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Smoking Out Cigarette Merchandise

Cigarette makers who are supplying customers with promotional merchandise bearing the image of Joe Camel and other product advertisements are the object of recent criticism by anti-tobacco activists, legislators, and health care officials. These groups charge that such promotional items exploit a loophole in the federal law that requires health warning labels on tobacco product advertisements. In addition, they argue that such merchandise encourages children and teenagers to begin smoking.

Cigarette companies deny that they are trying to circumvent federal health regulations requiring warning labels. However, millions of marketing dollars are being spent on non-labeled merchandise that advertises cigarettes. In 1990 alone, cigarette manufacturers spent \$307 million on promotional items. Such spending is estimated to reach \$600 million this year.

Democratic Congressman Henry Waxman of California plans to introduce legislation to restrict promotional campaigns for cigarettes in much the same way as they have been restricted for chewing tobacco. The Federal Trade Commission has recently proposed that the makers of chewing tobacco be required to add warning labels to product labels painted on company-sponsored race cars. Race cars sponsored by chewing tobacco companies are no longer exempted from carrying such warnings, while race cars bearing cigarette

company logos are still exempted from the requirement.

Critics of cigarette-oriented promotional items also charge that the merchandise is designed to encourage children and teenagers to start smoking. To support their contentions, critics point to a 1991 study published in the *Journal of the American Medical Association*. This study found that more than half the children aged three to six in one survey were able to match the Joe Camel logo with a photo of a cigarette. It also found that six-year-olds were almost as familiar with Joe Camel as they were with Mickey Mouse.

According to epidemiologist Dana Shelton of the national Centers for Disease Control and Prevention's Office on Smoking and Health in Atlanta, and Stanton Glantz, professor of medicine at the University of California at San Francisco, few people take up smoking after age 18, so cigarette companies need to attract teenage smokers. They charge that advertising for the two brands that dominate the teenage market -- Marlboro and Camel -- particularly appeals to teenagers, and the use of related merchandise is aimed at teenagers.

"The peer pressure is manufactured by the cigarette companies," said Glantz. "They have to recruit children."

Congressman Waxman, chairman of the House subcommittee on health and the environment, plans to hold hearings on promotional practices and their appeal to underage smokers. He and anti-smoking activists, such as Joe Cherner, president and founder of Smokefree Educational Services in New York, contend that many of the free items, including t-shirts, mugs, and compact discs, are aimed particularly at children and teenagers. "All these are things that are more appealing to teenagers and preteens than to adults," said Cherner. "The tobacco companies have no chance at addicting adults who don't smoke, so of course they're going to target children." The Rev. Michael Pflieger, a

Catholic priest and community activist in Chicago, agrees. "No adult in downtown Chicago is walking around in these. These are not for adults. These are for children," Pflieger said.

Cigarette manufacturers, however, deny that their companies' promotions are designed to appeal to underage smokers. Instead, they say that the promotional merchandise is an effective way to reward adult smokers for buying brand-name cigarettes.

"Promotions offering consumers value items in exchange for point-of-purchase seals have been going on for years," said Karen Daragan, a spokeswoman for Philip Morris Inc. "But the promotions are especially relevant in these economic times. Consumers truly appreciate when they get added value."

Maura Payne, a spokeswoman for RJ Reynolds Tobacco Co., agreed. "The competition between the full-price brands and low-priced brands is extremely fierce. We have to give a smoker added value so that their purchase is worth the expense of staying with a premium brand," said Payne.

Regardless of these recent attacks, many advertising and tobacco experts predict that merchandise-based promotions will continue, even if only in anticipation of an outright ban on all cigarette advertising. Said Martin Walker, head of Walker Communications, a magazine consulting firm in New York, "There is a considered body of opinion that tobacco advertising will ultimately be banned by the government in all forms." ♦

Health Care Reform Includes Attack On Fraud

As the country waits for the details of President Clinton's health care reform package to take shape, government investigators are not waiting to attack health care fraud. The crack-down on medical fraud was launched

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this fall by Attorney General Janet Reno, who said that fraud is siphoning \$80 billion a year from the nation's health care budget.

