

MINUTES

MONTANA SENATE 52nd LEGISLATURE - REGULAR SESSION COMMITTEE ON BUSINESS & INDUSTRY

Call to Order: By Chairman J.D. Lynch, on February 20, 1991, at 10:00 a.m.

ROLL CALL

Members Present:

J.D. Lynch, Chairman (D)
John Jr. Kennedy, Vice Chairman (D)
Betty Bruski (D)
Eve Franklin (D)
Delwyn Gage (R)
Thomas Hager (R)
Jerry Noble (R)
Gene Thayer (R)
Bob Williams (D)

Members Excused: None

Staff Present: Bart Campbell (Legislative Council).

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Announcements/Discussion: None

HEARING ON SENATE BILL 330

Presentation and Opening Statement by Sponsor:

Senator Richard E. Manning, sponsor of the bill, stated that this bill was an act authorizing the executive secretary of the board of horseracing, subject to board of horseracing rules, to prescribe the duties and salary of individuals employed as state stewards at authorized Montana race meets; exempting state stewards from the state compensation and pay plan; amending sections 2-18-103 and 23-4-106, mca; and providing an immediate effective date. This is not a complicated bill. A state steward is paid a lot different than a state employee.

Proponents' Testimony:

Sam Murfitt, executive secretary for the board of horseracing, spoke in favor of the bill (See Exhibit 1).
Andy Poole, deputy director of the department of commerce,

stated the that department fully supports this piece of legislation, and thinks it's critical to the continuing good operation of the horseracing.

Steve Meloy, past executive secretary of the board of horseracing, spoke in favor of the bill (See Exhibit 2).

Gary Koepplin, past executive secretary of the board of horseracing, stated that he is in favor of the bill and urged the committee's support.

Geoffrey Brazier, representing the horsemens benevolent and protective association (HBPA), stated that the association is in support of the bill.

Opponents' Testimony:

None

Questions From Committee Members:

None

Closing by Sponsor:

Senator Richard Manning closed.

HEARING ON SENATE BILL 363

Presentation and Opening Statement by Sponsor:

Senator Richard Manning, sponsor of the bill, stated that this bill is an act revising the law governing horseracing; expanding the types of simulcast races that the board of horseracing may approve; authorizing licensees to withhold an additional one percent on exotic wagering; amending sections 23-4-301 and 23-4-302, mca; and providing an immediate effective date.

Proponents' Testimony:

Don Chance, representing the race tracks county fair boards, stated that simulcast horseracing was instituted several years ago to provide supplemental financial support for the county fair facilities and horse race tracks and also the Montana horse training horse breeding industry. Simulcast has been successful in achieving those goals, but now with several years of experience he know's that there is some fine tuning that is necessary to the statutes. This would allow simulcasting to work more efficiently to meet objectives.

Jay Belden, director of racing at Montana state fair race meet in Great Falls, stated that they regard SB 363 as a house keeping bill. The statute currently is too limiting to give them the latitude they need to utilize the tool of simulcast wagering.

The horseracing industry is one of the industries in the state that needs some help. Starting in 1990 due to the economic factors and the horse population, of the ten days of the state fair, there were three days that didn't have horseracing. With this bill, and with the approval of the all the host entities and the entities in Montana, they would have the capability of bringing in some major horseracing from California.

Jerry Omison, senior vice president of the united tote, stated that simulcasting is a very misunderstood thing and handed out documents to back this statement up (See Exhibit 3, 3A, 3B, 3C, 3D, and 3E).

Jeff Braiser, representing Montana division of the horsemens benevolent and protective association, stated that the association feels that horseracing in Montana is in serious shape. The present president of the division is Mr. Albert _____, who was called out of town, and asked Mr. Brasier to read some comments for him: Dropping the requirement that only the races of national prominence can be brought into the state be a simulcast during the live racing season appears to be a step that has the potential of improving simulcast revenue. The problem with only races of national prominence is that many times, these types of races have short fields, and quite often do not produce a handle of any size in which the horsemen can generate revenue. The interstate horseracing act of 1987, which is a federal statute, provides protection to the horsemen in that affective horsemen have the right under that law to approve any simulcast arrangements that affect them. Such any races that might replace only the nationally prominent races will still have to have the horsemen's approval before they are simulcast. Common pooling is to the benefit of members of the association as their own Montana pool on simulcasting is quite strong.

Sam Yuvusiak, fair manager of the western Montana fair in Missoula, read a letter from Dale Mahlum who is in support of the bill (See Exhibit 4).

Gary Koeplin, manager of Ravalli county fairgrounds in Hamilton, MT, stated that this bill is a housekeeping bill. It will allow them to use the simulcasting to generate more money into their purses.

Larry Akey, speaking on behalf of the gaming industry association of Montana, stated that he is appearing today as a no-ponent. This bill does two things, it allows additional races to be brought into simulcast facilities and it changes slightly the hold on exotic wagers. It may unintentionally do a third thing, page 1 at the bottom of the page this amendment essentially takes the "simul" out of simulcasting. If we say that we no longer have to simulcast the race on the day the race is conducted, we can allow a delay between when the race is run and when its actually simulcast here in Montana. That would open the door for potential mischief. The language can be found to do what the proponents want to do.

Opponents' Testimony:

None

Questions From Committee Members:

Senator Thayer stated that nobody had testified about the stricken language. He asked why this language is being stricken.

Jay Belden stated that he spoke to that only indirectly. They are granted thirty six days for 1991. When he discussed the fact that they want to bring in races from out of state on Monday, Tuesday, and Wednesday during the fair those aren't actually race meet dates. Those days are not actually their race meet days, because their race meet the thirty six day meet. In order to allow them to bring in races on the dark days, that is why this is stricken.

Senator Thayer stated that the questions that will be asked is if you strike that language you could effectively run the races that have already been run. The language has to be cleaned up.

Jay Belden stated that just a matter of definition in their rules, simulcast is defined as simultaneous racing, this doesn't refer to that.

Gary Omison stated that basically what this bill addresses has already been done in Montana for a number of years. The Kentucky derby will be a nationally telecasted race. The last chance stampede in Helena will be running races, if the race comes off at 5:30 p.m. on that Saturday in Helena they may race races 1, 2, 3, 4, 5 take the Kentucky derby live, then race races 6, 7, 8, 9.

Senator Thayer stated that he doesn't oppose the bill, he just wants to help them because with this language the bill will be killed on the floor, because somebody's going to think there is some mischief going on.

Closing by Sponsor:

Senator Manning stated that this bill is a good clean up measure.

EXECUTIVE ACTION ON SENATE BILL 330Motion:

Senator Thayer moved that SB 330 do pass.

Discussion:

None

Amendments, Discussion, and Votes:

None

Recommendation and Vote:

SB 330 do passed unanimously.

HEARING ON SENATE BILL 394

Presentation and Opening Statement by Sponsor:

Senator Paul Svrcek, sponsor of the bill, stated that this bill deals with utilization review. Utilization review is a system by which primarily a third party provider reviews the circumstances under which they will provide payment for a various medical services. Utilization review is a good process, it helps keep costs down. Many other states have codes on the books that regulate utilization review because of some problems. Those problems stem from situations whereby a person feels that they are covered for a certain medical service, and they go and have the service, then are surprised when the third party provider comes and says that the service is not covered and they have been rejected. There is a serious problem that has developed in Montana regarding drug and alcohol rehabilitation as well as mental healthcare. Senate bill 394 in no way prohibit utilization review, but it does set down certain criteria which would govern the use of utilization review.

Proponents' Testimony:

Mona Sumner, clinical director of the Rimrock Foundation in Billings, MT, spoke in favor of the bill (See Exhibit 6 and 6A).

Mary Huntington-Lehner, a licensed social worker in Montana as well as a chemical dependency counselor, stated that the people she works with have increasing lost power and control in themselves and their behaviors as a result of their having lost control over substances, such as alcohol, etc. They are asking for the benefits that they have paid for to be delivered for this type of treatment. The insurance companies are losing control over the amount of money that is being spent on the healthcare. It is the individual and their families that suffer as a result.

Mike Rupert, president of the chemical dependency program of Montana and executive director of the Boyd Andrew chemical dependency care center in Helena, stated that the trends of utilization review are benefitting out patient programs.

John Shontz, representing the Montana health association, stated that he appears today on behalf of the consumers and not the providers. This legislation does not abolish utilization review, it regulates it. He suggested an amendment for page four of the bill, line nineteen so it reads "that has been approved by the commissioner".

Mona Jamieson, representing the rocky mountain treatment center, stated that this is a bill is disclosure. It is not a bill that eliminates or outlaws utilization review. This bill is about fairness and disclosure. Let's have a fair playing field.

Dan Edwards, international representative for the quail chemical and atomic workers international union, stated that

since November blue cross blue shield has decided that no patient was worthy of admission to rimrock.

Jim _____, president of the Montana hospital association, stated that this issue is a problem for all hospitals not just for hospitals that have psychiatric care units. (See Exhibit 7 and 7A).

Mary McCue, representing the Montana mental health counselor's association, stated that they have had some problems with the utilization process.

Pat Melby, representing the rimrock foundation, stated that many of the things in this bill have been recommended by in this bill have been recommended by one of the largest law firms in the United States who represent utilization review agencies and insurance companies on utilization related issues. That law firm has recommended to third party payers, insurance companies, and utilization agencies, that they do many of the things that this bill would require them to do.

Opponents' Testimony:

Steve Turquewitz, executive vice president of the Montana auto dealers association, stated that their claims are the sole driving force for their premiums. The claims are tracked on a monthly basis. In the last two years they have had to raise their rates 104%. They have lost three hundred people from their insurance program in the past year. The greatest provider of insurance in the state isn't the Blues, but it is those people that aren't covered by insurance at all.

Bonnie Tippy, representing the Montana chiropractic association, stated that page 3 of the bill under section 2 sub A. They have taken chiropractors into this bill the reason that they don't like that is because the bill also requires that the only people who can do these utilization reviews are medical doctors. That is a real problem for chiropractors in the state of Montana. In practice right now chiropractors do utilization reviews for chiropractic patients. This bill would mandate that the primary utilization reviewer must be a medical doctor. This is a bad policy for the state of Montana, bad policy for the patients of chiropractors, and for the other providers included in this bill.

Joyce Brown, with the state employed health plan, spoke in opposition of the bill (See Exhibit 9).

Dan _____, representing the Martin _____ company, an international consulting and actuary firm, stated that the whole interest of the bill comes from a change that was made in a blue cross blue shield policy for managed care in relation to chemical dependency or substance abuse. The bill is so far reaching it will cover every provider in the state, there are very few cases that are turned down under utilization and managed care.

Dave Hartman, executive director with the Montana education association, stated that the adoption of this bill will

effectively destroy meaningful utilization review procedures and practices in Montana. To do so will only contribute to inflationary rates.

Nancy Ellery, administrator of the medicade services division at SRS, stated that medicade is concerned because this year their budget will exceed over two hundred million dollars, and utilization review is a very important part in containing those healthcare costs and more importantly making sure that people who have medicare get care in the appropriate settings. They are not opposed to the bill entirely, some of their concerns is the requirement that the physician approve all those medical necessity decisions.

Tom Hopgood, speaking today on behalf of the health insurance association of America, he stated that he does not represent blue cross blue shield or manage care Montana. Utilization review, as stated by blue cross blue shield, saves the consumer in Montana approximately eight million dollars a year. If market shares are roughly equal, the commercial insurers also use utilization review and would save another eight million dollars for the consumers. We are talking about a bill with a sixteen million dollar price tag. The rule making authority is given to the insurance commissioner. This is a bill regulating healthcare services.

David _____, with the university system and also the administrator of the university system health plan, stated his name in opposition of the bill.

Howard Bailey, program administrator of the Montana unified school trust, stated his name in opposition of the bill.

Steve Brown, representing blue cross blue shield, submitted a manage care package (See Exhibit 8).

Larry Akey, representing Montana association of life underwriters, stated his name in opposition to the bill.

Questions From Committee Members:

Senator Thayer asked Steve Brown, Blue Cross Blue Shield, to address the twenty five cases of where Rimrock said treatment was denied.

Steve Brown replied there were not twenty five cases and that individual circumstances needed to be reviewed. At least one claim was for gambling-a non covered condition. Another patient was diagnosed by her attending physician as needing hospitalization. Is a chemical dependency center the appropriate place for psychiatric hospitalization.

Senator Thayer stated that Mr. Hopgood indicated in testimony that he's pointing out some problems with the bill.

Tom Hopgood stated that in section 7 it states that a person that is conducting a utilization review needs to be in the practice of medicine under title thirty seven. Section 9 provides that an administrator of a self insured plan which is exempt from regulation is subject to the act. This will cost the state some money through the self insured plan and through the

SENATE BUSINESS & INDUSTRY COMMITTEE

February 20, 1991

Page 8 of 8

university system.

David Barnhill stated that the bill has merit, but it also causes some problems in the insurance department. This bill is to head off unfair denial of claims.

Senator Williams asked why there was a lack of need for a fiscal note.

Pat Melby stated that the cost to the insurance commissioner would be very nominal.

Senator Gage asked about page six, line 17, asked if they do that currently.


Steve Brown, representing blue cross, the person that is reviewing healthcare services contact the attending physician. Blue cross blue shield's manage care plan states that in order for there to be a denial, they must attempt to contact the patients physician, and the physician for rimrock has said he does not want anyone to call him. Mr. Brown also refuted the allegation that twenty five patients of rimrock had services denied.

Closing by Sponsor:

Senator Paul Svrcek closed by saying that with the exception of the people that have talked about the problems with the physicians reviewing the healthcare provided by a different kind of healthcare provider. He is willing to work with this amendment that will address that concern. None of the opponents have addressed the specifics of this bill. This bill doesn't outlaw utilization review, all it does is say you want utilization review, we agree it's needed. Please tell us what are your rules for utilization review. Please tell us so that we can tell the people that we are providing the healthcare insurance to so that they can conduct their lives, and they can conduct their seeking out of medical services.

ADJOURNMENT

Adjournment At: 12:00 a.m.


J.D. LYNCH, Chairman


DARA ANDERSON, Secretary

JDL/dia

BU022091.SM1

ROLL CALL

BUSINESS & COMMITTEE
INDUSTRY

DATE 2/20/91

LEGISLATIVE SESSION

NAME	PRESENT	ABSENT	EXCUSED
BRUSKI	X		
FRANKLIN	X		
GAGE	X		
HAGER	X		
NOBLE	X		
THAYER	X		
WILLIAMS	X		
KENNEDY	X		
LYNCH	X		

Each day attach to minutes.

BUSINESS & INDUSTRY

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppose
Sam Yarnall	Western Montana Fair Assoc	363	✓	
Jeffrey D. Brazier	H B P A	330T 363	L	
Don Kays	Hawaii County Fair	SB 330 363	L	
Don Chance	MT. TRACKS	SB 363	✓	
George LEHNER	Rocky Mt. Tr Center	SB 394	L	
Mary Lehtinen-Rehner	Rocky Mountain Int'l	SB 394 Bill #	✓	
Monica Sumner	Bismarck Fnd	SB 394		
Robert W. Olsen	MT Hospital Assoc	SB 394	✓	
Dancy Elley	SRS - Medicaid			✓
Ed Sumner	Rimrock Fdn	SB 394	✓	
John Ebzery	St Vincent Hospital	SB 394	✓	
Tom Hopgood	Health Ins Assoc Amr	SB 394		✓
Pat Melloy	Rimrock Foundation	SB 394	✓	
John Shontel	Mental Health Assn	SB 394	✓	
Andy Ponce	DEPT OF Commerce	SB 394	✓	
Steve Brown	Blue Cross - Blue Shield	SB 394		✓
LARRY AKEY	MT ASSOC OF LIFE UNDERWRITERS	SB 394		✓
LARRY AKEY	CLAIMING INDUSTRY ASSOCIATION	SB 363 w/ AMEND		
Bonnie Paisy	MT Chiropractic Assn	SB 394		X
DAN EDWARDS	OLRW	SB 394	X	
Dave Barnhill	Insurance dept.	SB 394	X	X
David Hartman	MEFA	SB 394		X
JUDITH H CARLSON	MT CA - NA SW	SB 394	X	
Mary McIner	MMHCA	SB 394	X	

WITNESS STATEMENT

To be completed by a person testifying or a person who wants their testimony entered into the record.

Dated this 20 day of Feb., 1991.

Name: JAM MURFITT

Address: HELENA, MT

Telephone Number: 444-4287

Representing whom?

Mont. BOARD of HORSERACING

Appearing on which proposal?

SB 330

Do you: Support? ☒ Amend? ☐ Oppose? ☐

Comments:

This image shows a single sheet of white paper with horizontal blue or grey ruling lines. The lines are evenly spaced and run across the width of the page. There are approximately 20 lines visible. The paper appears to be a standard notebook page or a sheet of stationery. There is no handwriting or other markings on the page.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY

WITNESS STATEMENT

To be completed by a person testifying or a person who wants their testimony entered into the record.

Dated this 20 day of Feb, 1991.

Name: Nona G. Sumner

Address: 715 Beverly Hill Blvd
Billings, Mt

Telephone Number: 252-8147

Representing whom?
Remisek Foundation

Appearing on which proposal?

SB 394

Do you: Support? X Amend? _____ Oppose? _____

Comments:

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PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY

WITNESS STATEMENT

To be completed by a person testifying or a person who wants their testimony entered into the record.

Dated this 20 day of February, 1991.

Name: Mary MacCue

Address: 1215 11th Ave
Helena MT 59624

Telephone Number: 442-4448

Representing whom?

Mt. Mental Health Counselors Ass'n.

Appearing on which proposal?

SB 394

Do you: Support? ✓ Amend? _____ Oppose? _____

Comments:

This image shows a single sheet of white paper with horizontal blue or grey ruling lines. The lines are evenly spaced and run across the width of the page. There are approximately 20 lines visible. The paper appears to be a standard notebook page or a sheet of stationery designed for writing. The edges of the paper are slightly irregular, suggesting it might be a scan of a physical document. There is no handwriting or other markings on the page.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY

WITNESS STATEMENT

To be completed by a person testifying or a person who wants their testimony entered into the record.

Dated this 20 day of February, 1991.

Name: Nancy Ellen

Address: PO Box 4210

Telephone Number: 444 4540

Representing whom?

SRS - Medicaid

Appearing on which proposal?

SB 394

Do you: Support? _____ Amend? / Oppose? _____

Comments:

This image shows a single sheet of white paper with horizontal blue or grey ruling lines. The lines are evenly spaced and run across the width of the page. There are approximately 20 lines visible. The paper has a slightly textured appearance and some minor discoloration or shadows, suggesting it's a physical document. There is no handwriting or other markings on the page.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY

WITNESS STATEMENT

To be completed by a person testifying or a person who wants their testimony entered into the record.

Dated this 20 day of February, 1991.

Name: J. Shontz

Address: 3111 H. Lest Chance Blvd
Helena MT 59601

Telephone Number: 443-7018

Representing whom?

Mental Health Assoc. of Montana

Appearing on which proposal?

SB 394

Do you: Support? X Amend? _____ Oppose? _____

Comments:

Bill should require that the commission of
insurance must approve all utilization review plans
before they (the plans) can be implemented.

- we offer an amendment:

PAGE 4 LINE 19

FOLLOWING: "plan"

ADD: "that has been approved by the commission
and..."

Thank you.

WITNESS STATEMENT

To be completed by a person testifying or a person who wants their testimony entered into the record.

Dated this 20th day of February, 1991.

Name: DAVID HARTMAN

Address: 1232 E. 6TH AVE
HELENA, MT

Telephone Number: 442-4250

Representing whom?

MEA

Appearing on which proposal?

SB 394

Do you: Support? ☐ Amend? ☐ Oppose? ☒

Comments:

This bill will destroy effective
utilization review programs and
fuel inflation for medical services.
Unions and employers have
established effective utilization
review programs to control costs.
SB 394 will devastate these programs.

WITNESS STATEMENT

To be completed by a person testifying or a person who wants their testimony entered into the record.

Dated this 20 day of February, 1991.

Name: Howard R. Bailey

Address: 1 S Mt. Ave, Helen

Telephone Number: 442-0275

Representing whom?

MT. Unified School Trust

Appearing on which proposal?

SB 394

Do you: Support? ☐ Amend? ☐ Oppose? ☒

Comments:

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY

WITNESS STATEMENT

To be completed by a person testifying or a person who wants their testimony entered into the record.

Dated this 20 day of February, 1991.

Name: Robert W. Olsen

Address: 1720 Ninth Ave

Telephone Number: 442-1911

Representing whom?

MT Hospital Assoc

Appearing on which proposal?

SB 394

Do you: Support? ☒ Amend? ☐ Oppose? ☐

Comments:

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY

WITNESS STATEMENT

To be completed by a person testifying or a person who wants their testimony entered into the record.

Dated this 20 day of FEBRUARY, 1991.

Name: GEOFFREY L. BRAZIER

Address: 516 HARRISON
HELENA

Telephone Number: 442 - 8733

Representing whom?

Representing whom?
Horsemen's Benevolent & Protective Assn (HBSA)

Appearing on which proposal?

530 535

Do you: Support? ✓ Amend? Oppose?

Comments:

[illegible]

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY

WITNESS STATEMENT

To be completed by a person testifying or a person who wants their testimony entered into the record.

