

SECTION

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BUSINESS

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Los Angeles Times

Health Plans to Pay Bonuses for Quality

Medicine: Pact by six state insurers is further sign of disenchantment with HMO system.

By RONALD D. WHITE
TIMES STAFF WRITER

Six of California's largest health insurers said Tuesday they will begin paying bonuses to doctors for providing superior treatment, giving further evidence that the current system of fixed HMO payments for patient care is rapidly coming unglued.

The health plans—Aetna Inc., Blue Cross of California, Blue Shield of California, Cigna Corp., Health Net Inc. and PacifiCare Health Systems Inc.—said they would agree on a set of standards for measuring quality care, publish report cards on doctors' performance and reward medical groups with bonuses of 5% to 10% for meeting or exceeding the standards.

Additional details were scarce Tuesday; the groups said they are just assembling a task force to work out the details and that they hoped to have the programs underway within a year. A

spokesman said some of the funds for the bonuses probably will come from increases in health insurance premiums, which could be controversial at a time when premiums already are going up 10% to 15% this year.

Some were quick to call the move a smoke screen designed by the unpopular managed-care industry to score some public relations points and show that it can resuscitate a failing system.

"The problem is that 100% of physician pay is capitated—a lump sum regardless of how sick the patient is—so 100% of the financial incentive for doctors to-

day is to provide less treatment," said health-care consumer advocate Jamie Court. "Now, there's going to be a 5% to 10% bonus for providing higher-quality health care? Fundamentally, it's a mirage. If they really wanted to change the quality of care patients received, they would pay doctors more for treating the sicker patients. They are refusing to do that."

Peter Lee, president and chief executive of the Pacific Business Group on Health, which represents employers, defended the plan, saying, "Costs are escalating. Please see HEALTH, C11

Intel Reluctant to Say Worst Is Now Over

Earnings: Chip maker beats estimates despite sharp drop. eBay's earnings growth bucks tech sector trend.

By CHRISTINE FREY
TIMES STAFF WRITER

Key technology companies including chip maker Intel Corp. and online auctioneer eBay Inc. turned in mixed year-end results Tuesday, but many surpassed grim Wall Street forecasts.

Even so, investors punished the stocks in after-hours trading. With the sole exception of eBay, tech firms reporting quarterly results announced dramatically lower sales and net income than a year earlier.

But after two years of decline, some analysts were saying the worst may be over.

"We're at the bottom," said Eric Ross, an analyst at Thomas Weisel Partners. "Things aren't going to get any worse, but we are going to take a while to get out of here."

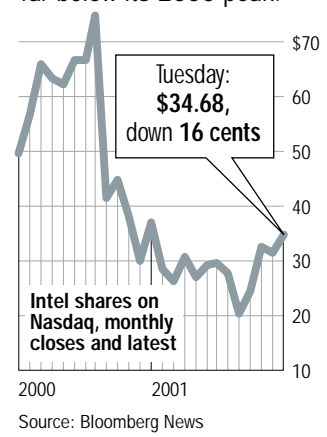
Intel said its fourth-quarter net income tumbled 77% to \$504 million, or 7 cents a share. The world's largest chip maker posted a net income of \$2.19 billion, or 32 cents, in the same period a year ago. Sales fell 20%, to \$6.98 billion from \$8.7 billion as demand for personal computers fell.

Excluding acquisition charges, the company earned \$998 million, or 15 cents, topping analysts' projections of 11 cents a share. A late burst of holiday buying boosted demand for Intel's Pentium 4 chip.

For all of 2001, Intel earned \$1.3 billion, down 88% from \$10.4 billion in 2000. Revenue was \$26.5 billion, down 21% from the \$33.7 billion in 2000.

Off Its Lows

Intel shares have rebounded from a three-year low of \$19.30 reached on Sept. 21, but the stock remains far below its 2000 peak.



Source: Bloomberg News

Los Angeles Times

However, Intel shares fell on modest projections for first-quarter revenue and the company's reluctance to predict a rebound. Intel expects revenue to be between \$6.4 billion and \$7 billion in the first quarter of 2002.

"Economic indicators remain weak," Chief Financial Officer Andy Bryant said during a conference call for investors. While the company is ready for a recovery, "we cannot predict when that will happen."

Adding to the sense of caution, Intel said it would cut capital spending from a record \$7.3 billion in 2001 to \$5.5 billion this year. It said most of that drop was enabled by a new wafer size that makes manufacturing more efficient.

