Disability and insurance plans in the public and private sectors

Benefit packages in medium and large firms in private industry contain contrasts and similarities with those in State and local governments; significant differences appear in HMO enrollment and employee contribution requirements

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Both private industry employers and State and local governments include in their employee benefits packages health and life insurance and protection against income loss because of disability. Plan details, however, often differ between the two sectors. This article examines these differences by comparing findings of the Bureau of Labor Statistics most recent employee benefits survey of medium and large firms in the Nation's private industries—conducted in 1986—and its 1987 employee benefits survey of State and local governments, the first in the public sector.[1]

The discussion covers the major employee disability and insurance benefits: health care and life insurance, and plans providing disability income, such as paid sick leave, sickness and accident insurance, and long-term disability insurance.

Data for full-time workers in medium and large firms in private industry are compared with those for three groups of full-time government workers—"regular" employees, teachers, and police and firefighters. (Regular employees are all workers except teachers, police officers, and firefighters.) This classification of government workers shows differences in compensation practices for the three occupational groups.

Because insurance and disability benefits have evolved over the years, a comparison of 1986 and 1987 survey findings may be incomplete. For example, the higher participation in health maintenance organization (HMO) plans among State and local government workers (24 percent were enrolled in 1987) than among workers in private industry (13 percent in 1986) is caused in part by the overall growth in HMO enrollments between 1986 and 1987. Furthermore, such insurance plan provisions as deductibles[2] and employee premium contributions are often amended in line with increases in wages and prices.[3]

Incidence of coverage

Virtually all full-time employees in the private and public sectors were enrolled in health plans. Nearly all of these plans covered the major categories of medical care, such as hospital room and board, care by physicians and surgeons, diagnostic x-ray and laboratory work, prescription drugs, and private duty nursing. Dental care, however, was not as common among State and local government workers as it was for employees in private industry. For example, 71 percent of the private sector participants had some type of dental benefit in 1986, but only 62 percent of the workers

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in State and local governments had coverage in 1987. The incidence of vision care was nearly equal in both sectors, with approximately 40 percent of the participants covered.

About 85 percent of the workers in the public sector received life insurance coverage, compared with 96 percent of all private sector workers. The lower availability of life insurance in the public sector is offset to some extent by the fact that nearly 1 of 5 government workers had available lump-sum death benefits through their defined benefit pension plans. These lump-sum benefits were much less common in medium and large firms in private industry.

Almost all employees in both sectors were protected against short-term interruptions in earnings caused by nonoccupational sicknesses or accidents. Employees in private industry were more than twice as likely to have sickness and accident insurance—a benefit found most often among blue-collar workers—than workers in State and local governments (49 percent, compared with 18 percent for regular workers in the public sector). The incidence of paid sick leave, however, was reversed (97 and 70 percent) because blue-collar government employees were usually covered by sick leave, rather than sickness and accident insurance.[4]

Long-term disability insurance, which provides income to workers during extended periods of absence, was available to a higher proportion of private industry workers than public workers (48 and 31 percent). Teachers were the most likely public employees to have this benefit (41 percent), and police and firefighters were the least likely (18 percent).

Health care

While the incidence of health care plans was nearly equal in the private and public sectors, the provisions within these programs differed considerably. The most striking difference was the higher level of HMO enrollment

Table 1. Percent of full-time employees participating in health care plans with specified characteristics, medium and large firms in private industry and State and local governments