"Health care fraud deserves to be prosecuted as vigorously as possible," Reno said. "Nobody is immune from prosecution, nobody is immune from punishment."

Reno also made clear that she will target doctors, lawyers, and "cappers," people who broker false claims to the doctors and lawyers. Cappers allegedly are paid \$400 to \$700 to find a lawyer willing to pursue a false claim, and then collect 20 percent of the lawyer's fee. They also collect \$300 per referral to physicians willing to do the same, then receive 30 percent of the medical fees. "The message is clear," said California Deputy Insurance Commissioner Gary Hernandez. "The next ambulance you chase may make two unexpected stops -- the federal prosecutor's office and the penitentiary."

According to a Justice Department spokeswoman, the \$80 billion fraud estimate came from a report produced by the General Accounting Office, the investigative arm of Congress. Reno acknowledged that she thought the figure was "extraordinary," and had it double-checked by her staffers. The figure suggests that, on average, \$1 of every \$12 spent on health care in America involves fraud.

The work of government investigators in this area is just beginning to reap rewards. Earlier this year, for example, Med-Chek Laboratories, Inc., a Pittsburgh medical-testing firm, agreed to a \$2.4 million government settlement for Medicare fraud. Last year, National Health Laboratories Inc., one of the nation's largest medical laboratory chains, agreed to a \$111 million settlement in the biggest Medicare fraud case in history. The company's president and chief executive officer pled guilty and were sentenced to three months in federal prison.

As demonstrated by these cases, the government is defining health care fraud more broadly, prosecuting it more ag-

gressively, and not accepting traditional defenses. The Justice Department and the Federal Bureau of Investigation (FBI) have made health care fraud a primary concern, using wiretaps, asset seizures, and the Racketeer Influenced, Corrupt Organizations Act against doctors, hospitals, and others accused of bilking the health care system.

The Justice Department has set up task forces in more than a dozen cities to deal with health care fraud. According to Joe Ford, who oversees the FBI's new health care fraud program, the FBI's health care cases have increased to 972 from 365 just a year ago.

In the past, federal prosecutors often avoided health care fraud cases because they generally involved small claims and difficult disputes with doctors and other medical professionals about the "medical necessity" of treatments. Now, however, with more medical services being provided by large corporations and doctor networks, the potential for large-scale fraud is growing. Prosecutors are also having an easier time getting convictions, partly because jurors are more willing to view doctors as businesspeople with an eye toward profit.

Although recent cases have focused primarily on Medicare fraud, there are several other health care areas that may soon be the targets of federal prosecutors. These include:

- **Upcoding and Unbundling** -- A doctor, laboratory, or other health care provider tries to increase reimbursement from Medicare or private insurance by changing billing codes. In "upcoding," a higher-paying code is given. In "unbundling," a single service is billed as a series of separate procedures.
- **Medical Necessity** -- Health care professionals are bound to provide only medically necessary services. Federal prosecutors are now more likely to second-guess doctors and look more closely at providers whose bills seem unnecessarily high.

- **Product Switching** -- Pharmacists substitute generic drugs for brand names without doctor or patient consent.
- **Physician Recruitment** -- Some hospitals offer contracts to doctors that include guaranteed salaries and free rent in exchange for patient referrals. Although the illegality of this practice is uncertain, it may violate federal anti-kickback laws.
- **Self-Referrals** -- Medicare law prohibits doctors from referring patients to laboratories in which the doctors have a financial interest. Bills pending in Congress would extend this prohibition to other health care facilities, as well as to private patients. ♦

As Advertising Increases, Wage and Price Equity Doesn't

The visibility of women in the workplace is increasing and so is the visibility of advertising targeted specifically to female shoppers. Although marketers have long focused their campaigns on women because they are the main household shoppers, there has recently been an accelerated push in this direction. This push consists primarily of repositioning or extending lines of men's and gender-neutral products to appeal to women. Some examples include Selsun Gold For Women, a women's counterpart to Abbott Lab's male-oriented dandruff shampoo Selsun Blue, and Sensor For Women, Gillette's razor for women designed with a wider handle and extra moisturizers on the blade cartridges.