The cutbacks dragged down shares of semiconductor equipment makers such as Applied Materials in after-hours trading. Intel slipped

Please see EARNINGS, C4

Carriers Aim to Kill Number Portability

By ELIZABETH DOUGLASS
TIMES STAFF WRITER

Millions of fed up cell phone users think about dumping their carriers every year but then abandon the thought—largely because switching carriers also means changing their mobile phone numbers.

It's a frustrating obstacle that was supposed to have been eliminated 2½ years ago under a 1996 federal mandate requiring cell phone companies to allow customers to keep their phone numbers regardless of which carrier they used.

The nation's largest mobile service providers have fought the requirement for years and won a series of delays from the Federal Communications Commission. Now Verizon Wireless and its brethren are quietly moving to quash the mandate.

In a petition filed in July with the FCC, Verizon Wireless asked federal regulators to scrap the "local number portability" requirement. After months of debate, federal regulators are expected to make a decision on the issue in coming weeks.

The impending decision has sparked a flurry of activity, drawing supporters and opponents into a war of words and prompting a flood of lobbying at the FCC.

Consumer groups also have gotten involved, labeling Verizon's petition the ultimate insult from an industry rife with customer complaints over spotty service coverage, overloaded networks, billing errors and all manner of fine-print "gotchas."

Helen Mickiewicz, the California Public Utility Commission's deputy

Please see CELL PHONES, C5

Trying to Add a New Story in Studio's History

Entertainment: A sale of MGM wouldn't be the first, but it would give the buyer an extensive film library. The price may be keeping buyers away.

By JAMES BATES
and CLAUDIA ELLER
TIMES STAFF WRITERS

For the third time in 16 years, gaming mogul Kirk Kerkorian is betting he can hit the jackpot by finding a buyer for the once-fabled Metro-Goldwyn-Mayer studio.

Kerkorian is known to be seeking a tax-free, stock merger with a large media conglomerate that would leave him a major shareholder in the acquirer, while keeping MGM alive as a going concern.

After a story in The Times on Tuesday about MGM soliciting bids through investment bank Goldman Sachs, the company's shares jumped \$2.39 to \$22.27 on the New York Stock Exchange. But no MGM deal is imminent, sources said Tuesday.

The 84-year-old reclusive billionaire, who owned MGM twice before and today controls it with about 80% of the stock, is trying to cash in on a growing demand for the company's deep library of more than 4,000 movie titles, which include the James Bond and Pink Panther movies, classics such as "The Graduate" and "Rain Man," and recent hits such as "Legally Blonde." That demand for movies is being fueled by a proliferation of DVD sales, which have become a major cash cow for studios, plus a growth in cable channels and the emergence of new technologies to distribute entertainment.

But the \$7-billion sale price Kerkorian purportedly wants is causing even the biggest players in entertainment, including Walt Disney Co. and Viacom Inc., to wince.

"Everyone would love to have the company because of the library, but the price is too prohibitive," said the head of one major media company. A high-level executive at another

Please see MGM, C11

The MGM Script

■ **1969:** Financier Kirk Kerkorian buys a controlling interest in Metro-Goldwyn-Mayer, the fabled Hollywood studio that made such classics as "The Wizard of Oz," "Singin' in the Rain" and "Ben-Hur."



Kerkorian



Turner



Turner keeps some 3,000 film titles, including "Gone With the Wind" and "The Wizard of Oz," which he uses to help build his cable empire.

■ **1990:** Italian businessman Giancarlo Parretti buys the studio from Kerkorian for \$1.3 billion. Within a year, lender Credit Lyonnais seizes the studio when Parretti fails to make his payments.



Parretti

■ **1996:** Credit Lyonnais puts MGM up for sale. Kerkorian buys the studio for the third time for \$1.3 billion with Australian broadcaster Seven Network, which he buys out two years later.

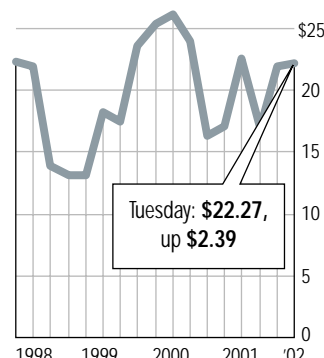
■ **1996-present:** Including his purchase price, Kerkorian sinks nearly \$4 billion into the company, acquiring Orion Pictures and the film library of PolyGram. The company's finances improve from cost cutting and profitable films such as "Hannibal" and "Legally Blonde." MGM solicits alliances and bids for the company.