Dated this 20 day of February, 1991.

Name: Day Belden

Address: Box 1888

Great Falls Mt 59403

Telephone Number: 727 - 8900

Representing whom?

Representing whom?
Montana State Fair Race meet

Appearing on which proposal?

SB 363

Do you: Support? / Amend? _____ Oppose? _____

Comments:

[illegible]

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY

WITNESS STATEMENT

To be completed by a person testifying or a person who wants their testimony entered into the record.

Dated this ____ day of _____, 1991.

Name: David L. Olson

Address: _____

Telephone Number: _____

Representing whom?

MT Community System

Appearing on which proposal?

Do you: Support? _____ Amend? _____ Oppose? ☒

Comments:

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY

WITNESS STATEMENT

To be completed by a person testifying or a person who wants their testimony entered into the record.

Dated this 20th day of FEB, 1991.

Name: SAM YEWUSIAK

Address: BOX 2310

MISSOULA, MT.

Telephone Number: 721-3247

Representing whom?

WESTERN MONT. FAIR & MONT. THOROUGHBRED BREEDERS

Appearing on which proposal?

SB 363

Do you: Support? ✓ Amend? Oppose?

Comments:

ROLL CALL VOTE

SENATE COMMITTEE BUS. & IND.

Date 2/20/91 Bill No. SB 330 Time 10:00

NAME	YES	NO
WILLIAMS		
THAYER	X	
NOBLE		
HAGER	X	
GAGE		
FRANKLIN	X	
BRUSKI	X	
KENNEDY	X	
LYNCH		

DARA ANDERSON
Secretary

JD LYNCH
Chairman

Motion: DO PASS

POSITION STATEMENT
HORSE RACING STEWARDS

The racing stewards hired by the executive secretary for the Board of Horse Racing have been employed and paid for the past 15 years at a daily rate which is set each year by the Board. This rate has been historically determined on the basis of rates paid stewards in neighboring states. It has recently been brought to our attention by the State Personnel Division that these employees are not being compensated appropriately according to state compensation rules because they are not included in the "exempt from classification" status in the MCA's.

Horse Racing stewards have the responsibility for insuring that all Rules of racing are strictly adhered to at each live race meet as well as having the overall responsibility of insuring the integrity of the on-track racing industry.

The alternatives offered by state personnel included attempting to classify the employees within the state classification system or, as an alternative, to contract for the services of the state stewards.

The option to classify the state stewards is not realistic because the daily rate paid for their services was set at \$170.00 per day for race days and \$100.00 per day for draw days. This \$170.00 daily rate if annualized would be equivalent to a grade 20, step 11. It is not realistic to expect that State Personnel would classify these employees at that level for the duties being performed. In addition, state stewards are not employed in the same fashion as a "normal" state employee. The work is seasonal, lasting usually from May through September. A number of people are employed as state stewards and they are assigned to work certain race meets. This means that as individuals they may be employed anywhere from 8 to 40 actual working days. In aggregate, all of these individuals comprise no more than one full-time equivalent position. Therefore, although the daily rate seem high, as individuals they do not earn a substantial amount of money and the amount paid is in line with opportunities in surrounding states.

An alternative to classification involves contracting with these individuals to act as stewards at state race meets. This option has been evaluated extensively within the agency and, while it is a viable option, it does not represent the best alternative. The Board would still be required to pay an equivalent amount under contract in order to employ these people. In addition, the Board would pay considerably more for workers compensation for these individuals as private contractors than would be the case where they are paid as state employees. It is likely that contracting in this particular situation would adversely affect the Boards expenses. This is particularly onerous given the fact that board

revenues have been decreasing steadily over the last several years primarily due to the increase in casino type gambling in Montana.

A third option which represents the best policy alternative for the Board of Horse Racing is to amend state statute so that the state stewards can be compensated as exempt employees. Again, this is an aggregate position which in total represents on FTE. This is the least costly alternative, the only practical alternative, and continues a method of compensation which has been in place for about 15 years.

TESTIMONY

2/30/91

SENATE BILL 330

Steve Meloy
Department of Commerce

Mr. Chairman, members of the Committee, for the record, my name is Steve meloy. I am past Executive Secretary to the Board of Horseracing having served through its hay days from 1982 through 1985.

I support this piece of Legislation as an important administrative guarantee that the integrity of the industry will be upheld by the hiring of the most qualified stewards to preside over every aspect of racing.

This can be accomplished by giving the Board, through the Department of Commerce, the ability to pay from its earmarked funds a salary which is not only competitive with other states but allows the hiring of experienced an competent personnel.

The very nature of a short season combined with the need to pay an appropriate salary makes the FTE aggregate for the Board of Horseracing incompatible with the classification system.

For these reasons, I lend my support for Senate Bill 330.

Thank you.

New Tracks, OTB Networks Join United Tote System

13 Customers Added In 1990

The first year of the 1990s was highly productive for United Tote as the Company signed 13 new customers - 11 of them brand new pari-mutuel operations.

Revenues and earnings increased 25 percent making fiscal 1990 one of the best in history for United Tote Company, a subsidiary of United Tote, Inc.

United Tote's new customers included three of the five greyhound tracks licensed in the new racing state of Wisconsin; four new pari-mutuel racetracks in Texas, another new racing state; statewide off-track wagering networks in Montana, North Dakota and Idaho; and The Woodlands Race Course in Kansas City.

11 New Pari-Mutuel Operations

"What is pleasing about our marketing success in 1990 is that 11 of these new customers are brand new pari-mutuel businesses," said John Shelhamer, executive vice president.

"In the last six years, United Tote has signed 43 of the country's 62 new operations, or 69 percent of these new facilities."

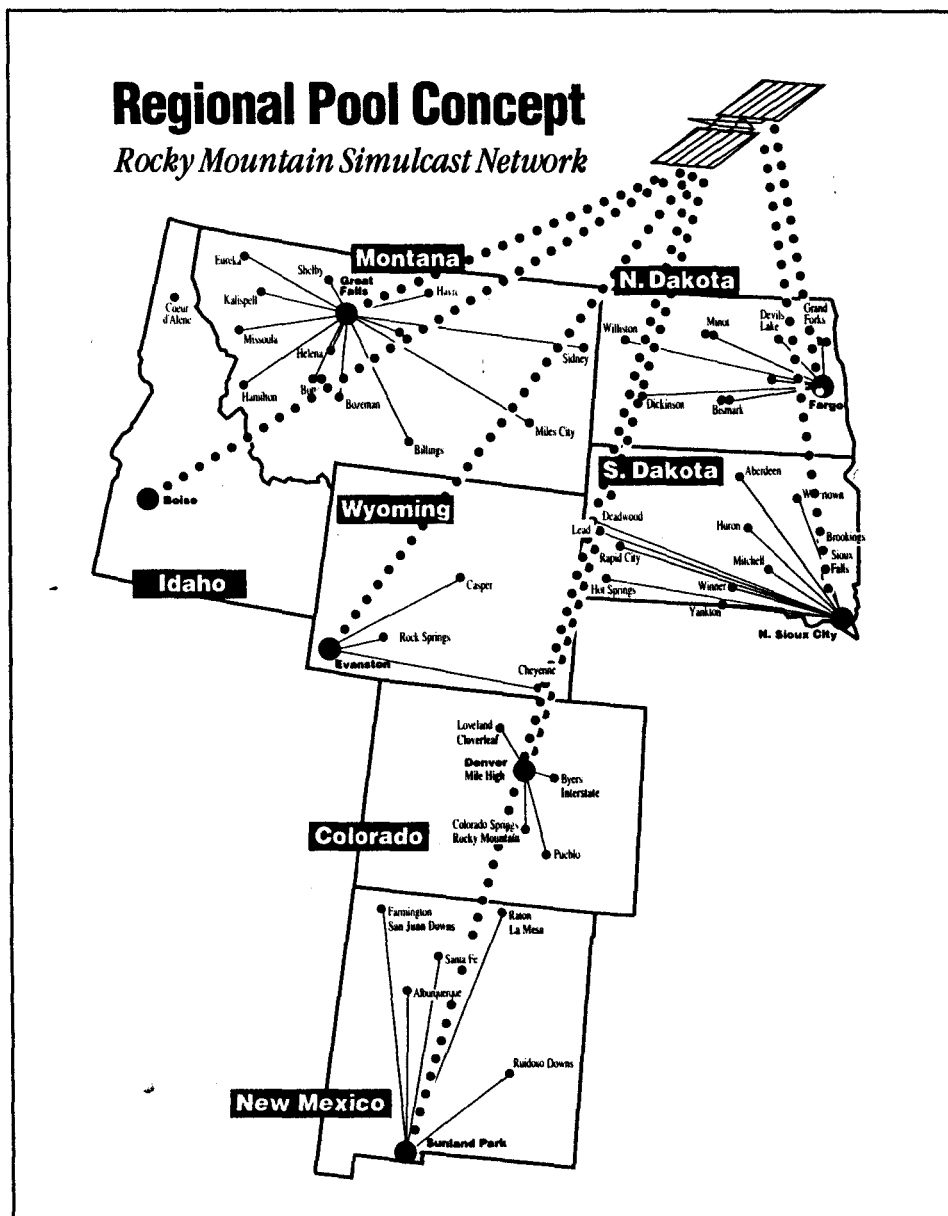
Newest Track In Texas

The most recent customer track going on line is newly-built Valley Greyhound Park in Harlingen, Texas, owned and operated by Ladbroke Racing Corp.

Other Company-served Texas tracks beginning operations in 1990 were: Fredericksburg, Bandera Downs and Manor Downs, all horse racing facilities.

The System 1000 handled the bets when Wisconsin Dells inaugurated pari-mutuel betting in Wisconsin April 30. Geneva Lakes and Fox Valley opened in May and August.

The off-track betting movement swept into the Rocky Mountain region this year with the Company equipping and staffing state hubs at Great Falls, Montana; Fargo,



ROCKY MOUNTAIN Regional Simulcast Wagering Network formed. Story on page 2

North Dakota; and Boise, Idaho.

In addition, United Tote began service to Sodrac Greyhound Park in North Sioux City, South Dakota. By October, the track had expanded its simulcast greyhound network to 12 sites.

United Tote's 13th customer was Hip-

podrome Trois-Rivieres, a harness horse racetrack in Quebec - the Company's 26th customer in Canada.

Counting its 117 facilities in the U.S., the Company's service network currently numbers 143 customers in North America, plus tracks in Jamaica and Spain.

UT Active In Groups Pushing Common Pool Betting

As a member of two racing industry committees, United Tote is playing a pioneering role in the development and growth of interstate common pool wagering, racing's expansion vehicle for the 1990s.

A major step will come in January when an improved version of the "Inter-Tote System Protocol" is set for release as standard industry communications software.

This new version is an achievement of a technical subcommittee on Codification of Rules of the Association of Racing Commissioners International (RCI).

This upgrade will further enhance the two-way electronic merging of betting data among tracks using different tote systems.

Through core-to-core computer interfacing, common pooling is growing not only within states, but across state lines.

For the next year or so, the common pooling procedure will require that receiving tracks use the same commission, or takeout rates, as the sending, or host track.

United Tote's software support center in San Diego, headed by vice president Jack Reville and assistant John Carey, has submitted a new technique to the RCI Committee which will permit common pooling among tracks using different takeout rates.

Scheduled for testing and release in 1992, this more complex approach will give the industry a key technological tool in its plans to create national or regional betting networks.

A secure and reliable protocol is critical to the mission of the 1995 Committee, formed by the Thoroughbred Racing Associations of North America to develop a national plan for common pooling. As a member, United Tote is helping the committee meet a list of goals.

The primary objective of the 1995 Committee is to expand racing's market by simulcasting, whether through inter-track, off-track or telephone account betting.

Nearly a dozen states now conduct interstate common pool wagering and these include some of the industry's largest racing jurisdictions, such as California, Illinois, Louisiana and Arkansas.

Add in the newly-opened Nevada pari-mutuel hub now collecting wagers from a statewide network of 14 major sports/race outlets. The Las Vegas hub enables Nevada players to bet directly into three California racetracks, plus one in Louisiana, and soon

Rocky Mountain States Form Simulcast Network

Formation of the Rocky Mountain Simulcast Network resulted from the work of 50 racing industry officials from eight states participating in a recent two-day seminar in Billings, Montana.

An immediate goal of the group was to seek passage in their respective states of the model common pooling statute drafted by the TRA's 1995 Committee. This would pave the way for creation of an seven-state regional betting pool.

Other RMSN objectives include: standardization of state regulations relating to takeout and pari-mutuel wagering rules;

and the electronic transfer of past performance data to speed the printing and distribution of racing programs.

Dana Nelson, executive secretary of the South Dakota Racing Commission, was elected chairman of the group's regulatory committee. Elected chairman of the advisory committee was Joe Joyce, president of Wyoming Downs and Wyoming Off-Track Betting Corporation.

Making up the network initially are Montana, North Dakota, South Dakota, Idaho, Wyoming, Colorado and New Mexico. Kansas is another prospective member.

into Calder Race Course in Florida.

Coast-to-coast betting is thus becoming a reality less than a year after interstate common pooling was inaugurated by

Ladbroke Wyoming OTB, Feb. 19.

This involved a computer interface between the United Tote system in Cheyenne, serving the Wyoming Off-Track Betting network and Autotote, servicing Golden Gate Fields in California.

United Tote also carried out the first international common pool venture as Assiniboia Downs in Winnipeg, Manitoba received pools directly from the North Dakota OTB network, hubbed in Fargo.

In October, the Company also implemented the first regional common pool between the North Dakota and Montana OTB networks, betting on Sunland Park.

A dedicated and active group, the 1995 Committee has drafted a model statute governing common pool aspects of interstate wagering. Several states have already adopted the model legislation.

Robert L. Bork, general manager of Philadelphia Park, is chairman of the 1995 Committee - so named because of its long-range goals. Members include representatives of Arlington Park, Santa Anita, Bay Meadows, the New York Racing Association, the Ontario Jockey Club, United Tote, AmTote, Autotote and International Tote.

Carl B. Larsen, deputy commissioner of the Kentucky Harness Racing Commission, chairs RCI's Special Committee.

Two Scholarship Winners Named



TERI LEE DEWING
Attending Montana State



LEONA LINDSEY
Humboldt State Student

Winners of the annual Jane Shelhamer Memorial Scholarships at Shepherd, Montana High School are enjoying their second semesters of college life.

Valedictorian Leona Lindsey is attending Humboldt State, in Arcata, California, majoring in marine biology.

Teri Lee Dewing, the salutatorian, is attending Montana State University in Bozeman, studying architecture.

Leona and Teri each achieved grade point averages in excess of 3.80 while being involved in other student activities including drama, music and athletics.

The scholarships are awarded each year to the two top students at Shepherd in memory of Jane Shelhamer, co-founder of United Tote.

TOTE TALK is an informational newsletter published for employees of United Tote Company, a subsidiary of United Tote, Inc. Paul P. George, Editor.

UNITED TOTE COMPANY, Advanced Wagering Systems, 10115 Cabin Creek Road, Shepherd, Montana 59079. (406) 373-5507.

Four Weddings Included In Personnel News

Additions to the repair and operations staffs, four weddings and the births of seven babies including a set of twins are included in Company personnel events.

Wally Cady, who joined United Tote in 1980 and was system manager in Spokane for many years, has moved to Shepherd where he and wife Phyllis, have new company assignments.

Wally joins the repair department with responsibility for field repair of indication, display systems and power sources.

Phyllis, who also has system manager experience, will provide field support for Western operations in the areas of transportation and equipment scheduling.

Alabama Wedding

Bay Minette, Alabama was the site of the nuptials, Nov. 3, uniting Broderick Steele, assistant system manager at VictoryLand Greyhound Park, and Dione Bryant.

Dean Peterson, system manager of the Maine Harness Circuit, and Diane Gilmore were married Sept. 7 in Bangor, Maine. The Petersons currently reside in Louisiana, where Dean works at Delta Downs.

Karen Thompson, system manager at Waterloo Greyhound Park, and Patrick Gesick were married Sept. 22, in Swan Lake Chapel, Swan Lake, Montana.

Henry Smet, assistant system manager at Barrie Raceway, Ontario, took Brenda Andrews for his wife, July 7, in a ceremony in St. Mary's Church in Barrie.

Twins Born In Winnipeg

Cameron Scott and Nicole Ann were the twins born June 19 in Winnipeg to Lori Rothwell and Greg Strene. Lori is a line tech at Assiniboia Downs.

Penny and Dean Seader of Shepherd, Montana, are the proud parents of a daughter, Steele Rae, born Sept. 26 in Billings. Penny is well-known as the switchboard operator at corporate headquarters.

It was a boy - Eric - born Aug. 21 to Barry Atkinson, assistant manager at Newport, Rhode Island Jai Alai Fronton and his wife, Allison.

Scott Sargent and wife, Beth, celebrated the birth of a son, Spenser, Sept. 20 in Morgantown, West Virginia. Scott is a line tech at The Meadows, Pennsylvania.

Kirsti Lynn was the name given the baby girl born July 18 to Randy Latuseck and wife Juli. Randy is a line tech at Coeur d'Alene, Idaho Greyhound Park.

Roger and Denise Johnson were the parents of a boy, Matthew Alan, born July 7 in Albuquerque, New Mexico. Roger is the Company's Southwest Regional Manager.



A. LORNE WEIL
Acting President and CEO



JOHN SHELHAMER
Acting Chief Operating Officer

Lawsuit Decision Awaited

The antitrust suit brought against United Tote, Inc. will shortly be in the hands of the Delaware Federal District Court.

The lawsuit was brought by the U.S. Department of Justice following acquisition of Autotote Systems, Inc. by United Tote, Inc. on December 11, 1989. The Justice Department initiated the suit March 14 and a December trial was scheduled.

"For the past nine months, the officers and board of directors have been working actively with our attorneys in preparing a vigorous defense against this action," Lloyd Shelhamer, chairman of the board, said.

"With the decision close at hand, I would like to take this opportunity to thank our employees for their support and understanding during this busy period.

"While the defense effort required a great expenditure of company resources, I am pleased that this activity did not affect United Tote's ability to provide quality service to our customers, nor did it disrupt other Company operations."

Top management confronted another event in August with the disclosure that illness would prevent President and Chief Executive Officer James H. Pierce from continuing his duties on a full-time basis.

Elected acting president and CEO until Dec. 31, 1990 was A. Lorne Weil, a director and company consultant.

John H. Shelhamer, a director and president of the United Tote Company operating division, was elected acting executive vice president and chief operating officer of United Tote, Inc.

Las Vegas Subsidiary Reports Busy Year

It was a busy year for United CBS, Inc., the Company's Las Vegas-based subsidiary which provides sports/race wagering systems to the legalized Nevada market.

United CBS added seven new customers to its Silver State network in fiscal 1990. Through the first nine months, this division of United Tote, Inc. reported increases in revenues and earnings of 30 percent.

Included among the new customers is the Excalibur, the world's newest and largest hotel/casino, built at a cost of \$290 million and containing 4,032 rooms and

100,000 square feet of gaming area.

Bally Casinos purchased a 19-terminal SR2000 wagering system for their large resort/hotel on the Las Vegas Strip and a 16-terminal system for Bally's Reno, another major Bally property.

Other new United CBS customers were facilities in Laughlin, Lake Tahoe and the California stateline.

Vic Salerno, executive vice president of United CBS, announced that testing of the new RS6000 computer for the SR2000 System got under way in November.

Enjoy A Night At The Races

Thursday, Dec. 6 - Tucson Greyhound Park
Food, Spirits, Fun!

Compliments of Tucson Greyhound Park, Ogden Allied Leisure Services, R.T.I. Program and United Tote

Join us for cocktails, hors d'oeuvres, dinner AND

Pick 10 for \$10,000



\$5 Entry
Fee

Goes Entirely To The
SCHOLARSHIP FUND
Of The Race Track
Industry Program

1989 Contest Winners (L-R): Nick Schlikin, Mobile, AL, third place, \$150; Lee Burstein, Fair Hill, MD, second place, \$350; Robert Christmas, Wheeling, WV, first place, \$500; and far right, Gary Amundson, senior vice president, United Tote, Inc. (Chris Steinley Photo)

Pick the winners of Races 1 through 10 and you could win the entire \$10,000 Grand Prize, or share it if more than one person is lucky (or skillful) enough to pick all 10 winners. If there is no Grand Prize winner, \$1,000 in consolation prizes will be paid.

Tie-Breaker Rules:

Ties will be broken in order of priority as follows:

- 1 - most winners;
- 2 - most correct 2nd place selections;
- 3 - most correct 3rd place selections;
- 4 - drawing of names.

Consolation Prizes

WIN \$500 - Most Correct Picks
WIN \$350 - Second Place
WIN \$150 - Third Place

FREE Programs - United Tote Booth, Dec. 5 & 6

Some adult men just never grow up

Some men sulk, throw tantrums and generally act like big babies — and their wives let them get away with it.

Instead of helping them grow up. Women who instead help their husbands become adults will wind up with a happier, sexier marriage.

The men who act like babies often are involved in a problem left over from their real childhood.

Such men turn their wives into surrogate mothers. But that makes them need to reassert their masculinity by becoming more macho and controlling. PAGE 2C.