Characteristics	Private industry, 1986	State and local governments, 1987			
	All employees	All employees	Regular employees[1]	Teachers	Police and firefighters
Selected categories:					
Dental coverage	71	62	61	64	60
Vision coverage	40	37	38	35	42
Surgical coverage by UCR[2]	87	93	93	91	92
Home health care coverage	66	76	77	71	78
Extended care coverage	70	78	78	75	79
Alcoholism/alcohol abuse coverage	70	87	88	85	85
Drug abuse coverage	66	86	87	84	85
Hearing care coverage	20	23	25	18	24
Hospice care coverage	31	26	27	22	26
Physical examination coverage	18	36	37	31	42
Mental health coverage	99	98	99	98	98
Inpatient	99	96	96	94	95
Covered same as other illness	37	17	15	21	19
Subject to separate limitations	61	78	81	74	76
Outpatient	97	94	94	93	93
Covered same as other illness	6	2	2	2	1
Subject to separate limitations	92	92	93	91	92
Cost containment:					
Incentive to seek second surgical opinion	35	23	23	23	20
No reimbursement or limited reimbursement for nonemergency admission	10	6	6	5	7
Preadmission certification	16	22	23	20	28
Hospital audit program	2	5	5	4	3
Separate hospital admission deductible	9	16	17	14	9
Fee arrangement:					
Medical plan:					
Fee for service	86	67	66	72	63
Preferred provider organization	[illegible]	7	7	6	10
Prepaid health maintenance organization	13	24	26	19	26
Dental plan:					
Fee for service	97	79	75	87	75
Preferred provider organization	[illegible]	4	5	1	10
Prepaid health maintenance organization	2	17	19	11	13
Subject to length-of-service participation requirements	49	19	21	16	19
With at least partially employer-financed coverage during layoff	34	15	15	15	17
With at least partially employer-financed health insurance for retirees:					
Under age 65	62	48	49	44	50
Age 65 and over	56	44	46	39	48

[1]Regular employees are all workers except teachers and police and firefighters.

[2]Reimbursement of covered expenses was based on the usual, customary, and reasonable charge.

Table 2. Percent of full-time employees participating in health care plans by lifetime maximum dollar coverage, medium and large firms in private industry and State and local governments

Type and dollar amount of maximum[1]	Private industry, 1986	State and local governments, 1987			
	All employees	All employees	Regular employees[2]	Teachers	Police and firefighters
Total	100	100	100	100	100
With lifetime maximum[3]	60	60	60	60	59
Lifetime maximum only	56	54	53	54	55
Less than $25,000	(4)	(4)	(4)	(4)	(4)
$25,000 - $49,999	1	(4)	(4)	(4)	(4)
$50,000 - $99,999	2	1	1	(4)	1
$100,000	2	1	1	1	1
$100,001 - $249,999	2	(4)	(4)	(4)	1
$250,000	13	7	7	7	6
$250,001 - $499,999	4	1	1	1	1
$500,000	11	8	8	10	4
$500,001 - $999,999	2	(4)	0	0	2
$1,000,000	18	31	32	29	36
More than $1,000,000	1	3	2	5	3
Lifetime maximum combined with annual or disability maximum	4	6	6	6	4
Without lifetime maximum	40	40	40	40	41
Average lifetime maximum[5]	$568,000	$865,000	$833,000	$946,000	$845,000

[1] Maximum described is for each insured person.

[2] Regular employees are all workers except teachers and police and firefighters.

[3] Most plans with a lifetime maximum have a reinstatement clause. By furnishing satisfactory medical evidence of insurability, an employee can apply for restoration of the full lifetime maximum. Regardless of a member's physical condition, however, a typical plan automatically restores up to $1,000 of major medical maximum each year.

[4] Less than 0.5 percent.

[5] Excludes lifetime maximums combined with annual or disability maximums.

NOTE: Because of rounding, sums of individual items may not equal totals.

in State and local governments.[5] Although traditional fee-for-service plans were the primary instrument for health care, 24 percent of the government participants were enrolled in HMO's, compared with 13 percent reported by the 1986 private sector survey. Even accounting for continued growth in HMO enrollment during 1987, participation by the private sector probably would have not equaled that in government. The difference between the two sectors may be caused by the higher concentration of governmental units, and consequently employment, in larger metropolitan areas that are more likely to be served by HMO's.[6]

Services covered. The higher HMO participation in the public sector survey affected the incidence of several specific categories of care. (See table 1.) Federally qualified HMO's,[7] which account for a large majority of HMO participants in both sectors, must provide certain health services that may not be included in traditional fee-for-service plans. For example, home health care is a basic service which must be provided by federally qualified HMO's. In 1986, two-thirds of all full-time employees participating in HMO's were covered for home health care in the private sector; but in the 1987 public sector survey, where relatively more participants were enrolled in HMO's, more than three-fourths of the regular employees were covered for home care.

