the state could be faced with difficult decisions. The state plans to spend an additional $141 million on the plan through June, 1995, and another $225 million in the following two years. The federal government will reimburse the state for 62 percent of those costs.

Under the law implementing the plan, the state cannot turn down anyone who qualifies, which means any Medicaid recipient or anyone without other health insurance. The state is also prohibited from reducing payments to the 20 managed-care medical plans and three dental plans that have contracts with the state to provide services through networks of doctors and hospitals. Payments to doctors have also been increased above levels in the old Medicaid program.

If funds become inadequate to pay for the plan's services, the state faces a number of options. These options include cutting other state programs, using funds in an emergency reserve, or seeking approval from the U.S. Department of Health and Human Services to further reduce the number of covered services. "The Achilles' heel is what happens when you bump up against the revenue ceiling," said Oregon Congressman Ron Weyden, who worked to get Congress and the Clinton administration to go along with the plan.

The state could also face problems with the plan if it is not able to make Oregon businesses pay for the next stage. In 1997, all Oregon business are to begin contributing toward health insurance policies for all of their workers. These funds, as well as contributions from the employees themselves, would pay for coverage of the remainder of Oregon's 479,000 uninsured residents.

The state legislature has already moved back the effective date of the employer mandate twice, and business opposition continues to grow. National business groups, such as the Business Roundtable and the National Federation of Independent Businesses, will also have an opportunity to attack the plan because Congress would have to pass legislation allowing Oregon to require employer contributions.

Announcements

Avoid borrowing from 401(k) plans

Many people in a cash bind consider borrowing money from their 401(k) plans. Doing so, however, can often lead to unexpected tax problems.

Generally, a 401(k) holder can borrow up to 50 percent of the vested 401(k) balance. The borrower then repays the amount with interest. Although this procedure sounds fine, there are two problems which often arise as a result:

• If the borrower does not repay the loan within five years, the IRS views the outstanding balance as a withdrawal. In addition to immediate taxes, the borrower would also owe a 10.5 percent penalty if under age 59 and a half.

• If the borrower quits her job before repayment, the borrower's employer could probably demand full repayment at the quitting time.

Keep your home–business neighborly

If you run a business out of your home, you must get along with your neighbors, especially if you belong to a homeowners' association. A neighbor's complaint can prompt the association or zoning board to try to shut down your home–based business.

How can you protect your business from attack? Check local licensing and zoning rules. Also, study your homeowners' association documents. They may spell out the conditions for allowable businesses. But "no home business" creates a gray area, because the board of directors defines "home business" themselves.