INSIDE

(Four sections)
E-rag 3B Living 2C
City/State 1B Movies 3C
Classified 4C Opinion 1C
Comics 5A People 2A
Deaths 4A Sports 1D
E-bioise 5A TV 5A
Landers 5A Weather 8A

OUTSIDE

Partly cloudy today and tonight. Mostly cloudy and cooler Tuesday with chance of showers. High today 60, low tonight 36. High Tuesday 42.

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that's been under wraps for more than six years.

Emerging evidence of mismanagement in the \$50 billion program also has shown clearly that Defense Secretary Dick Cheney has failed to break a longstanding and embarrassing pattern of waste and deception in weapons procurement.

The Pentagon inspector general and a Navy internal report last week said technical problems in producing the first prototype plane were papered over to keep the contract fees flowing.

Excessive secrecy limited normal program reviews that may have tipped off

and overage. There is some doubt it ever will get off the drawing board.

The A-12 isn't just any plane. It's the Navy's No. 1 aviation priority, to be built with composite materials that make it difficult to detect by radar.

It is supposed to replace the Navy's venerable A-6 carrier-based attack planes in the mid-1990s.

But the Navy report last week confirmed for the first time that the plane may be nearly 8,000 pounds heavier than the original specifications required. The main problem, it said, is "weight growth" due to the thickness of the construction material needed to make the plane strong enough for landings on aircraft carriers.

Bet on less horse racing next year

By CLAIR JOHNSON
Office Gazette Staff

Horse racing at Metairie has always seemed like a sure bet, but not anymore.

Financial problems that have been building for several years hit home recently. The 1990-91 racing budget is broke, and without major cuts expected to come in the next few weeks, the budget will finish an estimated \$40,000 in the hole. Even with the cuts, including elimination of the racing director's position, the projected ending balance of \$779 would seem too close to call, considering the budget started at \$1.25 million.

What is a safe bet is that racing will be different next year. Some might wager that there won't be racing at all, but the odds are that won't happen.

Although county commissioners have said racing will end if it can't pay for itself, the Metairie Park Board supports horse racing. Horsemen groups, which historically have played a strong role in shaping the event, also have an interest in seeing racing continue.

Metairie Park staff and board members are meeting to figure out if there can be a race meet next year.

Some of the options being considered in-

Perspective

clude cutting back race dates from the 32-day season (which includes the fall and fall meet), lowering the minimum amount offered for purchases, amending contracts to cut costs for services like manure removal and increasing revenues through possible stall fees and more corporate sponsors.

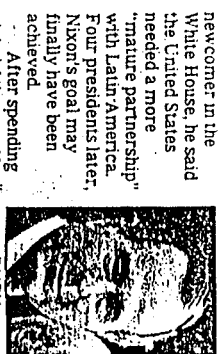
Other ideas being kicked around include turning racing over to the private sector, maybe sharing costs with other tracks in the state and hiring a consultant for help.

Those possibilities and others are expected to be discussed during a special Metairie Park Board meeting at 2 p.m. Dec. 13, at which public comment will be invited.

How did racing get into such trouble? Why can't Metairie Park simply carry the debt over to next year? Who stands to lose if racing goes away? How does simulcast racing (telecasting races from other areas into a track) figure into the picture?

Simple answers are difficult to find because there is nothing simple about horse racing.

(More on Racing, Page 7A)



newcomer in the White House, he said the United States needed a more "mature partnership" with Latin America. Four presidents later, Nixon's goal may finally have been achieved.

BUSH builds trust — two in Mexico and six in South America — Bush can boast that there is probably less

over the past generation.

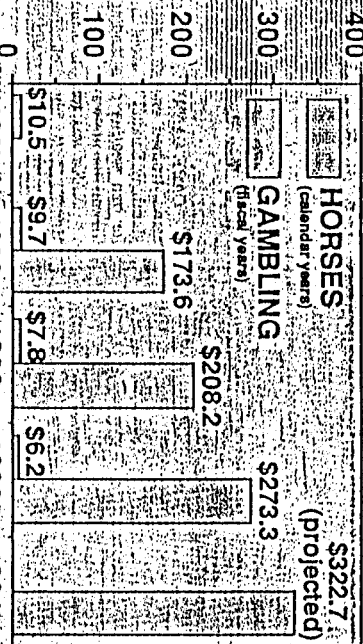
There is general agreement between the United States and Latin America on shared objectives, particularly on achieving prosperity through increased trade and investment. These are key elements of the "Enterprise for the Americas Initiative" that Bush promoted throughout his travels.

The crowds greeting Bush were generally friendly but not huge. As Bush headed home on Saturday, he could take comfort in the fact that the angry mobs that

(More on Bush, Page 7A)

horse racing next year

Millions of Dollars



Source: Mont. Board of Racing & Mont. Departments of Commerce and Justice



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...facing "yet that it is," he said. Laubermis claims that the Bethesda, Md. company Economic Development Systems Inc. — of which he is president — has been "directly" responsible for the development of over 42 percent of all the correctional facility beds currently located on former military installations.

This figure, he said, is based on a Department of Defense report, but he did not provide the report, the name of the report or a Defense Department person to contact for verification.

Federal prison officials interviewed by the Gazette had never heard of Laubermis, EDS or PMI (Parking Management Inc. of Washington, D.C.), another company Laubermis has said he represents.

"PMI does a lot of parking lots in the Washington area, but to my knowledge they have never done anything for the Federal Bu-

problems who might consider sending prisoners to Lewisston," he said.

The Associated Press has reported that the proposed Lewisston prison would house federal prisoners, and Lewisston residents are also under that impression. When asked Wednesday whether the Maiden Canyon site would accept federal or state prisoners, Laubermis declined to say.

"It's just an initial evaluation and we have not gotten back to the community with a specific proposal," he said.

When asked who "we" was, Laubermis said EDS. When asked how many employees EDS has, he would not say. EDS is not listed with directory assistance in Bethesda nor is it a member of the Better Business Bureau of metropolitan Washington, D.C.

"I think he's a one-man show," said Fergus County Commissioner Donna Heggen, when asked about Laubermis and EDS.

"They're not a builder."

Associated Press and local newspaper articles have stated that PMI would develop and build the prison. "They have been turning abandoned installations into prisons for several years," stated the Lewisston News-Arpus article, based on an interview with Laubermis.

A Mr. Lyons, the president of PMI, declined to speak with the Gazette and referred all questions to Laubermis.

* Laubermis would not detail PMI's involvement to the Gazette, but Munski said that Laubermis — after being pressed — told him PMI as a company isn't involved, but some people who work at PMI are investors.

During his stay in Lewisston, Laubermis promised to give the county commissioners literature and a video on the project for public viewing. He gave them only a video on a

vate company that manages another prison in Big Spring) and the Big Spring city manager had never heard of EDS or PMI.

Big Spring City Manager Hal Boyd said the prison was built by the federal government for the federal government with no private involvement.

Officials at the Montana Department of Institutions and the Building Codes Bureau also had never heard of Laubermis, EDS or PMI.

"I don't know anything about the corporation that is proposing to develop that," said Curt Chisholm, director of the Department of Institutions. Even if concrete action is made toward developing a prison, he said, "we'd have nothing to do with it. There's no licensing requirement, just state and local building codes."

Fergus County Commissioner Donna Heggen said there are no zoning laws outside

Laubermis said EDS is evaluating 25 sites nationwide, many of which are former military bases. When asked which other communities were being considered for a prison, he would not say.

"We don't want to get into comparing one community with another," he said.

Laubermis said EDS still is investigating whether the Lewisston site is appropriate for a prison. Lewisston's distance from major population centers could be a drawback, he said.

He would not say where the prisoners would come from, although he has said that prisoners will be taken back to their place of origin upon release.

Patrick said the federal government likes to locate its prisoners as close to their homes as possible, so the prisoners can maintain family support.

Racing

From Page One

ing, a complicated event that offers big payoffs to lucky bettors and spills dollars wagered into percentages of percentages to pay the owners, trainers, jockeys and the track. But there are some explanations for racing's predicament.

Most of racing's problems can be traced back to the handle, which is the amount of money wagered on a race. The handle is the big pot from which winnings as well as most expenses are paid.

The total handle from all state tracks has been on a steady downhill slide since 1984. The real fall-off, though, began in 1987.

That was the same year the state's lottery began, followed shortly thereafter by expanded gambling with electronic poker and keno machines.

The statewide handle has dropped 41 percent from \$10.5 million in 1987 to \$6.2 million in 1990. MetraPark's handle in 1990 was off 24 percent.

Meanwhile, total dollars wagered on the lottery and electronic gambling machines have skyrocketed about 86 percent during the same period — from an estimated \$22.7 million for fiscal year 1988 to a projected \$22.7 million for fiscal year 1991, according to state gaming officials.

Concern from racing industry folks that other

forms of gambling are cutting into the handle appears well founded judging from the numbers. And with talk of expanded gambling in the form of live "21" card games, the horse racing handle could drop even more.

Despite attempts to attract spectators to the track through promotions, beer and liquor sales, concessions and cleaner grandstands, people simply aren't betting what they used to on the ponies.

MetraPark's deficit in the racing budget can't be carried over to next year for several reasons. Unlike past years, the racing budget no longer has any cash reserves to soften the losses. And unlike other county funds, the racing budget receives no tax dollars. The budget is supported solely by pari-mutuel betting, concessions and admission sales.

County Finance Director Scott Turner said the county is not inclined to loan money to racing because the question remains, "Are they able to pay it back?"

Racing would have to present convincing evidence that the industry was turning the corner before the county would loan it money, Turner said.

County commissioners also have made it clear that Yellowstone County will not allow a deficit in the racing budget. Period.

So far, simulcasting has not generated the anticipated revenues at MetraPark. The simulcast program involves telecasting races during the live race meet, sending out MetraPark's live races to other Montana cities and simulcasting races from out-of-state tracks during the winter season.

MetraPark's simulcast winter season is held on the weekends at the Turf Club in the grandstands.

Authorized by the 1989 Legislature with strong support from the racing industry and county fairgrounds, simulcasting is intended to promote racing by putting more money into purses and race tracks.

But now, some racing organizations are critical of how simulcasting is being operated, and MetraPark officials are trying to decide whether its winter season can break even after getting off to a disappointing start.

Who stands to lose if racing were discontinued at MetraPark?

Certainly the most directly affected would be those who make their living from breeding, training and racing the thoroughbreds.

The Midland Horse Racing Association, a Billings-based group of horsemen, says that racing at MetraPark is a \$4 million benefit to the Billings community. Horsemen, who park their trailers on the backside of the track during the season, also contribute to the economy by buying groceries and other supplies.

Spectators who go the races would have to find another form of entertainment.

Although tax money doesn't go into racing, the laxpaying public also stands to lose. MetraPark's barn, track and grandstand were built with help from tax dollars to provide a place for horse racing and other events. An empty bleachers and track won't provide a return on the investment.

WEDNESDAY

Daily Racing Form

14 SANTA ANITA
30 GOLDEN GATE

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RACING FIGHTS FOR ITS LIFE

(This is the first article in a four-part series as Daily Racing Form Senior Correspondent Mike Marten takes an in-depth look at horseracing's question-filled future.)

By MIKE MARTEN

These are desperate times for racing. Long weakened by internal strife and a poor public image, now devastated by fierce competition and dramatic shifts in the economy, horseracing approaches the 21st century fighting for survival.

The old ideas don't work anymore. Despite ongoing, expensive, well-crafted marketing campaigns designed to attract new fans, attendance at race tracks continues to decline. Only rarely do important horses and singular racing people capture the public interest. And the color and excitement of the sport keep fading as the fabric of racing is stretched thin by overmaturation.

The obvious panacea? Electronic wagering, now seen as the only weapon to guarantee racing's future. But simulcasting—used here as an umbrella term comprising all forms of inter-state, intrastate, inter-track, off-track and telephone account wagering—comes with a steep price tag.

Racetrack attendance is certain to continue its decline as customers choose to wager nearer home at convenient satellite locations. And as tracks bring in more simulcast signals from other areas, their need for local live racing will diminish.

The emphasis will be increasingly on gambling, less on the sport. Sure, there will be more money to split among the tracks, the horsemen and the government, but the true racing fans are certain to be short-changed because some of the excitement will be lost forever.

All of this seems inevitable as racing tradition gives way to the pressures of the marketplace. Simulcasting already has demonstrated it can expand markets, permit year-around use of facilities and bring in new revenue, which often translates into in-

creased income for racetracks, higher purses for owners, trainers and jockeys and lucrative incentive awards for breeders. Through simulcasting, those who survive these difficult times could realize greater profits than ever before.

However, for many it is already too late. An estimated 20 percent of the breeding farms are up for sale in the Lexington area, and most of the other farms have cut back drastically on their operations. Breeding programs in other states are in similar straits as reduced stallion fees and lower yearling sales prices reflect the economic downturn. Averages at the Keeneland July sales, a reliable gauge for the overall market, plunged from a record high of \$545,000 in 1984 to \$350,000 last year. Accordingly, Jockey Club foal registrations have been declining

writing off half the losses. Owners are paying dearly for their involvement in racing.

"I'm feeling the high cost of doing business and I'm cutting back significantly," said John Franks, the nation's leading owner based on races or money won for six of the last eight years. "My cutbacks are strictly economically motivated as the costs at the racetrack continue to climb."

As more and more horse owners pull back, trainers are reluctant to pass on their own increased costs. Workmen's compensation now accounts for 11.5 percent of trainers' payrolls in New York (excluding jockeys and exercise riders). It costs \$300 to feed one horse each month in Pennsylvania, and blacksmiths charge \$50 to shoe horses in Illinois. Rather than increase their day rates to owners, trainers are absorbing some of the costs to a point where many are just breaking even. In fact, some trainers supplement their daily operations with income from purses and don't show any profits for themselves until after their stables have earned considerable amounts of purse money, the first \$1 million or so in the case of some major stables.

"The nation's economy is being knocked from pillar to post and racing is not immune to any of it," said D. Wayne Lukas, who has led all trainers in money won for the last eight years. "You would be surprised, if you were to poll all the trainers around the country, to learn how many people are not paying their bills on the 10th of the month. You would be surprised to learn the names of all the owners who are paying 60 days late, which is quite a hardship because the help and the feedman won't wait 60 days to get paid. If you're a family outfit, this has to hit you right between the ears."

Racing associations also are feeling the crunch. Abandoned or temporarily unused grandstands dot the American landscape like ghost tracks and many others are struggling to remain open. This has resulted in some unlikely marriages between the horseracing industry and its traditional competitors, such as casinos and greyhound racing, further erod-

(Continued on Page Three)

Simulcasting Comes With A Very Steep Price Tag

since they peaked at 51,293 in 1986, down to 49,098 in 1988, the last year for which complete figures were available.

"All segments of the breeding industry have been hit," said Robert Clay, owner of Three Chimneys Farm in Kentucky and president of the Thoroughbred Owners and Breeders Association. "Many players are leaving the business and others are just surviving. It's coming down to a small nucleus of surviving breeders."

At the same time, some of North America's most successful racehorse owners have called it quits, while untold numbers of small-scale owners have quietly but no less painfully slipped away. Although purses are higher, the increased prize money hasn't kept pace with the rising costs of owning horses. And due to tax revisions, it is no longer a simple matter of

Hubbard Wins, Everett Quits

By MARK RATZKY

INGLEWOOD, Cal.—The costly and often bitter battle for control of Hollywood Park is over.

Under an agreement reached Sunday, Marje Everett has resigned from the board of directors, and R. D. Hubbard has replaced her as chairman of the board, president and chief operating officer of Hollywood Park.

Two other board members, Stan Seiden and Aaron Spelling, have also resigned and their positions have been taken by Kjell Qvale and Howard W. Koch. Also under the agreement, the proxy contest for control of the track has ended, all litigation between the parties has been discontinued and releases have been exchanged.

The battle between Hubbard and Everett was due to come to a head at the annual shareholders' meeting February 18, but faced with overwhelming odds and diminishing support, Everett elected to give up a fight which has been waged bitterly for months in the courts, in the press and behind the scenes.

Hubbard now plans to propose a 17-member board of directors at the February 18 meeting. The board will include his original slate; Qvale and Koch; Merv Griffin, John Forsythe, Allen Paulson and Bruce McNall, who are already board members; Thomas Gamel, a former director of the operating company; and Robert Sangster, the international

(Continued on Page Thirteen)



R.D. HUBBARD



MARJE EVERETT

1991 Experimental Handicap on Pages 6 Through 9

DESPERATE TIMES FOR RACING

(Continued from Page One)

ing the gambling monopoly that horse racing once enjoyed. The pari-mutuel industry's share of the U.S. gambling dollar dropped from 18.7 percent in 1982 to 11.8 percent in 1989 while the share of lotteries jumped from 14.5 percent to 31.8 percent during that same period. The increased competition and other economic factors are forcing more and more racetracks out of business.

"I get four calls a week about racetracks that are on the market," said Paul Silvergield, president of Ladbroke Racing Corporation's fast-growing North American division. "Look at Ak-Sar-Ben. Ten years ago it was one of the leading tracks in the country. Now they're trying to peddle the thing. The simple truth is the racing industry is virtually profitless."

The hard figures tell the same story. Total attendance for all racing breeds reached 76,857,976 in 1982. By 1989, which offered 717 additional racing programs, that figure dropped to 69,551,006, counting patrons at all off-track and inter-track sites that kept attendance figures.

Although pari-mutuel handle officially increased by more than \$2 billion between 1982 and 1989, from \$11.7 billion in 1982 to nearly \$14 billion in 1989, the figures actually declined by \$1 billion when computed using constant non-inflationary dollars.

Not all of the industry's problems are economic in nature. Racing always has suffered from a poor image and the well-publicized inadequacies of the nation's equine drug testing programs aren't doing much to boost the public's confidence.

Racing's infrastructure has been unable to fully meet these challenges in an organized way. Lacking any true central authority, the various states and racing factions within those jurisdictions often work at cross-purposes, sometimes to the point of petty bickering.

"Racing has to reorder its priorities," cautioned Eugene Christiansen, whose management consultation firm, Christiansen/Cummings Associates, produces roughly 20 reports every year for the gambling industries. "If the racing industry continues to be like the Mafia and only kill each other, racing will be counterproductive and inevitably will suffer."

For the moment, there are scattered pockets of resilience. The sport is expanding into new states, including Texas and Virginia, but even there the question of simulcasting is delaying the building of major tracks. Remington Park in Oklahoma is the only track to have opened in recent years with any degree of success.

The most recent sales figures for horses of all ages sold at Keeneland last month were somewhat encouraging, according to Gene McLenn, executive vice president of the Kentucky Thoroughbred Association, who said buyers are more selective these days, but "the market is strong for a good horse."



CLIFF GOODRICH

"Times are changing and you must adjust with that change"



R. RICHARDS ROLAPP
Discounts 'Super Track' theory

There are signs of growing unity among the various racing factions at the local, state, regional and national levels. Longtime adversaries Santa Anita and Hollywood Park are working together on inter-track wagering legislation for Southern California. Thoroughbred and harness horsemen joined forces to fend off sports betting in Kentucky. Quarter-horse and thoroughbred interests in North and South Dakota, Montana, Wyoming, Idaho, New Mexico, Kansas and Colorado have formed the Rocky Mountain Simulcasting Network. The Association of Racing Commissioners International (ARCI) is putting some backbone into its quality assurance program for testing labs. The Thoroughbred Racing Associations (TRA) has created the TRA 1995 Committee to establish a national framework for simulcasting. And the American Horse Council (AHC) now has a racing arm called the American Horse Racing Federation, which has brought together virtually every segment of the racing industry at one table.

"I see far more unity today than there ever has been," said TRA executive vice president Chris Scherf. "There's a desire there now to work together that seems far greater than it's been in previous years. We still have a long way to go. We've still got years of distrust to overcome. But at least we're talking to each other and communicating, so we have a much better chance of achieving our goals."

State regulators have been racing's biggest ally during these hard times, according to ARCI executive vice president Tony Chamblin, who said the racing commissioners realize that the industry has a tremendous impact on their state economies, not just in the form of taxes and fees, but also in terms of spin-off employment and expenditures in related industries. Several states, including California and Ohio, have conducted studies that demonstrate the positive impact of racing on their economies.

"When you get into the large states and gauge racing's impact on the state economies, racing is a multi-billion-dollar industry," said Chamblin. "In recognition of that, in an effort to help keep racing healthy, most of the states have reduced their take from the pari-mutuel pie, realizing that their taxes have been unfairly high and that racing needed some relief if it was to survive. Of course, there's a point where you can't reduce the tax any farther. In some states the tax already is below 1 percent."

Adversity is the catalyst for change, and simulcasting is the primary vehicle being used to affect that change. In 1975, when off-track betting was limited to New York (without simulcast signals), OTB handle totaled \$905,858,411 and was denoted simply by an asterisk in the official statistics released by the ARCI (then known as the National Association of State Racing Commissioners). OTB represented about 10 percent of the total handle in the United States for all breeds.

Today simulcast wagering, with all the amenities, in the largest growth industry in the country and covers the map like an electronic blanket. According to a report issued by Harness Tracks of America, 39 states permit (or are interpreted to permit) simulcast wagering in some form. Only six states prohibit it

altogether, and one of those states, Texas, is considering legislation to establish inter-state and intrastate simulcasting. Simulcast operations are currently being conducted to varying degrees in most of the states where it is permitted.