Routine physical examinations, another benefit required in federally qualified HMO's, covered 36 percent of public sector participants, compared with 18 percent of private sector participants. While coverage in an extended care facility is not required of federally qualified HMO's, it is usually provided to HMO participants. Thus, a portion of the 8-percentage-point difference in incidence between the public and private sectors (78 and 70 percent) may result from the higher HMO participation among government workers.

Surgical benefits in both sectors were largely based on a percentage of usual, customary, and reasonable charges.[8] In 1986, 87 percent of the private sector employees had surgical coverage geared to the usual, customary, and reasonable rate, compared with 93 percent of government employees in 1987. Maximum scheduled dollar allowances for surgery were infrequently found in either survey year.

Dental coverage was more common among workers in medium and large firms in private industry than among workers in State and local governments. For both sectors, hearing care was provided to 2 of 10 health plan participants and vision care to 4 of 10.

Almost all participants in both sectors were enrolled in plans with mental health benefits. Three-fifths of the participants in medium and large firms had more restrictive hospital coverage for mental illnesses than for other ailments. This was also true for almost four-fifths of the public sector plan participants. (Although HMO plans almost always set such restrictions, they are less common in fee-for-service plans.)

Both surveys show that similar restrictions for outpatient mental health care applied to approximately 9 of 10 plan participants. Outpatient coverage was more restrictive for mental health care than for other illnesses for both HMO's and fee-for-service plans.

The survey finds that medical treatment and referral services for alcohol and drug abuse are also basic requirements of federally qualified HMO's. Alcohol and drug abuse treatments were available to 87 and 86 percent, respectively, of all government health plan participants, compared with 70 and 66 percent in private industry.

Cost containment. Of the cost containment features studied, the pattern was mixed as to whether they were more extensively found in public or private sector health plans. (See table 1.) For example, 35 percent of the private sector participants were required to seek a second surgical opinion, compared with 23 percent of participants in the public sector. If a second surgical opinion was not obtained for specified procedures, the rate of payment was lower than that for other surgery. This feature, however, is not relevant to HMO's, which are more common among government workers. However, plans that made full benefits for hospital confinement contingent upon preadmission certification covered 22 percent of the public sector participants, compared with 16 percent in private industry. Incentives to audit hospital bills were rare in both sectors.

Plan reimbursements. Reimbursement arrangements in traditional health plans generally include three categories: maximum benefit limitations on the amount of expenses paid by the plan for participants over their lifetimes or a specified duration; deductibles, the amount of covered expenses that the participant must pay before charges are paid by the plan; and coinsurance, the percentage of charges actually paid by the plan. These features, called "major medical" provisions, are largely absent in HMO's.

Table 3. Percent of full-time employees participating in health care plans with overall deductible by amount of deductible, medium and large firms in private industry and State and local governments

Type and amount of deductible[1]	Private industry, 1986	State and local governments, 1987			
	All employees	All employees	Regular employees[2]	Teachers	Police and firefighters
Total	100	100	100	100	100
Deductible on an annual basis	96	100	100	99	100
Less than $100	13	14	13	17	14
$100	42	50	50	49	61
More than $100	36	35	37	33	25
Based on earnings[3]	4	([4])	([4])	0	([4])
Deductible not on an annual basis	4	([4])	([4])	([4])	([4])
Average overall annual deductible[5]	$126	$133	$134	$134	$119

[1] Amount of deductible described is for each insured person, however, many plans contain a maximum family deductible. In some plans, the individual and family deductibles are identical.

[2] Regular employees are all workers except teachers and police and firefighters.

[3] These plans have deductibles which vary by the amount of the participant's earnings. A typical provision is 1 percent of annual earnings with a maximum deductible of $150.

[4] Less than 0.5 percent.

[5] Excludes deductibles based on earnings.

NOTE: Because of rounding, sums of individual items may not equal totals.

Table 4. Percent of full-time employees participating in health care plans with overall annual out-of-pocket maximum, medium and large firms in private industry and State and local governments

Provision	Private industry, 1986	State and local governments, 1987			
	All employees	All employees	Regular employees[1]	Teachers	Police and firefighters
Total	100	100	100	100	100
Per individual:					
Less than $250	1	4	3	5	3
$250–$399	1	8	7	10	4
$400	10	20	18	26	20
$401–$499	1	([2])	([2])	([2])	1
$500	14	18	18	19	16
$501–$749	9	11	13	10	9
$750–$999	19	12	14	7	11
$1,000	25	14	14	14	18
$1,001–$1,499	4	1	1	1	2
$1,500–$1,999	8	7	7	5	11
$2,000–$2,499	5	3	4	1	3
$2,500 and more	3	1	1	2	1
No individual maximum[3]	0	1	1	1	1
Average out-of-pocket maximum	$997	$804	$822	$759	$820

[1] Regular employees are all workers except teachers and police and firefighters.