The recent rejuvenation of marketing specifically to women is primarily a result of increases in technology. With the help of computers and other information technologies, companies can now more easily design and market their products specifically to certain

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shoppers. With the economy also causing changes in consumer spending, many companies are being forced out of a "generic" marketing plan in order to increase revenues, and marketing experts have found that women represent a largely untapped market.

"These days, going after women is the safest way to extend brand names people already know," said Allen McCusker, a marketing consultant with Canaan Parish Group. "It's pretty damn smart. You're going to see more companies doing this."

Ironically, however, this increased marketing focus on women comes at a time when it is becoming clear that the salaries of women and men are still not equal, and that women pay more than men for many of the same services.

Thirty years after the enactment of the Equal Pay Act, which requires that women and men receive equal pay for jobs that require "equal skill, effort, and responsibility," the United States Cen-

sus Bureau's 1991 median annual wage figures show that a woman earns 70 cents for every dollar a man makes in the same job. This difference amounts to an increase of ten cents from 1963, the year of the Act's passage. Over the last thirty years, women's wages have only gained on those of men by a ratio of only one-third of one percent per year.

In addition to earning lower salaries for the same jobs, women are paying more than men for many of the same services. According to Frances Cerra Whittelsey, author of *Why Women Pay More*, a book recently released by Ralph Nader's Center for Responsive Law, "Women pay more for haircuts and dry cleaning because of 'traditional pricing.' Women pay more for auto repairs and used cars and new cars... because the people who sell these services believe we are suckers and decide we are the ones on whom they can make their profit margins."

The book notes, for example, that women buy almost half the new cars sold

in the U.S. each year, but a study by a Northwestern University law professor found that they pay anywhere from \$150 to \$800 more than men for the same car. In another example, the book cites a New York City survey which found that dry cleaners charged women 27 percent more than men to clean a white cotton shirt, and that hair salons charge women an average of \$4 more than men for a shampoo, hair cut, and blow dry.

Despite the statistics, however, many are optimistic that, as women's consumer power grows, so will women's consumer equity, particularly in the areas of wages and costs of consumer services. As advertisers have already recognized, companies stand to profit greatly from women consumers. More money in women's pockets, through equal wages and pricing, means more money to spend, and as Leigh Miller, president of the Cincinnati advertising agency Freedman, Gibson & White, said, "It's equal time for women." ♦

Announcements

Parents May Get Car Insurance Break for College Students

Parents who send their children to college without a car should check with their insurance companies about possible rate discounts. Generally, insurance companies give discounts of 10 percent or more when a child covered under a parent's policy attends a school that is at least 100 miles from home. Insurers reason students so far away will not be able to use their parent's car very often.

Even if a child is taking a car to college, parents should check with insurers. They may be eligible for reduced premiums if the college is located in an area that has a lower incidence of accidents and thefts.

Round-The-World Tickets Can Cut Costs of Trips Abroad

Anyone planning an overseas trip should check into "round-the-world" fares, tickets which allow the passengers to make multiple stops before arriving at their ultimate destination. First-class and business-class passengers in particular will usually find that such fares are less expensive compared to regular round-trip airfares.

Economy-class passengers, however, will usually get a better rate with conventional round-trip fares, because round-the-world tickets carry stricter conditions than normal round-trip tickets. For example, the passenger is required to keep flying in the same direction without backtracking. That means that unless the passenger is going half-

way around the globe, a round-the-world-ticket may require traveling a longer distance than necessary.

Calculating the Amount of Income Needed for Retirement

How much income will you need at retirement to maintain your pre-retirement standard of living? Most experts say you will need 75 to 85 percent of pre-retirement monthly income. Social Security will replace 25 to 57 percent of average monthly income, and the rest should come from a combination of personal savings and employer pensions.