In 1989, pari-mutuel handle for all forms of betting totaled \$13,904,134,726. Of that total, \$4.8 billion, roughly a third, came from simulcasting, both on and off-track, including telephone betting. The ITA report notes that "off-track wagering has been the only segment of the pari-mutuel industry to outpace inflation over the past eight years."

Like some magic elixir, properly implemented simulcasting programs, which include safeguards for all participants, have given new life to dying tracks, such as Penn National, and restored health to moribund tracks, such as Garden State.

In fact, simulcasting is the only thing going for the racing industry in Alabama, where the bankrupt Birmingham Race Course remains open for simulcasting only. Birmingham residents wager on races simulcast live from out of state. And they aren't limited to their own small local pools since technology and regulations permit the commingling of pools across state lines. For example, Alabama bettors were able to compete for a \$6.6 million pick six carryover pool at Santa Anita last month. And though nobody in Alabama was lucky enough to hit the pick six that day, several simulcast bettors in Minnesota, West Virginia and Nevada purchased winning tickets each worth at least \$469,885.

Simulcasting is not limited by national boundaries. A signal can go anywhere using satellite communications. Some U.S. tracks already have experimented successfully with races from Europe.

This simulcasting explosion is coming rather suddenly, considering that not much happened for the first decade after the Inter-State Horse Racing Act was adopted by Congress in 1978 to permit the transmission of signals across state lines.

At first, everyone seemed frightened—and to some degree, they remain frightened—by the New York experience, where on-track attendance suffered badly from the spread of OTB parlors. Those declines continued until last year, when on-track attendance in New York actually increased by 3 percent. Allan Dragone, chairman of the New York Racing Association, is optimistic that on-track attendance will continue to climb, but he's not ready to say officially that New York has turned the corner.

Still, the signs are encouraging for simulcasting throughout the country, so much so that Santa Anita Park recently dropped its longstanding opposition to legislation to expand ITW in Southern California. Santa Anita now supports the concept of conducting simulcast wagering within Los Angeles and Orange counties, most importantly between Santa Anita and

(Continued on Page Four)



CHRIS SCHERF

"I see far more unity today than there ever has been"

Competition, Poor Economy Threaten Sport

(Continued from Page Three)

Hollywood Park, which are roughly 30 miles apart.

"Times are changing and you must adjust with that change," said Santa Anita president Cliff Goodrich. "We certainly are feeling the \$2.5 billion impact of the lottery in California. The lottery makes it convenient for people because all they have to do is walk down to the corner store. As traffic conditions worsen in our area, we at the racetracks also have to make it more convenient for our patrons. We're not talking about the New York experience where they have an OTB parlor on every corner, but we are talking about legislation to expand inter-track wagering and make it easier for people to watch and wager on the races."

The major concerns about simulcasting involve the direction it takes and whether there might eventually be too much of a good thing. Horsemen fear that marginal tracks will find it more profitable to abandon live racing altogether and simply import signals. Under this scenario, live racing eventually could be reduced to just a handful of regional tracks, which would greatly reduce demand for horses, trainers, other racing personnel, feed and hay providers, farriers, veterinarians and on down the line.

AHC president R. Richards Rolapp discounts the "super tracks" theory, noting that the Inter-State Horse Racing Act requires signed contracts from horsemen at the sending tracks before any simulcasting can be conducted. He said horsemen at the receiving tracks are protected by the policies of the National Horsemen's Benevolent and Protective Association.

HBPA official Elwyn Tripp said he attended a meeting with industry leaders in Washington D.C. last month at which these very issues were discussed and everyone came away from that meeting with a clear understanding of the horsemen's position. "We are not hostile and there is no dispute at this time, but



ROBERT CLAY

"All segments of the breeding industry have been hit."

everyone needs to understand that horsemen innately being active partners involved in the development of simulcasting to be certain that all the terms and conditions are being met. We have certain protections under the horse racing act, and we will be seeking additional safeguards through state legislation to grant horsemen in the receiving states the right of refusal."

Apparently the system doesn't work perfectly, as suggested by disagreements over who said what in discussions of recently approved inter-state simulcast wagering between Louisiana and Arkansas. Claude Williams, executive director of the Louisiana State Racing Commission, said in his opinion the problem resulted from poor communications between horsemen in the two states and between horsemen and their leaders, but he said overall the built-in protections worked well.

Breeders are tackling the same issues through their newly created American Thoroughbred Breeder's Alliance, according to board chairman Rich Wilcke, who said, "Like everyone else, we want progress, so we are not opposed to off-track wagering, but we want it structured in such a way that everyone is protected. There are people in this industry who are not horse-oriented. They are gambling oriented. Our defense from them is for breeders to be actively involved and to seek protective legislation."

The consensus, then, is that racing as a whole is in serious financial trouble and simulcasting is the most likely, if not the only, method of recovery. But the development of simulcasting will require all segments of the industry to meet on common ground by cooperating to a greater degree than they ever have in the past.

Lukas, whose vision of the industry obviously extends beyond his shedrow, summed things up optimistically: "There is never any change in life unless there's a need, and when you reach a crisis, people react. I know that I'm reacting in my own operation, and racing as a whole is reacting to need right now. People in this business have mettle. We'll survive. And when we come out of this crisis, we'll be stronger."

(Tomorrow, the state of racing's economy, from the perspective of owners, trainers and breeders.)

THE RACE IS ON TO NOMINATE!

EARLY BIRD NOMINATION DEADLINE IS TODAY, FEBRUARY 6.

THE CALIFORNIA DERBY (GRADE III)

\$300,000 GUARANTEED. TO BE RUN SATURDAY, APRIL 13, 1991.

FOR THREE-YEAR OLDS. (Folds of 1980) By subscription of \$100 each, if made on or before today, February 6, 1991, or \$500 each if made on or before Wednesday, April 3, 1991. Supplementary nominations may be made three days before the running of the race, Wednesday, April 10, by payment of \$10,000 each which qualifies to start. All nominees to pay \$2,000 to pass the entry box and \$4,000 additional to start, with \$165,000 Guaranteed to the winner, \$60,000 to second, \$45,000 to third, \$22,500 to fourth and \$7,500 to fifth. 122 lbs. Non-winners of \$75,000 at one mile or over allowed 3 lbs.; \$50,000 at a mile or over, 5 lbs.; \$35,000 at one mile or over, 7 lbs.; \$20,000 at any distance, 10 lbs. (Claiming races not considered.) Starters to be named through the entry box two days before the running, Thursday, April 11, 1991, by the usual time of closing, and horses with the highest lifetime earnings at time of entry will be preferred. The field will be limited to the number of stalls in the starting gate. A beautiful trophy emblematic of this historic race will be presented to the owner of the winner.

Early bird nominations close Wednesday, February 6, 1991.

Nominations close Wednesday, April 3, 1991.

Supplementary nominations close Wednesday, April 10, 1991.

ONE MILE AND ONE EIGHTH.

LADBROKE CELEBRATES THE GOLDEN ANNIVERSARY



NAME OF HORSE	Color	Sex	Age	SIRE	DAM
			3		
			3		

In the above stakes closing Wednesday, April 3, 1991, I enter the horse(s) above specified under the conditions printed in the Stakes Book.

Owner _____ Trainer _____

Forward all nominations to:

Racing Office

P.O. Box 6027

Albany, CA 94706

Toll Free 1-800-541-6335

Address _____

Nominated and Signed by _____

Official Rulings

Stewards Santa Anita

"Exercise rider Dennis Balleate is fined \$10 for violation of stable area parking regulations. California Horse Racing Board Rule 1530 (Cases not covered by rules and regulations).

"Groom Edgar Diaz is fined \$25 for violation of California Horse Racing Board Rule 874 (Inloxcation).

"Exercise rider Jose E. Lima is fined \$30 or repeated violations of stable area parking regulations. California Horse Racing Board Rule 1530 (Cases not covered by rules and regulations).

"Trainer Larry Barrera, having appeared s ordered and having provided documentation which relieved him of the provisions of California Horse Racing Board Rule 1876 (Financial responsibility), is restored to good standing. Rule 12, issued at Hollywood Park peraling Company May 12, 1990, is set aside.

"Jockey Jose A. M. Mares is fined \$50 for failure to cooperate with stable area security. California Horse Racing Board Rule 1530 Cases not covered by rules and regulations).

"Acting upon a revised report from Harris laboratories, official testing laboratory for California Horse Racing Board, that sample A32393, taken from the horse Classic alive, the second-place finisher in the seventh race at Hollywood Park December 2, 1990, showed the presence of 5.5 mcg/ml of atazolodin rather than 13.1 mcg/ml as originally reported, it is ordered that ruling 96 issued against trainer William Cesare December 20, 1990, be set aside."

"Exercise rider Antonio Sevilla is fined \$50 or causing a disturbance in the stable area. California Horse Racing Board Rule 1530 Cases not covered by rules and regulations).

"Groom Gabriel G. Cano is fined \$25 for violation of stable area regulations—illegal ntry. California Horse Racing Board Rule 1530 (Cases not covered by rules and regulations)."

RCT Confab Focuses On Medication, Drugs

(Continued from Page Twelve)

- The development of a national racing satellite.
 - The development of model statutes which would promote the standardization of rules across state lines.
 - The development of a national pick even wager on the Breeders' Cup races.
- The 27th annual RCTC convention, which has attracted some 250 delegates from all segments of the industry, concluded Saturday evening with the Canadian Horse Racing Hall of Fame inner-dance which honored 10 newly inducted members.

Half Cream May Be Key to Albany Triple

(Continued from Page Two)

second in the nation in winners last year without "stealing" a few spots. Therefore, we will include her in our ticket and also play Glinda, from the Louisa Arturum stable. Glinda has chased Wavering Star home twice recently, but looks equal or better than any of the others if Wavering Star fails to fire.

In the eighth, a mile and a sixteenth allowance race (non-winners of \$3,000 wice) for fillies and mares, we will single the recent Hollendorfer claim, Half Cream. All her recent races have been on the turf, and there is some question whether she fits well in here off her grass form, and we like the fact Hollendorfer has had her more than a month since the claim and still steps her into allowance company. After 30 days, a rainer is permitted to run a claimed horse for any price.

In addition to the \$12 basic ticket, we will play two extra \$2 tickets from Unique Image, to both Wavering Star, and Glinda, to Half Cream.

Hubbard Winner, Everett Resigns Hollypark Posts

(Continued from Page One)

horseman who was named to Hubbard's list of nominees late last month.

"With this board in place, I'm confident we will be able to bring about the changes needed at Hollywood Park," Hubbard said. "However, with the spring meet so close, we will not be able to make as many changes as we would like until the fall meeting."

"What you will see at the next meeting are changes in the grandstand and clubhouse, making them more accessible to the fans. We want to bring this track back to its former status, and make it a horseplayer's track where the fans can be close to the finish line."

In addition to having the major changes in construction completed by the fall stand, Hubbard made it clear that he is 100 percent behind simulcasting, and hopes to have inter-track wagering between Santa Anita, Hollywood Park and Los Alamitos in place before the end of the year.

When asked about Friday night racing, which has been given approval for the spring meeting, he said it was still a possibility. "We want to have a closer look at that before we make any decisions," he said.

Hubbard added that Steve Wynn, who had been nominated by Everett to succeed her as chairman of the board, was no longer a part of the picture at Hollywood Park.

Hubbard had actually been trying to oust Everett for some time, and came close to doing that at the end of last year when a consent solicitation of shareholders came less than 1 percent short of the needed votes.

Having claimed a premature victory on New Year's Eve, and obviously learning from that lesson, Hubbard had kept quiet to the press in the days prior to the agreement, despite the strong rumors that Everett's resignation and Hubbard's takeover of the board was close to a done deal.

By the start of this year, the battle between Hubbard and Everett had become ugly, with personal attacks from both sides showing up in full page ads in the Daily Racing Form and Los Angeles Times. There are estimates that the combined cost of this battle may have reached the \$8 million mark, and it is certainly in the best interests of shareholders, fans and the entire racing industry that it has finally come to an end.

When contacted, Mrs. Everett said she has no immediate plans for the future.

"I would like to express my appreciation to the shareholders, horsemen and directors who have supported me, and I want to acknowledge all the help they've given me over the years," she said.

"I've gotten a lot of pleasure from racing, and met some wonderful people. This has been my life, and that's what makes it so difficult."

American Record Equaled In Remington Park Event

REMINGTON PARK, Okla.—Bionic Prospect, a 5-year-old Brian Dickson trainee, sped a mile and 70 yards in 1:38 2/5, equaling an American record here Saturday. Bionic Prospect led past every pole, registering fractions of :23 2/5, :40 2/5, 1:09 4/5, and 1:34 1/5 before cruising home three and a quarter lengths in front of Rivergo in the allowance event.

Racing for the estate of his breeder, Loy Dickson, Bionic Prospect was making his first start of the year, after winning three of eight outings in 1990. The son of Miawaki and Bionic Babe equaled the mark set at Oaklawn Park in 1984 by Win Stat, and later duplicated by Mark Chip at Agua Caliente in 1987.

Marje Everett Highlights

1921—Born in Albany, N.Y.

1923—Adopted by Ben Lindheimer, a political force in Chicago and founder of the Illinois Racing Board, and his wife Vera.

1926—Accompanies her father to the racetrack for the first time.

1935—Ben Lindheimer buys Washington Park in Illinois for a reported \$4,500.

1940—Ben Lindheimer adds Arlington Park to his acquisitions and Marje drops out of Northwestern University to join her father in the racetrack business.

1948—Marje is given title of assistant to the executive director after eight years working behind the scenes.

1949—Assumes more responsibility following her father's first heart attack.

1952—At age 31, she becomes the first woman to operate two major racetracks while her father recuperates from an illness.

1952—Purchases her first shares of stock in Hollywood Park.

1957—Marries Webb Everett, a stockholder in Hollywood Park and director of racing and part owner of Golden Gate Fields.

1960—Ben Lindheimer dies in June at age 69, leaving an \$8 million estate with one-third to his widow and the remainder shared equally among his three adopted children.

1960—Marje borrows money to buy the racetrack interests of her mother and her brother, Walter, for an estimated \$4 million.

1962—As CEO of Arlington-Washington-Balmoral, she inaugurates the \$350,000 Arlington-Washington Futurity, the world's richest race.

1963—Spends several million dollars to renovate Washington Park for its first winter harness meet and shifts Washington's thoroughbred dates to Arlington Park for a continuous meeting.

1967—Sells controlling interest in Balmoral to a group headed by William S. Miller.

1969—Gets 10-year contract as executive director of Arlington and Washington Parks after the tracks are purchased by Gulf & Western. Control of both tracks shifts to Transnational Development Corp.

1970—Resigns as executive director of Chicagoland tracks following a rumored rift with Transnational chairman Philip Levin.

1971—Is involved solely as a witness in a trial for several prominent Chicagoans, including sitting U.S. Circuit Court Judge Otto Kerner, who were indicted on charges of bribery and income tax evasion. The charges stem from alleged pressure put on Marje to sell racetrack stock to then-Gov. Kerner at reduced prices. Kerner is convicted and the indictment against William Miller, a key government witness, is dropped.

1971—Through purchases, Marje becomes the largest single stockholder (124,552 shares) in Hollywood Turf Club, but has to file suit in Superior Court to compel track management to seat her on the 11-member board of directors.

1971—On November 24, she is confirmed as a director, but told she cannot be seated until licensed by the California Horse Racing Board.

1972—Issues a temporary CHRB license on January 24, pending further investigation of her involvement in Illinois case. On January 25, is seated on the board.

1973—Granted an unconditional license on April 9; helps bring Sunday racing to California.

1977—Webb Everett dies.

1977—Survives battle with Hollywood Park stockholders who attempt to dilute her authority.

1984—Engineers purchase of Los Alamitos for \$58 million.

1984—Oversees spending of nearly \$40 million to prepare Hollywood Park for the Inaugural Breeders' Cup, including construction of the Pavilion of the Stars, later renamed the Cary Grant Pavilion, and the enlarging of the mile track to a mile and one-eighth.

1985—Named chairman and CEO of Hollywood Park on the retirement of Vernon O. Underwood.

1986—Hollywood Park Operating Company and Hollywood Park Realty, of which Marje is the largest stockholder, turn down a \$35 per share offer from a group reportedly headed by R. D. Hubbard.

1989—Dealt a severe financial blow in February when a permit is defeated to develop 167 acres of the 300-acre Los Alamitos property owned by Hollywood Park. Eventually leads to the sale of the entire property for \$71 million.

1989—In March, she survives a call for her ouster from major stockholder Thomas Gamel, who is later voted a seat on the board.

1991—Loses five-month battle for control of Hollywood Park on February 3, resigning from board.

GULFSTREAM PARK

(Continued from Page Eleven)

proves a little bit, he could be competitive. He's training well and doing good and I really believe he'll run all right."

"I'm sure he will improve off of his first race here, but the company will be a little different on the weekend. There are a couple of name horses in there, Rhythm and Primal, and Secret Hello could be tough."

"Jolie's Halo could be OK, too. But I'm not as sure about him. He was awful impressive in the Appleton last time, but don't forget they took that one off of the grass. Sometimes those races aren't as tough as you might think."

Billy Mott was disappointed with Richman's showing in the Hutcheson and

said he will have to think twice about chasing Fly So Free again in the Fountain of Youth.

"We'll have to give him another chance, but right now I would like to find another spot to run him. Possibly the Louisiana Derby. At least we'll have to think about it."

Daily Racing Form Invites Letters to the Editor

Daily Racing Form welcomes letters from readers on articles published in this newspaper or on racing issues of the day. Letters for publication should be addressed to the Editor, Daily Racing Form, 10 Lake Drive, Hightstown, N.J. 08520, and should include the writer's name, address and telephone number.

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RACING IS LOSING THE MONEY GAME

(This is the second in a four-part series by Daily Racing Form Senior Correspondent Mike Marten that takes a look at racing's question-filled future).

By MIKE MARTEN

Poor health has bothered Hall of Fame trainer Woody Stephens lately, but it wasn't his own health that Stephens was worried about recently as he lowered his voice and reflected on the current state of affairs in horseracing.

"Just recently, over the last year or so, I think things have gotten so tough that I wonder how the little guy manages to stay in business," he began. "Lucien Laurin and I had a talk just the other day and we were agreeing on just how bad it is. I've talked to a few trainers who have cut way back. They shake their heads and say, you can't."

"It's a tough game now. Today, when you start talking about vets and van bills and blacksmiths and so on, you're talking about a lot of money. There are certain blacksmiths in New York who get as much as \$100. Some of them actually get it. If you own a horse practically anywhere, it's at least \$350. If a vet takes a chip out of a knee, it might cost a couple thousand. In New York it costs \$15 or \$16 a day just to feed a horse. A bale of timothy hay costs \$20. If you go to buy a new bridle, that's \$125. On top of that you've got labor costs: watchmen, grooms, exercise riders, assistant trainers. It runs into money."

"Maybe the big guys can take it, but the little guy has got to go. If a guy is lucky enough to have a good horse, he can make it, especially in places like California and New York where the punies are good, but a guy who isn't making much in commissions simply isn't going to make it on day money (payments from owners). Look at New Orleans. You know the game has got to be rough down there—rough."

"I'm to the point where I'm carrying six horses of my own and I'm not looking to make any money on them. I'm just trying to not get hurt too bad."

Clearly these are bad times for a lot of people in



WOODY STEPHENS

"I wonder how the little guy manages to stay in business."

racing, not just for trainers but also for many horse owners, breeders and racetrack operators. Just like other industries, racing is suffering from the worldwide economic downturn, but on top of that, racing is being hit by increased competition from other gambling and entertainment interests. In other words, some people are being kicked while they're down.

"I'm in the process of cutting all my financial interests in racing," said owner-breeder Edward Seltzer, who bred Tank's Prospect and raced stars like Kilijaro and Fieldy during his 32 years in the business. Seltzer said the overall economy is partly to blame because some of his outside investments have gone sour, forcing him to take a critical look at his involvement in racing. As a result, he decided to lease and hopefully sell his Margaux Stud Farm in Midway, Kentucky, and he is virtually out of the racing business as well.

"If it was the kind of thing where if I just broke even or maybe lost a little money, I could stay in racing, but the numbers have changed dramatically and I don't have the wherewithal to support a large-scale losing proposition," he said. "As a commercial breeder, I've learned that the yearling market has become very selective. It is not a thick market. Unless you're in a position to maintain the yearlings and race them yourself, you're often forced to sell them for a price below their actual worth. Often the price doesn't even match the stud fee."

"Sure, there are breeders out there with more financial leeway who can weather the storm and ride this thing out, but on the other hand I don't think my case is unusual. I think there are an awful lot of people who got into the business at the top end, like me, who are now well withdrawn, if not out. The attrition has been unbelievable. Things are too expensive. There's too much pressure. It's ceased to be

(Continued on Page Three)

Simulcasting Is Major TRA Agenda Item

By MIKE MARTEN

SAN FRANCISCO, Cal.—Now that simulcasting has grown into a billion-dollar segment of horseracing, industry leaders are trying to get a grasp on this emerging giant, and the 1995 Committee of the Thoroughbred Racing Associations will provide an update on those developments here Thursday at the opening of the TRA's annual convention.