—JAMES BATES

Little Progress

MGM shares have resurged recently, but at Tuesday's closing price the stock is just 11% above its initial public offering price of \$20 in November 1997.

MGM shares on the NYSE, quarterly closes and latest



MGM's classic "The Wizard of Oz" Sources: Bloomberg News, MGM, Associated Press

Hemp Imports Run Afoul of DEA Rule

Trade: Canadian supplier, claiming the ban violates NAFTA provision, threatens to sue the U.S. government.

By MELINDA FULMER
TIMES STAFF WRITER

The hemp industry is taking on the establishment, seeking to prevent the U.S. government from crushing the small, but rapidly growing, hemp food and beverages industry.

Canadian hemp supplier Kenex Ltd. on Monday signaled its intent to sue the U.S. government for \$20 million under provisions of the North American Free Trade Agreement. Kenex claims that a ban on foods that contain hemp, instituted by the U.S. Drug Enforcement Agency in October, violated its rights under NAFTA.

Kenex and several other food companies also have filed suit against the DEA in federal appeals

court, seeking to overturn the rule.

Hemp oil and seeds increasingly have been used in processed foods in the U.S., showing up in everything from corn chips to beer to salad dressing and cereal. Hemp seeds are considered beneficial because of their high protein content and because they are rich in essential fatty acids and vitamins.

Like poppy seeds, these products until recently were considered exempt under the Controlled Substances Act of 1971.

However, under a new rule issued by the DEA that takes effect next month, these foods are considered illegal. The agency claims all hemp products contain minute traces of tetrahydrocannabinols (THC), the hallucinogenic substance found in cannabis.

Hemp can still be used under the new rule in products consumers don't ingest, such as shampoo, soap, clothing, lotion and bird seed.

Kenex contends the rule is discriminatory to Canadian producers, who provide the bulk of hemp products to the U.S. because

Please see HEMP, C2

INSIDE

L.A. County to See Drop in Jobs

Los Angeles County will see payrolls decline in 2002 because of continued weakness in manufacturing and other key industries. C2

FDA Says Drug Makers Mislead Consumers

Four drug makers are reprimanded by the Food and Drug Administration for misleading promotions. C3

Enron Faces Delisting

Energy trader's fall from the New York Stock Exchange reflects deep skepticism about the firm's past and future. C4

Anxiety Over Earnings

Buyers are lured by cheaper stock prices but are still anxious about impending earnings reports. C4

MARKETS

	Change	Close
▲ Dow indus.	+32.73	9,924.15
▲ S&P 500	+7.78	1,146.19
▲ Nasdaq comp.	+10.17	2,000.91
▼ U.S. bond 10-yr.	-0.05	4.83%
▲ U.S. bill 6-mo.	+0.03	1.63%
▼ Gold per ounce	-1.00	\$284.40
▲ Oil per barrel	+0.01	\$18.90
▼ Yen per dollar	-0.70	¥131.26
▼ Euro in dollars	-0.009	\$0.885



Final settlement for the class, which includes Billie Holiday, may be reached in early May.

Judge Clears Proposed Settlement in Royalty Suit Against Universal

Court: Class-action status expands number of potential plaintiffs to about 300 artists.

By ANN W. O'NEILL
and JEFF LEEDS
TIMES STAFF WRITERS

A Los Angeles Superior Court judge has given preliminary approval to a \$4.75-million settlement between Vivendi Universal's Universal Music Group and what could be as many as 300 aging and deceased recording artists

who are owed royalties.

An attorney for the lead plaintiff, torch singer Peggy Lee, said it was the first class-action lawsuit to accuse a record company of employing questionable accounting tactics to cheat artists of royalties dating as far back as the 1940s.

The settlement papers, signed Monday by Judge Victoria Gerard Chaney, characterize the agreement as "reasonable and fair." Universal admitted no wrongdoing.

On Monday, the judge also formally declared the suit a class action, expanding the number of po-

tential plaintiffs to nearly 300 artists who recorded with the Decca label before Jan. 1, 1962.

A final settlement could be reached by early May, after a so-called fairness hearing is held to determine whether anyone objects.

Universal, the world's biggest record company, acquired Lee's contract as a result of a series of mergers. Decca merged with MCA Inc. in January 1966 and was in turn purchased by Seagram Co. in 1995. The music group was re-named Universal. Vivendi acquired Seagram in 2000.

Please see SUIT, C5



Singer Peggy Lee recorded such standards as "Lover" and "Black Coffee" with Decca.