Racetrack operators, joined by representatives from all the major racing organizations, will be meeting Thursday through Saturday at the Fairmont Hotel for two days of business meetings followed by Eclipse Awards ceremonies.

In a departure from the past, the names of the major Eclipse Award winners, including the Horse of the Year, are being kept secret until the day of the banquet. The various thoroughbred, sleight-of-hand, jockey, owner, trainer and breeder cham-

31 Racetracks Signed to Receive DRF Data On Past Performances; Others May Follow

A total of 43 tracks in the United States have now signed, or are considering signing, contracts with Daily Racing Form to accept past performance data for publication in their daily programs. Many of the tracks are now conducting their race meetings and data are being published, supplied via electronic link to Daily Racing Form.

The 31 tracks that have signed contracts to receive the data are Ak-Sar-Hen, Arlington International, Atlantic City Race Course, Baltimore, Blue Ribbon Downs, Calder Race Course, Canterbury Downs, Charles Town, Churchill Downs, Finger Lakes, Fommer Park, Garden State Park, Hawthorne, Laurel Race Course, Louisiana Downs, Meadowlands, Oaklawn Park, Penn National, Philadelphia Park, Pimlico, Portland Meadows, Prairie Meadows, Remington Park, River Downs, Rudnick Downs, Sportsman's Park, Tampa Bay Downs, Thistledown, Turf Paradise, Woodlands and Yakima Meadows.

The 12 tracks that have expressed interest in the data and with which negotiations are being held are Albuquerque, Beulah Park, Delta Downs, Detroit Race Course, Evangeline Downs, Fair Grounds, Golden Gate Fields, Hollywood Park, Jefferson Downs, Monmouth Park, Rockingham Park and Santa Fe Downs.

Plans of 1990 will be announced Saturday afternoon at the hotel during a telecast on ABC's "Wide World of Sports," which will be shown on a delayed basis on the West Coast.

The basic business of the industry will dominate the agendas Thursday and Friday. Seminar topics range from fixed-odds betting to drug prevention and rehabilitation to the effect of batteries on handle.

Most of Thursday afternoon will be devoted to the TRA 1995 Committee that was formed last February to deal with the growth of simulcasting, which encompasses all forms of inter-state betting, including inter-track, off-track and telephone account wagering. The Committee is responsible to developing uniform standards and methods to

(Continued on Page Six)



DON DREW

"If anything, conditions only figure to get even worse."

Racing Feels Economic Crunch

(Continued from Page One)

enjoyable. When the day comes that profit considerations make you worry about what a yearling brings or the outcome of a particular race, it's time to get out."

Even more dramatic is the turnaround of John Franks, the country's leading owner based on races won in 1983, 1986, 1987, 1988 and 1989 and the leader in purses in 1983, 1984 and 1986. Unlike Seltzer, Franks intends to remain in racing. He is even developing a stallion complex in Ocala. But he will be operating on a far lower scale.

"After I started out in 1979 with just a few mares, the bug hit me and eventually I topped out with somewhere around 1,100 horses," said Franks. "Right now I'm down to about 400 and by the end of the year I should be down to 150."

"I'm feeling the high cost of doing business, just like everyone else, so the goal is to cut down to a selective few and try to make the business pay for itself. It's especially difficult to make money at the farm, and though the racing operation is making money, the breeding end has been eating up the other. I had to put a bottom-line figure somewhere, and when we crossed it, the time came to sell."

"Let's face it, racing has too many broadmires out there and too many stallions. It was bad enough when the economy was slowing down, but now the economy is skidding. That's why we're doing a real sincere exercise in cutting back."

The economic crunch is evident in the Lexington area of Kentucky, the heartland of the North American breeding industry, where a record number of farms are up for sale and many others are cutting back their operations.

"The 'for sale' signs are out and we're not very encouraged," said Lexington realtor Dee Stewart.

"I would say 20 percent of the farms are for sale," echoed Bill Justice, a realtor in that area for the last 14 years. "There are very few new people coming into the marketplace. The only demand is in the low end of the market, in the \$250,000 to \$700,000 range."

Ric Waldman, syndicate manager of the Overbrook stallions and also vice president of Windfields Farm in Canada, agreed the breeding industry is "going through a period of retreat," and he described the effects on his two operations.

"We've cut our overhead at Windfields as close as we possibly can and we're placing more emphasis on



BRIAN SWEENEY

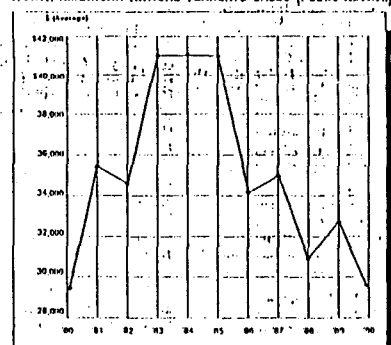
Lower tax liabilities mean there is less to write off. Problems facing horsemen today are largely beyond their own control. He noted how the partial withdrawal of Arab buyers from the breeding market has helped drive down prices. He cited the increased difficulty of establishing sires and making profits on investments. He noted that reductions in income taxes, though highly appreciated, have adversely affected investments in horseracing because lower tax liabilities mean there is less to write off.

The individual problems of owners, trainers and breeders are compounded whenever racetracks close down or get into financial trouble because that means less purse money to trickle down through the industry. Two tracks in difficulty right now are Birmingham Race Course in Alabama and Ak-Sar-Ben in Omaha, Nebraska.

Of the two, Birmingham is in the worse shape, so bad that it probably won't open for live racing this year and it might even be sold to greyhound racing interests, according to Bill Walsh, executive director of the Alabama Horsemen's Racing Association, who attempted to unite horsemen in his state to operate the Birmingham meeting themselves but was rejected because the plan involved permitting dog racing in Birmingham part of the year, a proposal that horsemen considered abhorrent. Walsh now believes "horseracing is dead" in Birmingham and there's a good chance the greyhound industry will obtain legislation and win a required referendum to permit dog racing in Jefferson County.

Charles McIntosh, who helps operate Birmingham through the bankruptcy court, said he doesn't know what the future will bring, but for now his operation is generating income from simulcasting, and if

NORTH AMERICAN ANNUAL YEARLING SALES (Public Auction)



things continue to go well, he foresees a buildup of purse money for horsemen if live racing ever does return.

Oddly, Birmingham seems like an ideal area for horseracing to succeed because there is no immediate competition from professional sports or other gambling interests—no state lottery, no casinos, no dog racing within 60 miles, no professional football or basketball within 140 miles. Yet Birmingham is a "sports-minded area," according to Larry Ellison, executive director of the Birmingham Racing Commission, who said there's tremendous support for the region's college teams and there are two or three sports radio talk programs. So why is Birmingham apparently closing its doors to live horseracing after just three years of operation?

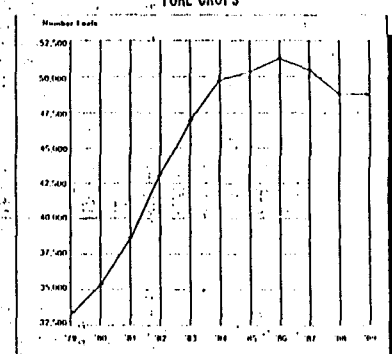
"They built a Taj Mahal for \$80 million when the area could only support a place one-third that size," said Walsh, expressing the popular opinion that the Birmingham Turf Club overbuilt for the area. Instead of opening a gourmet restaurant featuring extremely valuable crystal and china, they should have marketed the track to beer drinkers who are more accustomed to mugs and pretzels.

Ellison agreed. "They were undercapitalized and opened with no cash reserves. Under the right circumstances, with additional revenue coming in from simulcast wagering, Birmingham could turn into a thriving entertainment complex in five years, but it's a matter of having deep enough pockets."

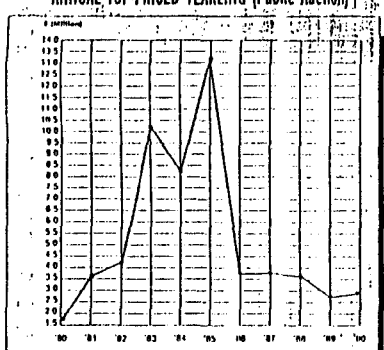
Ak-Sar-Ben faces a much different problem, one of intense competition from other racetracks, both horses and dogs, and from numerous other forms of gambling, according to Donald Drew, executive director of the Omaha facility that enjoyed great success in the early 1980s but suffered a staggering downturn near the end of the decade. Recently the racetrack was placed on the market and two bids were received, but Drew said both offers were turned down as either inadequate or subject to too many contingency clauses. He said Ak-Sar-Ben will open for business as usual on May 1, but that doesn't mean its problems are over.

"If anything, conditions only figure to get worse as the competition continues to increase," he said. "Just consider what's occurred so far. Back in the early '80s we had some pretty spectacular figures—averaging 15,000 people a day and handle of \$1.7 million. But back then there was no lottery in the area. No dog

TOTAL CROPS



ANNUAL TOP-PRICED YEARLING (Public Auction)



breeding profitable yearlings when we make our mating decisions," he said. "Regarding Overbrook, we're under pressure to reduce our stallion fees. For example, we just retired a fast New York sprinter named Carson City. Not too many years ago we would have staid him for a \$20,000 to \$25,000 stud fee. I firmly believe he's worth between \$10,000 and \$12,500 in today's market. However, in anticipation of pressure from breeders, he will be standing for \$7,500 this year."

Interestingly, Fred Sahadi, one of the largest breeders in California, said the breeding industry in his state "is probably in a little worse shape than Kentucky" for a couple of reasons.

"One problem that faces us every day is the drought," he said. "It has a spiraling effect on the cost of hay that's just unreal. We also have high labor costs in California. We pay our help about \$7 an hour. And workmen's compensation is out of sight. Our farm probably will barely break even in 1991, and if we accomplish just that I'll feel lucky. I wouldn't want to be a small farm in California right now that doesn't have the stallion income and doesn't have the customer base."

Brian Sweeney, an owner, breeder and trainer with a multiple perspective on the industry, said the

tracks, No. 1 in Kansas City. Back then we would get a couple of hundred horses from Kansas City on a weekend. But all that changed and now the competition is overwhelming. (Ak-Sar-Ben averaged 7,077 in attendance and about \$721,000 in handle in 1990, counting simulcast figures).

"Now, in addition to having five thoroughbred tracks and two quarter-horse tracks servicing a state with a population of just one and a half million, there is a dog track located seven miles away that operates 50 weeks a year, nine performances a week. Now we have competition from Indian gaming, lotteries, keno, you name it. There are more forms of gambling just across the (Missouri) river from us in Iowa than there are in any other state in the nation. We're facing the prospect of Indians opening a casino just seven miles away in Council Bluffs, Iowa, within two or three years."

"Believe me, we're not alone in this. There's a dark cloud hanging over all of racing that keeps getting darker. Our monopoly is gone. Competition is the wave of the future, and in order to survive we're going to have to get our act together in the racing business."

(Tomorrow, the power of simulcasting).

Karyn's Luck Has Big Shot To Key Double

By DALE OMENSON

GOLDEN GATE FIELDS, Albany, Cal.—Most handicappers have something they like to see in a horse before they will play it with confidence. Some like to see a drop in class, others want consistency, and some demand a recent race. Many handicappers will play only horses trained by top trainers and ridden by top jockeys.

Many years ago, former rider Eddie Arcaro was asked what he liked to see in a horse, and responded that he liked horses "with a lot of 'I's after their name."

Although that may sound like a simplistic notion, Arcaro was saying he liked horses who want to win, and that is a more important handicapping factor than some may realize. A lot of money is lost on short-priced favorites who keep running second or third but lack the winning spirit.

In Thursday's first race here, a \$16,000 claimer for fillies and mares at six furlongs, Arcaro would love Karyn's Luck, and so do we. The 5-year-old mare, who is trained by Larry Richman, has won seven of her last 10 starts, including her last pair. Also, she possesses sharp early speed, an important factor over this racetrack, and is perfectly drawn on the outside of this small six-horse field.

Almost equally important, the price may even be decent, since Karyn's Luck is stepping up for \$6,250 starter handicaps while several of the others are dropping off fair efforts for \$20,000.

In her last victory, Karyn's Luck defeated Coron Miss by three-quarters of a length, and Coron Miss came out of that race to score a four-length victory for a \$10,000 tag.

While Karyn's Luck is no sure thing, she certainly is the type of horse we feel good about backing. Fortunately, she's in the first race, so we can play her to win, and also in the daily double.

The second race is a \$12,500 maiden claimer for California-bred sophomore fillies going a mile and a sixteenth. This type of race is often a hopeless scramble, but on Thursday a filly named Dale Darling looks like a legitimate favorite.

She raced four times down south without success, then was sent here to trainer Fordell Pierce. In her first local start, she finished second to Kelly Blue Eyes, and that was no disgrace because the latter had good credentials. She had just finished second to Lyphard's Fan in a \$20,000 maiden claimer on January 3, and Lyphard's Fan came back to finish second for a \$50,000 tag down south. Top I. Q. finished behind Kelly Blue Eyes in the January 3 race, came back to win by seven lengths versus maidens and then finished second in an allowance race.

There are interesting horses in the sixth and eighth races. In the sixth, a son of Mr. Prospector named Mazag figures to be about 1-5 to break his maiden. He has finished second in his last three in Southern California (losing at 1-5 last time), and trainer Brad MacDonald is sending him here with the hope of getting the elusive maiden victory.

In the eighth, a mile allowance race for 3-year-old fillies who have not won \$1,000 other than maiden or claiming, the impressive winners Spectator Dream and Carrie Special will look up. They both won their career debuts going six furlongs and now try to go two turns. We prefer the former, mainly because she has had a pair of mile works since her race, including one here in a rapid 1:39.

Carrie Special, trained by Mark Molina, has not had time for any long works since her victory here January 27. She was impressive in that race, rallying from behind while circling the field turning for home, and she has the breeding (Fappiano-Babie, by T.V. Lark) to be a good one.

TRA CONVENTION WILL EXPLORE SIMULCASTING

(Continued from Page One)

simulcasting so simulcasting systems will look somewhat alike. In the various states and he compatible with one another if they choose to link in the future.

Robert Bork, vice president of operations for Arlington International Racecourse, is the Committee chairman. He will moderate the two-hour session and explain in detail the goals and objectives of the Committee. He also will discuss the progress made during the Committee's first year of operation.

Commingle, or common-pool wagering, will be discussed by Bruce Mathias, the director of simulcasting at Santa Anita; William Bork, vice president of Ladbroke Racing Corporation; and Robert "Muggsy" Muniz, racebook manager, at the Barbary Coast Casino in Las Vegas.

Technical matters relating to the totalisator companion and their function in simulcasting will be addressed by Jim Baker, vice president of engineering for United Tote; Ron Stetser, vice president of special projects for AmTote; and Fred Sylvanus, director of research and development for AutoTote.

And horsemen's concerns over the growth of simulcasting will be voiced by John Harris, president of the California Thoroughbred Breeders' Association.

Preceding the simulcasting seminar, James Rouse, a builder specializing in low-income housing, will offer a short presentation on backstretch housing and describe the success of resident-managed projects throughout the country.

SEPTIEME CIEL RETIRED

By MARK RATZKY

SANTA ANITA PARK, Arcadia, Cal.—Trainer Dick Mandella revealed Tuesday that Septieme Ciel injured himself when he stumbled at the start of Sunday's San Pasqual Handicap and has been retired to stud duty at Walmec Farm in Kentucky.

"When he came back to the barn he was sore, and the next morning we had X-rays taken," Mandella said. "It turned out he suffered a broken accessory carpal bone, which is an odd injury, it's a bone in the back of the knee, and it looks like it probably happened when he stumbled at the start and had to scramble."

"It's quite a blow, because I think this horse had a lot of potential. He's the most beautiful horse I've ever had, and there were so many opportunities waiting for him. He'd been training great on the dirt, and I was really looking forward to this year with him."

Septieme Ciel is a son of Seattle Slew who was bred in Kentucky, but began his career in France and England. He won five of 12 starts on the other side of the Atlantic, including a Group I victory at Longchamp in October.

He made his U.S. debut in the Hollywood Derby in November, and ran a game race to miss by a head to Hall-greekhome in the nine-furlong fixture. He had been working in eye-catching fashion for his main track debut in the San Pasqual, but lost his chance at the start and had to settle for a fifth-place finish behind Farm Way.

Septieme Ciel is owned by a partner-

AQUEDUCT

(Continued from Page Four)

watched as she was carried wide to finish last in a field of 11.

"That was all my fault," Baker said. "I rushed her to get her a stakes race, and she needed more time. She ran two more races after that and did OK, a fourth and a third, but didn't really race that well."

"I decided to turn her out for a little while. One day when she was in her stall, she reared up and hit her head. She damaged her eye, and we really didn't have that many options."

Indian Fashion returned to the races December 1 at Turfway Park, and, although she ran fifth, Baker was pleased with her effort after all she had when retired.

On January 20, Baker brought Indian Fashion here, where she ran for a \$30,000 tag at a mile and a sixteenth on the inner track. For the first time in her nine-race career, she went to the lead and went on to an 11-length victory in 1:46 4/5.

NORTHWEST

(Continued from Page 1)

couldn't tell it by the way he's though.

The front-runner raced in pace of Lion's Brew through going, then entered the strabreant with that one an-Mackre, who was launching a on the outside. It was no bad the next furlong, but Valiant asserted his class in the final or get clear by nearly two length panels in a very rapid 1:11 3/4.

"It was a long time before I think we may have this hot track now," said McCauley, the best he has run in a long, cially considering it was a m stretch him back out in the sixteenth stakes later this \$15,000-added Campeonius II February 24), and if he does one we'll start thinking about another Breeders' Cup race gacres."

This year's renewal of the eighth Longacres Hurdle Cup isn't scheduled to be in 14, but we can understand owner in looking forward to Cougar, who has now won starts, amassed more than \$360,462 in earnings with 1 scores in the race.

Yet another local stake emerged from last Saturday six-furlong test for older fillers. Making just his third and his first since November followed a maiden victory second to allowance runner Jonathan Waller's Costa I priced a strong field by dis score by a length and three 23-1. The 4-year-old son of tunc got the distance in the surface.

"The owner deserves the that win," repeated trainer Smith. "I had the horse to days and I really didn't expect from him, but the him a lot. I guess he knew I cause I was really imple way he ran. He acted like a animal."

SANTA ANITA

(Continued from Page 1)

sprint efforts here, but

nically to a mile and a six

sixth under Gary Stevens

her diploma. She doesn't

material, but it was a nice

should be a useful mem

Lukas.

3:48: Cobra Classic has to

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4:19: Lukas proves in 11

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turned him into a serious

the Big 'Cap' with his wi

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"I think he's as much a

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retired.

4:49: The day ends on

when Stylish Majesty get

in front of Atticus, but is

and by the stewards.

ship that includes R.D. Hubbard, who certainly had a bitterweek afternoon Sunday. It was on this same day that his quest for control of Hollywood Park became a reality, but his good fortune didn't carry over to the San Pasqual. The colt will now get his opportunity at stud a little earlier than expected.

Laxey Bay, who has run two strong races since arriving from Europe, takes a step up in class for Thursday's feature at a mile and an eighth on the lawn.

The import has shown a nice kick through the drive in both his appearances, and it looks like Neil Drysdale might have a stakes performer on his hands. We'll find out more in this spot.

Bandix and Walk With Royalty, two sophomores who really impressed in their debuts here, square off among seven speedsters in the co-featured seventh. Bandix overcame a poor start to get the job done at first asking for Bobby Frankel last month, while Walk With Royalty showed some high speed while wiring his field in his lone appearance. Something will have to give.

Golden Eagle Walks Off With Top Awards

(Continued from Page Five)

sale—Love Conquers All;

—Leading California sire by money won

—Flying Paster;

—Leading California sire of 2-year-olds

by money won—Habitony;

—Leading California sire by number of

winners—Pirate's Bounty.

On Monday the business meeting took place, which included the election of new board members. New members are Meryl Ann Tantz and Gary Bisanz, while Jeanne Carty, John Harris and Don Valpredo were reelected. No one was chosen to fill the place vacated by George Warwick.

A California Thoroughbred Sales manager Ben Walden reported that sales company just about broke even in 1990 but that serious thought was going to have to be made concerning CTS's Northern California juveniles in training sale. Bay Meadows intends to conduct quarter horse racing during the time normally allotted to the juvenile sale, so a new site must be found. Walden stressed the fact that, in a down market, this sale has consistently done well, and averages are now 300 percent higher than they were when the sale was first created.

The position of permanent Northern California field representative has been abolished, and someone from the CTBA will periodically take over the duties.

Guest speaker at the luncheon Monday was D. G. Van Clief, who spoke on the importance of Californians remaining involved in the Breeders' Cup program.

Racing Daily Form

10 SANTA ANITA
28 GOLDEN GATE
42 LOS ALAMITOS

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PAGE 47.50

SIMULCASTING IS KEY TO RACING'S SALVATION

(This is the third article in a four-part series by Daily Racing Form Senior Correspondent Mike Marten that examines racing's question-filled future.)

By MIKE MARTEN

Horsereading could be resurrected soon in Colorado and Massachusetts, and the only obstacle required to raise those states from the dead in their respective legislatures to approve off-track betting or other forms of simulcast wagering.

Such is the power of simulcasting, which includes everything from betting parlors to inter-track wagering to telephone accounts to the commingling of pools between states and even countries. Right now it is a \$6-

but they can walk from the deal anytime within the next six months if they don't get what they want," said Simon. "What they want is off-track wagering. They need the law changed to permit OTB. They need to reach our state's other population centers, such as Grand Junction on the western slope (on the opposite side of Rocky Mountains from Denver). The major thing they are looking for is simulcasting legislation to make opening the place feasible."

United Racing is owned by some of the principals in United Toto, which operates Sunland Park in New Mexico. United Toto also operates the Wyoming OTB system in partnership with Wyoming Downs. United Racing already operates three of the five greyhound tracks in California and also simulcast races among all of those outlets if possible, according to United toto vice president Skip Sherman.

"The legislation we're hoping for would give us many options, including simulcasting with our dog tracks," said Sherman. "Each track also would be licensed for three (OTB) facilities. And most importantly, we would need to conduct inter-state simulcasting, permitting us to remain open year around. The Sunland season in particular would fit nicely into our time frame."

"Simulcasting legislation is absolutely essential to us. We need simulcasting in order to build a purse fund that would enable us to attract horses from other circuits. We can accomplish that with the proper legislation. SB 99

'Inter-track wagering brought Penn National Race Course out of bankruptcy' —Herb Grayek Jr.

already is in the works. It has gone to committee. Now it's up to the legislature."

Major thoroughbred racing ended on Dec. 30, 1989, in Massachusetts when the owner of Suffolk Downs chose to close the facility, intending to develop the property. Given the current state of the nation's economy, that development probably won't occur for some time. Meanwhile, the Massachusetts State Racing Commission has been approached by several parties expressing interest in conducting major horseracing meetings in the state, but no far all of the proposals have been turned down, according to commission chairman Henry

(Continued on Page Five)



ROBERT QUIGLEY

"Our position is tenuous."



RICHARD DUCHOSSOIS

"There's no doubt simulcasting is a major benefit to our industry."

The situations in Colorado and Massachusetts clearly illustrate simulcasting's potential.

billion segment of the racing industry—and growing. The situations in Colorado and Massachusetts clearly illustrate simulcasting's potential.

Horsereading stopped altogether in Colorado in 1984 when Arapahoe Park, the successor to Centennial Race Track, went into bankruptcy. Centennial had been successful, but its owners realized greater profit by selling the property to developers. Arapahoe then was constructed 20 miles southeast of Denver in an area less accessible during bad weather. Severe financial losses forced Arapahoe to close after just one year of operation.

Many proposals to reopen Arapahoe were turned down by the bankruptcy judge, according to Richard Simon, who managed both Centennial and Arapahoe and continues to be a lien holder on the property. He said none of the applicants had "deep enough pockets" to make their proposals work. He noted that as recently as December, Judge Charles Matheson turned down such a proposal from United Track Racing Inc., largely because of opposition from other lien holders, after which Simon said, "Horsereading is dead in Colorado." However, the other lien holders then reconsidered their position, requested a rehearing, and Judge Matheson wound up approving the United Track proposal after all, subject to certain conditions.

"They have a three-year lease with an option to buy,

TRA Puts Focus on Simulcasting

By MIKE MARTEN

SAN FRANCISCO, Cal.—A talk-show type panel with audience participation will discuss the potential highs and lows of simulcast wagering in North America as the annual convention of the Thoroughbred Racing Associations continues Friday at the Fairmont Hotel.

TRA spokesman Richard Schulhoff said the Friday afternoon seminar won't threaten the ratings of Oprah Winfrey and Phil Donahue, but it should provide some lively debate on "today's hottest racing topic," simulcasting and what its long-term effect on racing might be.

R. Richards Rolapp, president of the American Horse Council, will moderate the 75 minute session, joined by panel members Richard Wilke, executive vice president of the Maryland Horse Breeders' Association and chairman of the American Thoroughbred Breeders' Alliance; Robert Gray, president of Three Chimneys Farm, representing the Thoroughbred Owners and Breeders Association; Joseph Har-

Joseph De Francis, president and chief executive officer of the Maryland Jockey Club.

The TRA board of directors will conduct its annual meeting late Friday and will elect new officers to serve two-year terms.

Carl Nafziger, who trains Horse of the Year candidate Unbridled, will be honored Friday by the Turf Publicists of America during their annual Big Sport of Turfdom luncheon.

Nafziger is one of three finalists for the training

R. D. Hubbard Outlines Planned Changes For Hollywood Park. See 'In the News' Page 2

championship of 1990, along with D. Wayne Lukas and Ron McAnally. All of the 1990 Eclipse Award winners will be announced Saturday afternoon. The ceremony will be shown on ABC's "Wide World of Sports."

In addition to the simulcasting panel, six other seminars are scheduled Friday, beginning with a discus-

sion of fan bases and demographics featuring B. Carroll, chairman of Turfway Park; Steve Ford, president of Turfway Park; Allen Guttenman, assistant general manager of the Meadowlands; and Tom A. son, president of Racing Resource Group.

The concept of fixed-odds betting will be smoky by Brian Roberts, representing Intercontinental Totalisator.

Problems related to televising racing results will be addressed by Jay Prizman, West Coast editor of the Racing Times, and Jenny Ornstein, Boston Philadelphia Park Live.

Stakes races, small fields and the right mix of and simulcast races will be discussed by Roland vice chairman of the board of Laurel and Pimlico, gene Barsotti Jr., racing secretary at Bay Meadows and Richard Wilson, general manager of Godolphin.

Drug prevention and rehabilitation, focusing on off-site drug treatment programs and industry grants, will be the subject of Father Joseph Statuto.

(Continued on Page Twenty-Three)

Simulcasting No Cure-All

(Continued from Page One)

O'Donnell, largely because they've all been contingent on the passage of favorable legislation to either reduce the state's takeout or permit OTB, or both.

"The one thing they all seem to have in common is a requirement for OTB, which they all consider essential," said O'Donnell. "I can't blame them, given the competition we're facing from surrounding states. There are successful OTB outlets operating south of us in Connecticut and west of us in New York. And up north everyone is going to Rockingham (in Salem, N.H.)

"I am very optimistic that we'll have OTB within one or two years. I was appointed by the previous administration. They always had reservations about racing or any type of gambling. Now we have a new administration. Both Gov. William Weld and lieutenant governor Paul Cellucci have articulated publicly an interest in reviving the industry. I see people recognizing that without OTB, live racing by itself cannot be successful. I foresee six to eight OTB parlors scattered throughout our state. In my opinion, live racing coupled with OTB parlors would mean a bright future for racing in Massachusetts."

James Moseley, a former member of the Massachusetts commission, and his wife, Patricia, intend to construct a new thoroughbred racetrack in Sterling, Mass., just north of Worcester, and the plan could include reopening Suffolk Downs while the new facility is being built, according to Moseley, but everything hinges on OTB legislation.

"It's a great location, equidistant from Providence and Boston, and very accessible. You could throw a tennis ball onto I-190 from there," said Moseley. "We're looking at a \$35 million facility—small but beautiful—with a mile and an eighth oval capable of attracting the best horses in the country. Our financing is completely in place. The whole thing could be done in one and a half years. Meanwhile, we're in the middle of negotiations with Suffolk Downs. If those negotiations go through, we could start racing there right away. The idea would be to get our circuit up and going again so that the new track could take off running. Our overall objective is to restore and revitalize the horse racing industry in the Commonwealth of Massachusetts."



PAUL SILVERGLEID

"If you didn't have OTB today, where would racing be?"

"The new track and OTB have to be thought of as the same thing. You can't have one without the other. I don't think anybody in the world would argue otherwise. OTB is necessary to reestablish a New England circuit. I expect OTB to happen this year. But if for some reason we can't accomplish the job, it won't be done for a long, long time."

Simulcasting, in its various forms, already has demonstrated its remarkable powers in other regions. It isn't a cure-all by any means, and some fear that it could grow out of control and do irreparable harm to the industry, but so far all the evidence suggests that simulcasting has helped some of the more shaky racetracks to survive in the face of tremendous competition and economic misfortunes.

"There's no question that simulcasting is a tremendous benefit to our industry and it certainly is a major benefit to our operation, offsetting what we're losing to the dogs (in neighboring Wisconsin)," said Richard Duchossois, chairman of Arlington International Racecourse. "We're building upscale OTB parlors in our state, with very nice restaurants, cocktail lounges, entertainment centers where people can enjoy themselves and bring their friends. We're giving the people what they want, keeping up with their changing lifestyles. Otherwise we'll be left behind."

Duchossois downplayed his track's reported losses of \$15.5 million in 1989, cautioning against "confusing cash flow with profits. An operation the size of ours involves tremendous start-up expenses that are written off the first few years."

Donald Drew, executive director of Ak-Sar-Hen, said that "without simulcasting, Nebraska would have only two tracks operating, at most three, instead of five."

Richard Krueger, director of the Minnesota Racing Commission, predicted that the new operators of Canterbury Downs, Ladbrooke Racing Corporation, will make a success of the struggling facility under any circumstances, but with a dog track opening 15 miles away this summer, he sees a pressing need for OTB. He said newly elected Gov. Arne Carlson supports OTB. "But with the legislature you can lose a coin."

Robert Quigley, president of Garden State Park, put it bluntly with the statement, "Our position is tenuous. We're a track that has been losing money because of overvaluation of the racing and gambling market in our corridor. More than 40 percent of our revenue comes from simulcasting, no OTB, just inter-track wagering. All of the New Jersey tracks would be in really desperate trouble if not for simulcasting. Right now we're looking for help from two sources; the recent introduction of Sunday racing and the expansion of our simulcast market into the casinos in Atlantic City."

Edward Crowley Jr., executive secretary of the Washington Horse Racing Commission, said the atmosphere for horse racing in his state is healthy, in large part due to a well established intra-state simulcasting network. Because of that firm foundation, he is absolutely certain that one proposal or another eventually will be approved and completed to replace Longacres Race Course, which is destined for development.

David Freeman, executive secretary of the Texas Racing Commission, anticipates the approval of legislation this year that would reduce the state's takeout from pari-mutuel handle and authorize intra-state and inter-state simulcast wagering, "both of which are crucial to the success of premier racing in our state."

Inter-track wagering brought Penn National Race Course out of bankruptcy, according to chief operating officer Herb Grayek Jr., and although the Pennsylvania racetrack has continued to struggle, "the potential of OTB promises to put us back into a positive position."

Paul Silvergleid, president of Ladbrooke's North American division, which operates Golden Gate Fields, Canterbury Downs, Detroit Race Course and The Meadows, as well as a newly opened greyhound track in Texas and OTB theaters in Pennsylvania, didn't attempt to disguise his antipathy over the current trend, when he said, "When I built the first teletheater in Connecticut 20 years ago and told the industry that OTB was the way of the future, people treated me as if I was a leper. Now look. If you didn't have it today, where would racing be?"

Douglas Dunn, president of Gulfstream Park, said he believes the newly created inter-track network in Florida will enhance his track's ongoing simulcasting program with tracks in other states, and together they will guarantee a successful racing industry in Florida.

"Considering that OTB means anything off-track, including sending our signals out of state, I can say with certainty that without it, Florida would be in deep, deep trouble, as would 90 percent of the rest of the country." (Tomorrow, a concluding look at what the future might hold).



LYOYD ARNOLD—His Los Alamitos barn meet opens tonight.

Blumenfeld Anxious to Tail The Gloves Off

LOS ALAMITOS, Cal.—Opportunity of the 1991 harness meeting couldn't have come soon enough for trainer Paul Blumenfeld.

Blumenfeld, the leading trainer meeting last fall, has been waiting opening night since closing night tober 20.

The current season began with race Friday card with a first post to 7:30 p.m. and the parade and trotter be racing Tuesday through Saturday nights until July 27. The 124 night is the longest in local harness history.

Post time is 7:30 p.m. each race with the gates opening at 6 p.m. track will also conduct special racing cards on President's Day (May 18) and Memorial Day (May 27) an opening weekend special, the will carry the live closed circuit on the Sugar Ray Leonard vs. Terry N. fight from Madison Square Garden Saturday. The fight is free with the of admission.

When asked if he was championing bit to start racing again, the two training champion said, "What a derelict. Anybody that says not excited has to be a crazy."

Despite his readiness for opening night, Blumenfeld is probably he that he'll be racing in Orange County well into the summer. A last trade of racing dates between the racing's Lloyd Arnold and quarter boss, Dr. Ed Alfred, turned a nine meeting into a six-month moratorium.

"It's the greatest thing that could happened to the industry right now," Blumenfeld said. "Personally, I'd see racing here for six months a year, then four months at Hollywood Park or Fairplex or Del Mar. We more than six months."

"A long meet like this at Los Alamitos good for the industry."

Blumenfeld, who put 32 horses winner's circle at last fall's 42 meet, has 10 horses entered Friday's begin his quest for his third harnesser's title.

One of the few races on the card Blumenfeld doesn't have a horse in is the featured filly and invitational pace carrying a purse. Last year's top two mares, Charm Girl and Dublin will face length from last year's 3-year-old sensation—Lepton.

Lepton will be making her first against invitational champion at the Garden of Eatin' Racing Club.

CHANGING DIRECTION

By MARK RATZKY

R. D. Hubbard is what is known in this world as a mover and a shaker, and he plans to do plenty of both now that he's won the battle for control of Hollywood Park.

"There will be a number of physical changes in the plant, but with the spring meeting so close, we won't be able to do everything we'd like until the fall," Hubbard said.



"But the most important change will take place immediately and won't be of a cosmetic nature. This racetrack is a new place, with an entirely different attitude, and we're going to treat people the way they want to be treated."

"I've told all my managers that we have one or two chances to win back the fans who haven't been coming to Hollywood Park for years. We want this to be a horseplayer's track, and we'll do everything in our power to make them feel that way. I've learned over the years that the successful tracks are the ones that take care of the horseplayers."

Hubbard revealed one of the most striking changes in the plant will be a new saddling paddock, located behind the grandstand. "It's designed along the lines of Saratoga, with trees all around and plenty of room. We'll have a tunnel that leads the horses to the track, and they'll go right through the grandstand. Instead of coming from the backside on the track, they'll be coming on the trail that runs counter clockwise to a new receiving barn that will be on the frontside. It will make the paddock much more accessible to the fans."

"As far as the old paddock goes, that will be torn down after the spring meeting and we'll be putting box seats in that area that will be right on the finish line."

In an effort to make the racetrack more visible from the stands, Hubbard will be removing the matrix board on the north side of the track, which in the past has partially blocked the view of the backstretch. He also noted that fans who previously had a long walk from the parking area on the grandstand side will be getting a lot less exercise.

"We're tearing down the stands that were built along the north end of the track, and we'll be able to bring the parking much closer to the track," he said. "Overall, the fans are going to notice a totally different traffic flow. For instance, the buses will be parking in front of the track the way they did several years ago, instead of out past the far turn. We want to make it convenient for everyone to get here."

Hubbard also revealed that the Cary Grant Pavilion will be closed on all racing days, and will only be used for simulcasting wagering. Speaking of that subject, Hollywood Park's new CEO is fully committed to inter-track wagering in California.

"I would have to say that simulcasting is a major priority, and I'll do everything I can to make wagering between Hollywood Park, Santa Anita and Los Alamitos a reality by the time our meeting comes around in the fall."

There are many other changes that Hubbard plans to have in place by the fall stand. A major renovation of the turf club is set to begin at the conclusion of the spring meeting, and he also noted an entirely different color scheme will be in place.



R. D. HUBBARD—Plans a number of changes for Hollywood Park which is now under his control.

"When the meeting ends in July, we'll also be tearing down the old barns on the backstretch and putting up new ones. This should be about 600 new stalls, or roughly one-third of those on the backstretch. This is important for the horsemen."

Another critical area to Hubbard is marketing, which he feels has fallen short of the mark in past years at this track. "We're putting a lot of emphasis on our marketing campaign, and we're trying to put together a mailing list as we speak. We want to bring in new people, but we also want to invite all those fans who used to come to Hollywood Park."

"It will be a slow building process, but the most important thing we can do is to take care of the fans from the time they get here to the time they leave. That includes parking, seating, betting, concessions and everything else. We've also come up with a plan for the slower days that will allow general parking and general admission to move in closer, and I think that idea will be very popular."

The 55-year-old Hubbard certainly knows where of he speaks. He is a successful owner and breeder, and also owns Ruidoso Downs in New Mexico and the Woodlands Racetrack in Kansas, in addition to his glass manufacturing business.

Dick Mandella, who trains for Hubbard in California, may have summed things up best earlier this week when the subject rolled around to the new boss at Hollywood Park.

"He's just like a kid in a candy store," Mandella said.

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NORTHWEST

ICING ON THE TV CAKE

By DENNIS DODGE

YAKIMA MEADOWS, Yakima, Wash.—When this track presented a simulcast of Santa Anita's San Pasqual Handicap as its 10th race last Sunday,

the San Pasqual, so the local purse money generated could be used to bolster local purses. In effect, the simulcast allowed each of the nine live races on the card to carry purses \$328 higher than the local handle could have supported.

metic of simulcasting works to benefit local horsemen. Having a simulcast each racing day allows the average purse here to be about \$300 higher than it otherwise could be. The point is not universally conceded, however, as there has been

Racing Daily Form



14 SANTA ANITA
40 GOLDEN GATE
54 LOS ALAMITOS

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TIME IS HERE FOR RACING'S KEY DECISIONS

(This is the final article of a four-part series by Daily Racing Form Senior Correspondent Mike Marten that examines racing's question-filled future.)

By MIKE MARTEN

The future of horseracing—and along with it the fate of thousands of owners, trainers, breeders and workers—rests in the hands of a relatively few racetrack owners, state commissions and industry leaders whose decisions during the next decade will chart the course of racing through the 21st century.

If the last 10 years are any indication, their task won't be easy. The days of complacency are gone forever, along with the gambling monopoly the industry once enjoyed. Some racing executives used to fret over whether the figures were going up fast enough. Now they're worried about keeping their jobs. State regulators who once argued for higher taxes now realize there might not be any industry left to tax. Many horsemen are less concerned about winning the Kentucky Derby and more concerned about just staying in business until the first Saturday in May.

Change is inevitable for everyone involved in racing. Nothing is sacrosanct. Not even racing's "bible," Daily Racing Form, which will be facing unprecedented competition in the near future. Daily Racing Form is meeting these challenges head-on

with updated editorial policies, an improved product and a multi-million dollar capital investment for a new computer system.

How other industry leaders cope with change will determine whether racing remains a major player in the 21st century or whether other gambling and entertainment interests push racing into the shadows.

"If five years from now racing still hasn't gotten its act together and racing still is grappling ineffectively with the same problems, then the other industries will be that much further down the road and racing will be that much farther behind," said Eugene Christiansen, a management consultant to the gambling industries. "And the longer it waits, the more difficult it will become, because the future clearly will be more competitive."

"The lotteries are going to be particularly aggressive competition because they are diverging into casino games with video versions of poker, keno and blackjack. People will be able to play these games on video terminals at their local lottery distribution outlets. The potential is astronomical as lotteries get into what is basically the casino business."

"Racing can't stop this from happening, but it can do something about it by creating its own interstate pools, by creating North American wagering networks that will generate economic prizes on the order of lotto game prizes. Racing can also compete through better marketing, beginning by accumulating data files on people using racing products—learning their names, addresses, telephone numbers, zip codes—the way the airlines do with frequent fliers and casinos do with slot players."

"Racing's decline is a long-term trend that will not be reversed until the industry takes a very active posture. By that I mean something like the breeders' look in developing the Breeders' Cup. This will require more interactive involvement. Racing as an industry is too fragmented. Fighting with horsemen over purse splits and fighting with the racetrack across town over dates is not going to work. Racing has to reorder its priorities."

"Access to the (emerging) new media is certainly going to be increasingly important. If racing is not visible to new media it is going to be invisible to the American public and it won't meet the competition."

The new media described by Christiansen (Continued on Page Thirteen)

Hollypark Set To Rejoin TRA

By MIKE MARTEN

SAN FRANCISCO, Cal.—Nearly 18 years after it quit the Thoroughbred Racing Association of North America, Hollywood Park is returning to the fold. And Golden Gate Fields isn't far behind.

The annual TRA Convention got under way at the Fairmont Hotel Thursday with delegates accepting Hawthorne Race Course as their newest member. The addition of the Illinois racetrack brings the membership to 52 associations from 42 different tracks that together represent about 83 percent of the total attendance and have generated by 104 tracks in North America.

There was no formal application from Hollywood Park for the delegates to approve Thursday, but the TRA's top executives have been speaking privately with R. Hubbard, who just gained control of the Southern California racetrack last month, with a clear understanding that Hollywood Park soon will become the organization's 53rd member. And because Hubbard also owns Ruidoso Downs in New Mexico and Woodlands Racecourse in Kansas, those two tracks also will become TRA members.

"For three tracks you get a discount," quipped Hubbard shortly after he spoke about an hour with outgoing TRA president Robert Levy. "Actually, I had plans all along to join with Ruidoso and the Woodlands, but I told them to just wait until I got into Hollywood Park; then I could get it all done at one time with one check."

It's obvious to me, the TRA is a powerful organization making decisions that affect us all. Clearly, a track with as much at stake in racing as Hollywood Park should be involved in making those decisions.

Marjorie Everett, who agreed to resign from the Hollywood Park board last week when it became obvious to her she was losing a bitter proxy battle with Hubbard, pulled Hollywood Park out of the TRA when she gained control of the track in 1973. At the time she objected to paying "exorbitant assessments" for security services from the Thoroughbred Racing Protective Bureau (TRPB), which is the TRA's security arm. She preferred to spend that money, reportedly more than \$200,000 a year, for private security at Hollywood Park.

Hollywood Park was the leading track in the country at the time, and today it still ranks near the top, so it has been conspicuous by its absence from an organization that claims to speak with one voice for the country's major racing associations. Rejoining the TRA, Hollywood Park will give the TRA increased authority in dealings with other racing organizations, such as the Jockey's Guild, and more resources to create new programs.

As if to drive this point home, William Bark, a high-ranking official with Ladd (Continued on Page Thirty-Five)

Land Swap Could Prove a Solution

By DALE OMENSON

GOLDEN GATE FIELDS, Albany, Cal.—David Goodwill, president and chief operating officer of Ladbroke Racing Corporation, termed the proposed land swap involving the track properties here and at Bay Meadows "an elegant solution" to the problem of the upcoming expiration of Ladbroke's lease here.

Ladbroke leases this 201-acre site from Catellus Development Corporation, formerly the real estate arm of Santa Fe Pacific, and the lease expires in 2002. Goodwill said there had been talks concerning extension of the lease but admitted little progress had been made.

Under the preliminary offer announced Thursday, Catellus would give its property here to California Jockey Club (Bay Meadows) in return for a 55 percent interest in a partnership which would own the 135-acre Bay Meadows site. This would not include the 40-acre parcel which includes the training track, where commercial development is already planned.

If the proposal becomes a reality, Catellus and California Jockey Club will enter an agreement to develop the Bay Meadows property, and the Bay Meadows meeting would be run here.

"This story broke suddenly, and it will have to be reviewed very carefully," Goodwill said, "but this could be an exciting opportunity for us. Now, we are in the position of being able to extend our lease, and we will participate with the other parties as best we can. The way the announcement is worded, the other parties do want to involve us, and we certainly want to be involved. If Bay Meadows wants to move (its meeting) here before 2002, they've got to involve us."

Goodwill said one of Ladbroke's major concerns will be preserving an inter-track site at Bay Meadows. "If (inter-track wagering) is a major part of our income, and I think all of us wish to retain it."

Goodwill added that Ladbroke's map (Continued on Page Twelve)



OGDEN MILLS PHIPPS

"But above all, we must remember that a healthy industry needs live racing."

Change Is Key to Racing's Survival

(Continued from Page One)

tiansen include interactive television, fiber-optic telephone-carrier audiotext and personal computer terminal telecommunication. The emphasis will be on delivery of information to the home through direct broadcast satellite and fiber-optic cable, as well as traditional direct broadcast transmissions. All of this suggests that telephone betting on races simulcast into the home is virtually boundless and could someday provide access to national or even international wagering pools of immense proportions.

But for now, using more conventional means, racing is getting its message out to more and more people these days through television, noted Chris Scherf, executive vice president of the Thoroughbred Racing Associations.

"Ten years ago we had the Triple Crown and the Travers and maybe another race or two on television," he said. "This year ABC also will broadcast the (10) races of the American

survive. Inter-track wagering is one way of dealing with the competition. OTB is another. But regardless of what racing chooses to promote, the basic requirements will be to advertise, fiddle with the price, fiddle with marketing tools and do whatever it takes to get their product into someone's hands."

Fred Pope, who operates an advertising agency in Lexington, has argued for years that various racing interests should pool their resources and conduct a national advertising campaign along the lines of the beef and dairy industries, emphasizing the excitement of the overall sport rather than the attractions of individual racetracks. So far, his proposal has not been embraced by the industry.

Trainer D. Wayne Lukas said he believes many of racing's problems could be solved if the states would change their procedures for appointing and retaining racing commissioners.

"Most of the commissioners they

"Right now we have a couple of universities developing new tests for illegal drugs on a limited basis, but with additional funding our quality assurance program will be able to develop tests for at least eight new drugs each year and eliminate major threats to the integrity of our industry," said Smith. "Meanwhile, we are beginning our laboratory accreditation program around the first of June. We'll begin sending proficiency samples to the various labs. We'll perform our technical review. The labs will need to meet these and other criteria to become accredited. Hopefully we'll complete all the labs within one year. Some labs won't meet our standards, and in those cases I believe it will be difficult for a state to justify using a non-accredited lab. We're likely to see labs closing in some states and a continued trend towards regional testing."

More than a decade ago, Daily Racing Form asked more than 100 industry leaders to predict the future of racing or describe the changes they felt were necessary to guarantee its survival. Dozens of their responses were published at the time. Recently we asked some of those leaders to update their opinions, as follows:

Stan Bergstein, executive vice president of Harness Tracks of America: "Eleven years ago, contemplating the year 2000, I wrote that we would see a new breed of horse, 21 inches high, racing across the living rooms of homes across America. Now, just nine years away from the turn of the century, that prediction seems even more likely."

"The technology is in place; the social inducements to staying at home are becoming more compelling; interest and participation in horseracing is declining; mores are changing, and the increasing specialization of cable television makes the development of significant home betting more likely."

"Whether this will be good or bad depends on the prime problem facing all of racing today: equitable distribution of industry revenues. There can be no question about the desperate need to broaden the base of patronage; the problem is making certain that the four parties involved—public, horsemen, tracks and government—all benefit from doing it. If racing can't do this, the fears of the years—that the big will survive and the small disappear—may indeed be realized."

Robert Levy, outgoing president of the Thoroughbred Racing Associations: "It is absolutely imperative that each state review its drug-testing procedures with an eye to reducing the number of tests conducted on a daily basis while increasing the parameter of each test significantly. An industry program is being developed to accredit various state labs. It will be a terrible industry blow for any state lab to fail to be accredited."

"Another major issue in the compatibility of live racing and simulcasting. Home computers and commingling of pools will add viability to this issue and cause deep concern. A delicate balance must be achieved between breeding interests and the racetracks."

Ogden Mills Phipps, chairman of The Jockey Club: "I'm optimistic. The way technology is expanding our markets through simulcasting and off-track wagering is only the beginning. Theaters, restaurants, home betting and foreign markets will all be available to us in the next decade. We are on the brink of an information and communications explosion."

"But above all, we must remember that a healthy industry needs live

racing. We must modernize our racetracks into quality facilities with first-rate amenities and service. We have to court our public aggressively and make a day at the races a more enjoyable and entertaining experience."

Robert Quigley, president of Garden State Park: "I firmly believe a lot of the sport's current problems trace back to 20 or 30 years ago when many of the racetracks in North America became complacent about their product, their fans and even their facilities. There was a commonly shared, though mistaken, notion that horsemanship would continue to prosper forever, with a minimum of effort on the part of management. It was an attitude that has cost us greatly over the years."

"All of our efforts should be made for the good of the fan. The physical facilities must be maintained and improved. We must train our employees to be gracious, courteous and friendly. We must make our races more convenient to players, and the best way of accomplishing this is via simulcasting. And we must strive constantly to improve conditions for fans. For example, if the print of a program is too small for many of them to read, then give them a larger program. If many of them complain about too much dead time between races, find ways to speed up the action. We need to improve the lot of our patrons, little things that can make their visit to the track more comfortable. We cannot afford to be laid back any longer."

Tony Chamblin: "The North American horse racing industry holds its future in its hands. It has a choice of paths to follow. One path will lead to success, the other to failure. "The successful course will combine progressive, innovative leadership with old-fashioned values. Tracks will expand their markets through the intelligent application of off-track, inter-track, common pool and telephone account betting. The sport will offer more wagering opportunities, such as a pick four (first

four finishers) in the Kentucky Derby or a pick seven (winners of seven events) in the Breeder's Cup."

"Tracks on the right path will launch major efforts to rebuild on-track attendance (through) proven marketing techniques such as customer relations, fan education, courtesy, cleanliness, fair pricing, quality food and service and competitive racing. The industry will improve track surfaces and place more emphasis on the safety of horses and riders. Horse owners will realize expenses and adjust sometimes inequitable purse structures. Breeders will concentrate more on quality than on mediocrity. Racing commissioners will achieve the long sought goal of rules uniformity. Drug testing will be conducted by a handful of professionally staffed and properly equipped regional laboratories."

"And if we choose the wrong path? Patrons will continue to seek other forms of entertainment; more tracks will become shopping centers, and more horse owners and breeders will leave the sport. Many of the tracks that remain in existence will become little more than studios for the televising of races to off-course betting facilities."

"The choice of paths is ours. My opinion is that the choice will be the right one."

'Another major issue is the compatibility of live racing and simulcasting.' —Robert P. Levy

Racing Championship Series, and I'm sure at least six or seven races leading up to the Triple Crown. We have NBC doing the Breeder's Cup for four hours. And ESPN gives us tremendous exposure through its weekly shows. From that viewpoint, we're way ahead of where we were 10 years ago, and if this trend continues, there's no telling where we'll be 10 years from now."

"It certainly looks like simulcasting will play a pivotal role in our future. That's why the TRA formed the 1995 Committee—to build a framework, sort of national standards, through which simulcasting can be expanded. We looked around and said every state is building simulcasting but they all are doing it in their own way. Some states are veering left, some states are veering right. The concern is that five years from now if those states want to get together, they might be poles apart. The purpose of the TRA 1995 Committee is to help everybody build simulcasting using the same tools—the same satellites, totalizer programs that interface, uniform rules of racing. If everyone uses the same framework, they can order off the same menu."

Marketing expert Jack Trout, who recently did some research on behalf of the Oak Tree Racing Association at Santa Anita, said the first thing racing needs to do is understand and accept its role.

"A lot of people say racing is the sport of kings, but in truth the pari-mutuel industry is really about gambling," said Trout. "The only true sport involving horses is jumping, or horse shows, which attract about 80 people. Gambling is what drives most people. This is a message that not everybody in the business really wants to embrace yet, but once everyone understands that it's gambling, racing can correct some of the things structurally that have been holding it back."

Dr. Robert Lawrence, an economics professor and administrator at the University of Louisville who has done extensive research on the industry, agreed that racing's future is inexorably dependent on marketing techniques, noting: "As racing is continuously pounded by competition, be it fishing or golf or lotteries, racing must deal with the competition in

appoint have no background in racing, no knowledge of the industry at all," said Lukas. "That's not necessarily wrong, but the criminal thing is that once we finally get them educated, once we show them around and teach them what they need to know to regulate our industry, somebody new gets elected who makes new appointments, to the other guys are out. That means we have to take the new guys and start from scratch again. I doubt whether we can solve our problems as long as the people who pull the strings in our industry are political appointees who come and go with the tide."

Paul Silvergield, president of Ladbrooke Racing Corporation's North American Division, went even further and derided "the individual states' method of overseeing racing as 'going back to the stone ages.' He said that if it could be done, all over again, racing would be better regulated by one national board or organization operating through franchises similar to the other major sports."

Reacting to this criticism, Tony Chamblin, executive vice president of the Association of Racing Commissioners International (RCI), pointed out that "approximately 30 percent of racing commissioners have prior backgrounds in the sport (and) the average commissioner has a six-year tenure, probably longer than the average horse owner stays in the sport. And the RCI has taken a giant step in the economical process in recent years by opening its ranks to associate members. We're also moving towards uniform rules. I may be accused of being a blind optimist, but I foresee a day when racing commissioners will speak with one voice."

The RCI is helping improve equine drug testing through its quality assurance program, which keeps tabs on the various state and regional testing laboratories. The RCI is working closely with the TRA and the Horsemen's Benevolent and Protective Association to increase its quality assurance budget for additional monitoring activities and for research. Dr. Jim Smith, a practicing veterinarian in Kentucky who chairs the program's drug testing committee, foresees the three industry segments (states, tracks and horsemen) contributing equally towards a \$1.2 million quality assurance budget that will earmark \$400,000 for research.

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 4
DATE 2/20/90
BILL NO. SB363

Mahlum
THOROUGHBRED FARM

2/19/91

Senator J.D. Lynch
Chairman, Business and Industry
Helena, Mt

Dear Senator:

In regards to SB 363 dealing with simulcasting,
I have no problem with the bill.

Thank you

Most Sincerely



Dale Mahlum

President, Montana Thoroughbred Breeders Association

132A1562

SENATE BUSINESS & INDUSTRY

EXHIBIT NO. 5

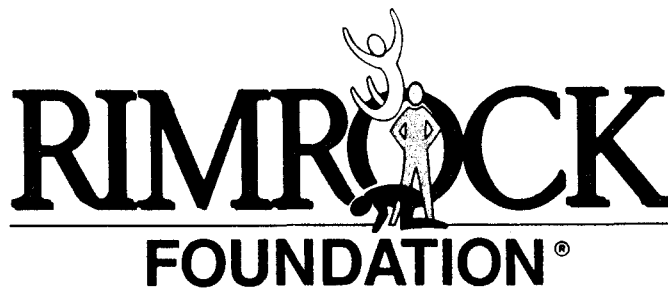
DATE 2/20/91

BILL NO. SB 363

Albert Goke, President
Montana Division, Horsemen's Benevolent and Protective Assoc.
2/20 Testimony on SB 363

Thoroughbred owners and trainers support this bill for the following reasons:

1. Dropping the requirement that only races of national prominence can be brought into the state via simulcast during the live race season appears to be a step that has the potential of improving simulcast revenue. The problem with only races of national prominence is that many times these types of races have short fields and quite often do not produce a handle of any size upon which the horsemen can generate revenue.
2. The Interstate Horse Racing Act of 1978 (national law) provides protection to the horsemen in that affected horsemen have the right under that law to approve any simulcasting arrangements that affect them. Thus any races that might ^{to have} replace only the nationally prominent will still have ^{HBPA} horsemen approval. The federal act is obviously critical to ^{HBPA} having this authority.
3. Common pooling is to our ^{members'} benefit, as our own Montana pool on simulcasting is quite small.



Leading Quality Addiction Treatment in the Northern Rockies

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 6
DATE 2/20/91
BILL NO. SB 394

TESTIMONY IN SUPPORT OF HB 394

BY MONA L. SUMNER

In over twenty two years as an addiction treatment professional, I never expected to be here before you today testifying on a bill like this. Because for most of these 22 years, here in Montana, I have been part of the struggle to bring alcoholism and drug dependence out of the closet, and reducing the stigma so people would freely seek the help they so badly need. When this happens, we all benefit. Ten percent of our people have this addiction, here in Montana and also, nation-wide. Insurance claims for chemical dependency constitute 4/100 of 1 percent of claims. This tells me that while public education has helped, there are still large numbers of individuals needing care who are not obtaining it. There are no doubt many reasons for this, among them the tremendous denial of the problem that characterizes the illness. When, however, the patient does seek help, often under threat of losing family, job and other important aspects of his life, it is crucial that help be accessible.

We have a very serious situation which has developed in Montana and which is making treatment for addiction inaccessible to our people. Some examples of how this is happening may serve to help you understand why you need to support this bill.

I bring with me today, the stories of twenty five patients who have sought help for their addiction problem from my center since November, each of whom had Blue Cross coverage. None of these patients knew at the time they presented at my facility that their worst problem would not be in overcoming their addiction problem--but would instead be obtaining reimbursed care from their insurance company.

As with all addicts, each of these had reached their lowest and most desperate point at the time they sought help, or so they thought until each learned their insurance company would deny their treatment benefits.

PAGE 2.

Rimrock Foundation has, for the past four years, used the National Patient Placement Criteria published by the American Society of Addiction Medicine--criteria which establish whether a patient needs inpatient or outpatient level services with the goal of assuring care at the most cost-effective level. We have worked with over thirty utilization review firms representing over sixty insurance companies during this period and experienced only two instances of denials against our criteria. November, however, changed all that.

Managed Care of Montana, the utilization review entity owned by Blue Cross/Blue Shield, hired two Minnesota based physicians--not addictionologists, to develop criteria for medical necessity. Blue Cross was asked by Montana treatment providers to adopt the National Placement Criteria. They did not. Despite meetings with them, in which their criteria were criticized as economic barriers, they held firm. Admissions and stays must be curtailed, costs are out of control! Yet, chemical dependency and mental health claims constitute 7% of their payouts.

Beginning in November, every single Blue Cross patient at our facility as been denied either admission or continued stay. When our physician points that out, in his opinion, the patient exceeds the national criteria and, even meets Blue Cross's own criteria which are ill-founded, the patient is still denied. There can be no question about what's going on here...surely not every single patient warrants denial.

Imagine if you were the father of a 19 year old who has been diagnosed seriously depressed, with previous suicide attempts, using alcohol, pot, and cocaine daily, unable to stop, bulimic for two years, and learned that your daughter's condition was not severe enough to warrant residential treatment--that she should be an outpatient. Imagine how that father felt when outpatient treatment was not even available in his community!

There are twenty four more of these same stories--one individual who, while intoxicated, attempted to kill himself and destroyed his lower jaw. His physician told him he wouldn't be that fortunate again if he did not have inpatient treatment for his depression and alcoholism and sent him to us. His story was the same, not serious enough to warrant more than three days inpatient. It takes ten days for psychotropic medications to help these patients. He was denied anyway...and so

PAGE 3.

it goes through all remaining twenty three stories. As I stand here today, more denials are occurring at my facility and more care is being compromised. Each of these patients is actively seeking recourse--recourse they should have through the insurance commissioner's office but do not have without this legislation. These people should not have to go to court to get what they signed up for and paid premiums for--medically necessary care for their illness.

Some denials are even more tragic. Upon learning they will be denied, some don't even pursue further services, leaving themselves, their families and you and I at risk from their illness.

No doubt opponents will argue that much of the care being delivered is not "medically necessary". I can assure you that three Montana physicians and two Montana psychiatrists who saw all twenty five of these patients felt their admission and continued stay was medically necessary.

On behalf of these twenty-five and those who will be denied tomorrow and the day after, I implore you to support this legislation. To allow fifteen years of progress treating this nation's drug problems to be managed by utilization reviewers who care only that there commission goes up when care goes down, is an unspeakable abuse.

George F. Sheckleton, M.D.

1231 North 29th Street

Billings, Montana 59101

(406) 248-3175

February 20, 1991

TESTIMONY IN SUPPORT OF SB 394**George F. Sheckleton, M.D.**

As a physician, I am closely involved with Managed Care and I employ five other physicians who must also respond to these utilization review firms. As a public health officer in Yellowstone County, as well as a private physician, I share your concerns about healthcare cost containment and have worked willingly with these companies to assure that patients receive their medical services in the least restrictive and most cost-effective setting possible.

Recently, however, I have become alarmed over the practices of some of these companies. One, in particular, Managed Care of Montana, has, since November, denied every patient seeking services at Rimrock Foundation where I am the Medical Director. It seems none of these patients meet their definition of medical necessity. I am a certified addictionologist and member of American Society of Addiction Medicine and I apply criteria for medical necessity approved by this organization, which is why I urge your support of this bill. It will require these firms to use nationally recognized criteria for medical necessity, thus ensuring that patients will be evaluated against professional clinical standards, not economic interests.

Of particular concern to me is that I am usually justifying my opinion to a physician reviewer who is from another state and who has never seen the patient, but appears to have a vested interest in refuting my opinion. I am too often told "Well, Doctor, if I were in your situation with the patient, I would probably feel the same way and make the same recommendations, but since I am not, I am going to deny the service."

The clinical needs of these patients are clearly not the primary basis for determination of medical necessity by these firms and I believe it is crucial to provide some regulation and a means to stop such substandard practices.



MONTANA HOSPITAL ASSOCIATION

720 NINTH AVE.
P.O. BOX 5119
HELENA, MT
59604
(406) 442-1911
FAX 443-3894

SENATE BUSINESS & INDUSTRY

EXHIBIT NO. 7

DATE 2/20/90

BILL NO. SB394

Testimony of
Robert W. Olsen, Vice President
Montana Hospital Association

The Montana Hospital Association supports Senate Bill 394. We do so for several reasons.

Senate Bill 394 regulates the conduct of utilization review performed by health insurers and other third party payers. Currently, hospitals and physicians must tolerate countless reviews and audits without any written or formal standards to guide that review.

Senate Bill 394 specifies reasonable standards for utilization review. These standards are fair to medical providers who are reviewed after the fact. Senate Bill 394 also protects patients by providing reasonable oversight to insurance denials. Currently, when an insurance company denies coverage for a service the patient must pay the medical provider.

Utilization review is performed by companies from all over the country. Hospital claims are usually held in limbo while nurses and doctors representing insurance companies review medical records. These reviews are often done by reviewing medical records sent through the mail. Hospitals are not informed of the review criteria used by the review agency nor of the credentials of the reviewers.

If a hospital or physician disputes the process the claims for payment are simply not processed.

Utilization review can be a valuable process to a medical provider. Opinions about the appropriateness of treatment usually work to prove the delivery of care. Too often, however, utilization review by insurers is a form of harassment.

Utilization review agencies justify the cost of their services by denying medical payments. Senate Bill 394 makes sure that the process is fair to all parties.

MHA urges your support of Senate Bill 394.

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Saint Vincent Hospital and Health Center

SENATE BUSINESS & INDUSTRY

EXHIBIT NO. 7A

DATE 2/20/90

BILL NO. SB394

February 20, 1991

TO WHOM IT MAY CONCERN:

We at Saint Vincent Hospital and Health Center are in full support of Senate Bill 394. This Bill will regulate the conduct of Utilization Reviews by health insurers and/or other third party payors. We support this bill for the following reasons:

- * The growth in private Utilization Review companies has doubled over the past two years.
- * Hospitals and physicians are being called, sometimes even harassed, regarding the care patients are receiving, whether it be in the hospital or regarding various procedures which are being done.
- * We feel Utilization Review is appropriate. However, the problem with the private Utilization Review process is that there are no standard guidelines. Every Utilization Review firm contacts the physician and/or hospital, and asks the questions they feel are appropriate. If they do not get the answers, or if the UR process as each company has defined it is not followed, the insurance company does not pay for the patient's hospitalization and/or procedure. Many times, the patient does not understand the entire Utilization Review process that has been entered into by various insurance companies.

As you can see from this process, the Utilization Review takes place over the phone. We, as healthcare providers, do not know the credentials of the personnel performing this review and/or if they have the appropriate knowledge to perform this process. There is also no knowledge regarding any appeal process. Our objective in supporting this bill is to bring about guidelines and a level of uniformity and appropriateness in the conduct of Utilization Review. In the Medicare and Medicaid sector, this review process is very well done. In the private sector, this process has not been defined or given guidelines.

Our first and most important concern is for that of the patient. The patient needs appropriate healthcare and needs to be guaranteed confidentiality.

We, as a Hospital, believe in Utilization Review. However, we do believe there need to be established guidelines.

Sincerely,

Rita Turley
Vice President
Patient/Health Services

RT:bm

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1-800-635-5271 or
444-8550 (in Helena).



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Blue Shield
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Managed Care Montana— working together for *your* quality medical care.

Managed Care Montana will help you control costs of your medical care, without sacrificing the quality of the care you need.

Blue Cross and Blue Shield of Montana will work with you when you must be hospitalized to contain the cost of inpatient hospitalization charges. There are no forms to fill out—we have instilled a toll-free phone number for you to do your part in helping to control rising medical costs.

Just call 1-800-635-5271
or 444-8550 (in Helena):

- when possible, two weeks before scheduled non-emergency, inpatient hospitalization, or
- within 24 hours after a hospital admission for an emergency.

As a member of Managed Care Montana, you will be working with your physician, the hospital and Blue Cross and Blue Shield of Montana, to control the costs. But the responsibility of notifying us about admission rests with you as the member. If YOU fail to call within the time limit specified in this brochure, benefits will be reduced by \$200.

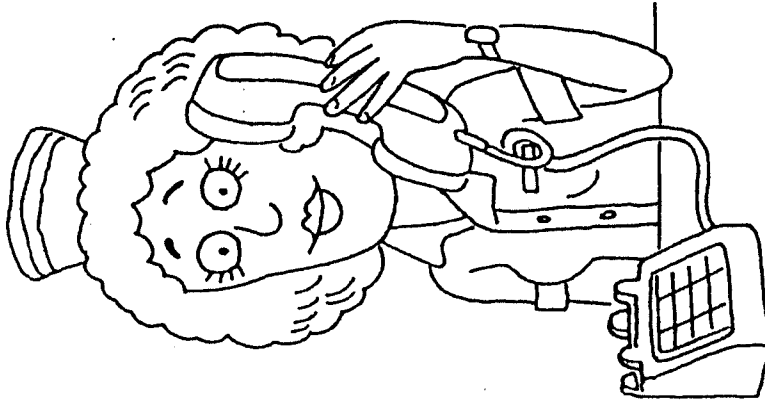
The Review Process

■ Preadmission Review

When your doctor recommends hospitalization, you need to notify us approximately two weeks prior to the admission.

Our telephones are staffed by registered nurses who have been trained to quickly review each admission. They will certify the admission and approve a length of stay for benefit coverage. You, your physician and the hospital will receive a written notification of the admission certification.

If needed, we will review cases with our Managed Care Montana Medical Director. He will be assisted by a panel of consulting Montana physicians in various specialties including obstetrics and gynecology, orthopedics, surgery, ophthalmology, etc.



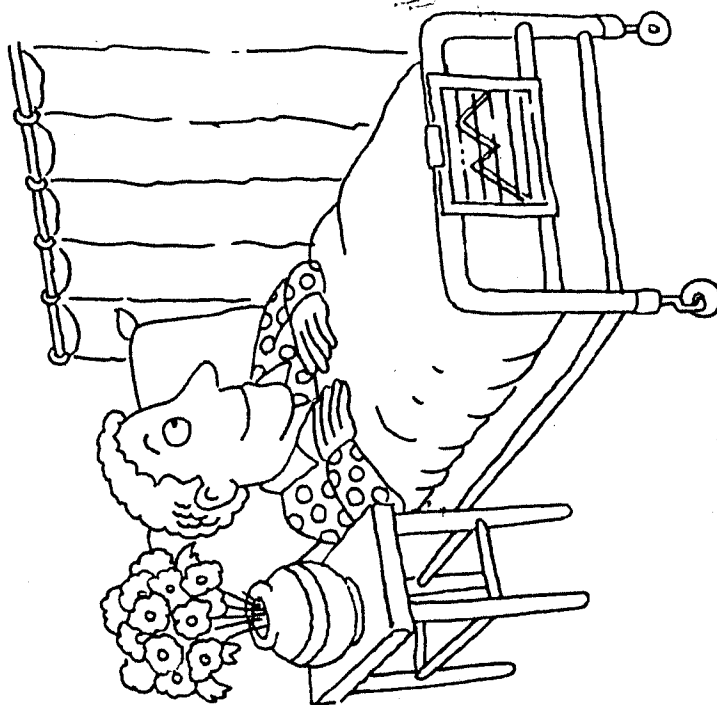
■ Continued Stay Review

Prior to your last certified hospital date, our Managed Care Montana nurse reviewer will contact the hospital to confirm your discharge. If your physician recommends continued inpatient hospitalization, your physician will be contacted for additional information regarding your condition.

When our Managed Care Montana Medical Director or a consulting physician determine that

continued hospitalization is not required, the nurse reviewer will call you or your representative and the hospital to inform them of the decision.

If you or your physician do not agree with the recommendation, you are urged to call us to request an appeal. Our staff will assist you through the process, contacting your physician for information.



■ In an emergency

In an emergency, we recognize that it's important to start treatment immediately. If hospitalization is required, the patient or a family member should call within 24 hours after the admission, or during the next working day.

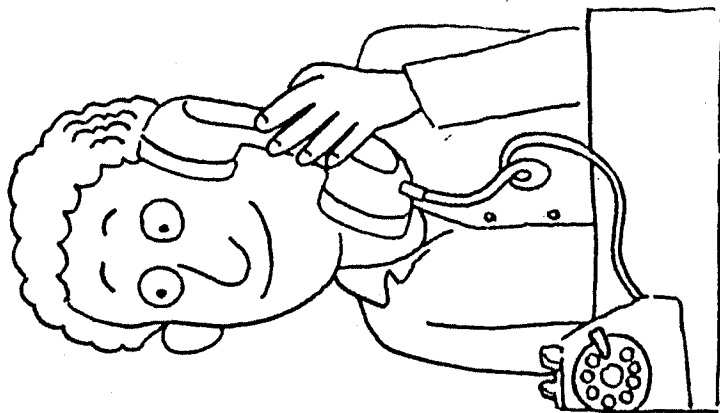
■ It's that simple

If you know you will be going to the hospital, you can take a few minutes to arrange for the certification. Before you call, have your membership card ready by the telephone.

For prompt and efficient assistance, please give the nurse reviewer the following information when you call:

- the subscriber's name and certificate number
- the patient's name and telephone number
- the physician's name and telephone number
- the hospital's name and telephone number

The nurse reviewer will ask you questions about the hospitalization. If you are unable to answer the questions, she will then contact your physician.



Large Case Management

If you are facing a potentially lengthy, high-cost medical problem, we will work with you and your physician to recommend quality cost-effective alternative treatment settings. In some cases we may approve coverage for care that is not normally covered by your benefit plan.

By working with you and your entire health care team—physician, other health care providers, hospital personnel, and community support services, we can help you receive quality care at a substantial cost savings.

Patient Information and Education

Our Patient Information and Education Service was created to help you understand exactly what Managed Care Montana can do for you.

It can provide you with information about your health service options, alternate care services, identification of Blue Cross and Blue Shield Member Physicians and support services in your local community. Our nurse reviewers

also can provide you with information on medical terminology and procedures and guidance in obtaining the latest medical technology information.

Our Managed Care Montana nursing staff will *not* choose health care services for you. This advice will be given by your physician. However, we want to provide you with a better understanding of your choices.

Other Cost Containment Features

■ Provider Self-Audit Program.

Occasionally there are errors made in provider billings. A careful review of your health care bills may result in significant savings. Blue Cross and Blue Shield of Montana will refund you 50

percent of the savings, up to \$1,000 per hospital stay or other provider billing, based on an overcharge of \$2,000. Please call the Managed Care Montana toll-free number for instructions.

■ Short-Stay Maternity Incentive.

When the mother is eligible for maternity benefits and both the mother and baby are discharged after an inpatient stay of only one day following a routine hospital delivery, the subscriber is eligible for a cash incentive payment of \$150. The early discharge must be approved for both mother and baby by the attending physician. If you qualify for this payment, please obtain

the Short-Stay Maternity Incentive form from your employer or any Blue Cross and Blue Shield office and mail to:
Blue Cross and Blue Shield of Montana

Attention: Claims Department
Short-Stay Maternity
Incentive Program
P.O. Box 4309
Helena, MT 59604-4309

■ Generic Drug Program.

Purchasing generic drugs rather than brand-name drugs can save up to 50 percent of the cost of prescription medication. Ask your physician about generic drugs whenever a prescription is written for you.

Generic drugs are payable at 100 percent of the charge, after your deductible is met. Brand-name drugs are payable at 80 percent,

after deductible. Filing forms for prescription drug claims are available through any Blue Cross and Blue Shield office and many pharmacies. You must file your own claims. There is a place on the filing card to indicate if it is a generic drug. Please have the pharmacist sign the card or attach the prescription receipts to the card.



Do you have any questions?

Call us on our toll-free Managed Care Montana line,

1-800-635-5271 or
444-8550 (in Helena)



Blue Cross and Blue Shield of Montana
P.O. Box 4309
Helena, MT 59604

DEPARTMENT OF ADMINISTRATION

STATE PERSONNEL DIVISION



STAN STEPHENS, GOVERNOR

ROOM 130, MITCHELL BUILDING

STATE OF MONTANA

(406) 444-3871

HELENA, MONTANA 59620

SENATE BUSINESS & INDUSTRY

EXHIBIT NO. 9

Testimony on SB394
Before the Senate Business and Industry Committee
by the Department of Administration
February 20, 1991

DATE 2/20/91

BILL NO. SB394

Mr. Chairman, Members of the Committee, I am Joyce Brown, Chief of the State Employee Benefits Bureau, with the State Personnel Division, Department of Administration.

I am here to oppose SB394 which will adversely impact the 28,000 State employees, retirees, legislators and dependents on the State health plan.

State government, Montana's largest employer, is not able to fund cost increases for existing employee health benefits. Smaller employers are dropping health benefits altogether because of rising costs. Pay proposals for State employees currently being considered, provide less than half of the funds needed to cover projected cost increases for the coming biennium, leaving the State health plan \$9,000,000. We will have to cut \$9,000,000 worth of benefits or collect another \$9,000,000 in premiums from our employees. If we collect the \$9,000,000 in additional premiums it will wipe out pay proposed pay increases of employees in lower paying positions.

The State plan like all health plans is facing a health care crisis and this legislation makes matters worse.

The State plan is self-insured and through contract hires Blue Cross and Blue Shield of Montana to do two things: (1) Process claims and (2) provide managed care to help control costs. Utilization review is an important part of managed care which would be crippled by the burdensome regulation this legislation imposes.

We hire Blue Cross and Blue Shield to review the appropriateness of care precisely because they have the medical personnel to assure that State plan dollars are not wasted on high-cost alternatives such as inpatient care when there are equally effective lower cost alternatives available, such as out-patient care. In an atmosphere of shortage, we need to make every dollar count, and our third-party payor is the most appropriate organization to accomplish that.

Please refer to the attached article by the Attorney General of West Virginia published in the Journal of State Government by the Council of State Governments. One of the primary recommendations

to other States for controlling health care costs is to encourage and implement programs that place the third party payor (in our case Blue Cross\Blue Shield) in the shoes of the consumers to help obtain cost-effective health care. The author states "Insurers have the ability to employ the expertise needed to restrict payments to necessary treatments and tests..benefit management programs also .are safeguards against unneeded procedures and treatment.

We urge you to defeat SB394 which would cripple precisely those efforts to control costs that the Council of State Governments recommends.

Health Care Costs:

Rising Health Bills Compel Action

by Charles G. Brown and Timothy C. Winslow

States must be aggressive in controlling skyrocketing health care costs, but the battle should not be waged at the expense of consumers.

Americans face a looming health care crisis that is not going to disappear.

The continued rising cost of health care compels action. State and federal cost control efforts must be expanded and new initiatives taken. In controlling costs, however, care must be taken to protect consumers from overly burdensome procedures and inequitable cost-sharing.

Consumer and public spending on health care totals more than \$425 billion each year, according to U.S. Health and Human Services figures. More than 10 percent of the U.S. gross national product is dedicated to covering these expenses (Rovner 1988). This is up from just 6 percent in 1966.

In addition, inflation in medical services soared over the past eight years, while overall inflation declined. In 1986, for example, health care costs jumped 7.5 percent compared to only a 1.9 percent increase in the overall consumer price index.

Compounding the problem are advances in medical technology and America's aging population. Americans 85 years of age or older comprise 10 percent of the population and by 2050 will account for more than 25 percent. In the future, those surviving into old age will more likely have their lives prolonged by expensive medical treatment and technology.

Medicare and Medicaid for more than 50 million Americans account for \$131 billion in spending each year, consuming more than 11 percent of federal budgetary outlays. Health care costs

are heavy at the state level as well. West Virginia, according to the Health Policy Task Force of the attorney general's office, expends approximately half a billion dollars annually on health care for direct payment for health services, professional and public education, planning and regulation and maintaining public health.

Altering market power and providing incentives to reduce expenses underlie the four main approaches states have used to control health care expenditures. These four approaches seek to: 1) increase competition among doctors and various health care professionals; 2) put the third party payer in the shoes of the consumer; 3) promote the development of alternative medical service providers such as health maintenance organizations (HMOs); and 4) inform consumers of their rights to challenge unconscionable or unwarranted fees. Each of these approaches has its advantages and limitations, and each gives rise to particular consumer concerns. Nevertheless, all these approaches need to be implemented. If these efforts fail, more direct regulation of fees and allocation of services are likely.

Encouraging Competition

States need to encourage competition among health care professionals to the greatest extent permitted by law. In certain specialty areas, more than one kind of health professional can provide services. Examples include childbirth, where nurse midwives perform deliveries instead of obstetricians, and anesthetics administered by a nurse anesthetist working under the care of a doctor rather than an anesthesiologist. Competition for health services also occurs between podiatrists and orthopedists, optometrists and

West Virginia Attorney General Charles G. Brown is in his second term and is chair of the National Association of Attorneys General Antitrust Committee. He also is chair of the Southern Conference of Attorneys General.

Timothy C. Winslow is West Virginia senior assistant attorney general, consumer protection division.

ophthalmologists, and psychiatrists and psychologists. Efforts by individuals or professional organizations to restrict this competition should be dealt with quickly and strictly.

Similarly, competition among doctors should be encouraged and vigilance maintained to ensure barriers are not created by group practices or hospitals that restrict the practice of others or prevent easy market entry.

West Virginia allows for such competition, providing for the use of nurse anesthetists, midwives and other non-medical health care providers. In addition, the state has long provided recognition of osteopathic doctors and given them hospital privileges.

Third Party Payors

More importantly, states need to encourage and implement programs that place the third party payor in the shoes of the consumer. A fundamental problem with the current system is that it is largely supplier determined. Because consumers do not directly pay for services but have insurers pay the bill, there is less incentive for the consumer to control costs. Second, consumers rely heavily on the expert opinions of health care professionals in determining tests and procedures.

The present system encourages the practitioner to order more services than required to generate more fees and to lower the chance for claims of malpractice. Insurers have the ability to employ the expertise needed to restrict payments to necessary treatments and tests through the establishment of diagnosis related groups (DRGs). Second opinions and other benefit management programs also are safeguards against unneeded procedures and treatments. To encourage consumers to be more pocketbook conscious, many insurers also have increased deductibles and instituted more extensive co-payment plans.

Alternative Health Care Systems

Alternative health care provider delivery systems need to be fostered. Preferred Provider Organizations (PPOs), Health Maintenance Organizations (HMOs) and Independent Physician Associations (IPAs) offer consumers viable alternatives for providing care at reduced costs. The central approach used by these groups is to more strictly monitor and regulate patient care, while using either special arrangements or bargaining power to obtain better prices from physicians and hospitals.

Most of these groups also attempt to modify the fee for service system by paying flat fees for each patient signed up on that physician's client roster. This reduces the incentive to provide more services to boost fees. These alternative systems

also often structure incentives for patients to use preventive health care programs. Such programs (which some insurance systems such as Blue Cross/Blue Shield of West Virginia also have implemented) are geared to encourage consumers to stop smoking and adopt better diet and exercise programs.

Compounding the problem are advances in medical technology and America's aging population. Americans 85 years of age or older comprise 10 percent of the population and by 2050 will account for more than 25 percent.

Consumer Fee Challenges

The fourth and final approach that has been less utilized to battle health care costs is for consumers and states to challenge unfair and unconscionable health care charges. For example, hospitalized patients are not given the opportunity to negotiate a price or contract with independent service groups such as radiologists or anesthesiologists. Such fees may be totally out of proportion to the costs of the service rendered. Hospitalized patients are often forced to pay for losses from other hospital operations, in effect subsidizing bad management decisions.

Consumer Concerns

The battle on health care costs must not be waged solely by the blood of consumers. The approaches cited above must be implemented with caution. Increases in deductions and co-payments must not be raised to a point where consumers are forced to avoid timely medical attention, nor be used simply as a means to erode basic insurance coverage. Fairness recommends using graduated co-payments and deductions based on income. Increasing competition between hospitals can quickly lead to patient dumping, leaving the indigent without adequate care. Increasing competition among doctors as well as other health care professionals can lead to consolidations that limit consumer choice and result in the power to set market prices.

Moreover, the use of non-physicians must not be extended past their professional expertise.

Lastly, alternative health care provider systems as well as other private insurers must be prevented from skimming the insurance pool — selecting only healthy and low-risk patients and leaving the public with an inadequate means of spreading the risk and sharing the costs of those likely to become sick.

One of the measures that West Virginia has taken to ensure consumers are not sacrificed in

the cost containment battle is to have consumers comprise the majority of the state's Blue Cross/Blue Shield board. This representation has allowed consumers to have a major impact in structuring health care cost containment approaches. Greater use needs to be made by the state's Public Employees Insurance Agency to negotiate fee reductions and establish PPO relationships. In addition, states need to critically examine and reduce oversupplies of hospital beds. Similarly, unneeded facilities must not be built under the guise of competition not every hospital needs organ transplant capabilities.

More than 37 million Americans lack health care coverage. Two-thirds of these people work full-time or are dependents of full-time workers. This is a moral outrage.

The whole question of whether certain hospital services such as radiology, pathology and surgery should be provided by salaried physicians needs to be examined. The present fee for service system results in underpayment of many primary care physicians and overpayment for ancillary services and specialists. Such a salary-based system would assure these hospital physicians a client base, result in direct payment, end the present delay between service and payment and take away the incentive to perform unnecessary elective work.

Reordering Our Priorities

More than 37 million Americans lack health care coverage. Two-thirds of these people work full-time or are dependents of full-time workers. This is a moral outrage. While certain states such as Massachusetts have the economic base to impose private employer insurance, many, including West Virginia, do not.

It is time to face the fact that present health care payment practices cannot go on. America spends more than \$1,800 per capita on health care, nearly one-third more than Canada, the next closest nation in spending. What we receive in return is a health care system with many excellent facilities riddled with glaring deficiencies in coverage. The working poor and their children are shamefully neglected, while those poor enough to qualify for Medicaid are provided inadequate and appalling low-quality care.

No nation can afford to provide everyone unlimited medical services. While it is morally difficult to choose between providing life-prolonging but non-curative medical care to adults, or adequate medical and hospital care to children in poverty, this is the choice we will face if our cost-containment efforts fail. We must substantially halt health care cost increases or we face the development of two distinct levels of health care: one for the fully insured and one for the growing class of medically underserved.

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SENATE STANDING COMMITTEE REPORT

Page 1 of 1
February 20, 1991

MR. PRESIDENT:

We, your committee on Business and Industry having had under consideration Senate Bill No. 330 (first reading copy -- white), respectfully report that Senate Bill No. 330 do pass.

Signed: _____


John "J.D." Lynch, Chairman

for 2-20-91
And. Coord.

SB 2-20-91
Sec. of Senate

2:00

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