[2] Less than 0.5 percent.

[3] Out-of-pocket expense maximum only applied to families.

NOTE: Because of rounding, sums of individual items may not equal totals.

Three-fifths of all health insurance participants in each sector had major medical lifetime ceilings on payments. (See table 2.) In both sectors, the most single common limitation was $1 million, but a limit this high occurred much more frequently for public sector participants. The average lifetime ceiling was also substantially higher in the public sector. Among government workers, teachers had a higher average ceiling than regular employees and police and firefighters.

With few exceptions, major medical benefits are not paid until the participants have met a deductible requirement. The deductible is designed to keep insurance costs down and discourage unnecessary use of medical services. For nearly all plan participants in both sectors, deductibles were determined on an annual basis. (See table 3.) Where these applied, one-half of all government plan participants were subject to a $100 annual deductible, compared with 42 percent of the private industry participants. Annual deductibles for regular government employees in 1987 averaged $133 and for private industry in 1986, $126.

Four-fifths of major medical participants in both sectors had "stop loss" coverage. In these plans, all covered expenses were paid by the plan after a specified level of costs was incurred during a year. For example, a plan might pay 80 percent of expenses until an employee had paid $1,000 in "out-of-pocket" expenses during a year (in addition to the deductible), and then pay 100 percent thereafter. "Stop loss" coverage thus protects employees and their families from a heavy financial burden should they experience a serious illness or injury.

Table 5. Percent of full-time employees participating in health care plans who were required to contribute to the cost of coverage by average monthly contribution, medium and large firms in private industry and State and local governments

Jointly financed coverage[1]	Private industry, 1986	State and local governments, 1987			
	All employees	All employees	Regular employees[2]	Teachers	Police and firefighters
Percentage of employees contributing:					
Employee coverage	43	35	36	35	26
Family coverage	63	71	73	70	61
Average monthly contributions:[3]					
Employee coverage	$12.80	$15.74	$15.89	$14.73	$18.61
Family coverage[4]	41.40	71.89	70.81	75.63	67.42

[1] Participants were counted as having to contribute for coverage if they were enrolled in a noncontributory medical plan and an optional contributory dental program. Therefore, contribution rates shown partly reflect the cost of dental care only.

[2] Regular employees are all workers except teachers and police and firefighters.

[3] Excluded from the average were participants in plans where the dollar amount was a composite rate, that is, a set contribution covering health insurance and one or more other benefit areas. Cost data for individual plans could not be determined.

[4] If the amount of contribution varied by either size or composition of family, the rate for an employee with a spouse and one child was used. For a small percentage of employees, the contribution was the same amount for single and family coverage.

NOTE: Because of rounding, sums of individual items may not equal totals.

Outlays for covered expenses were capped at $1,000 or less per year for 80 percent of private plan participants and 87 percent of public plan participants with "stop loss" coverage. (See table 4.) State and local government workers averaged lower out-of-pocket caps than their private industry counterparts— about $800, compared with $1,000.

Employee contributions. Differences were also found in the extent to which employees were required to help finance their health insurance coverage. Thirty-five percent of all government workers were required to pay part of the premium for individual coverage in 1987, compared with 43 percent of private industry plan participants in 1986. (See table 5.) For family coverage, the situation was reversed: 71 percent of all government workers had to contribute for family coverage, compared with 63 percent of private industry workers.

Average monthly employee contributions were higher in the public sector than in the private sector: $15.74 compared with $12.80 for employee coverage, and $71.89 compared with $41.40 for family coverage. The greater difference between family coverage contributions arises because in many government sponsored plans, employees were required to pay all or a large part of the additional cost for their dependents. In many medium and large firms in private industry, as well as in the Federal Government, the employer subsidizes at least part of the cost of dependent coverage.

Coverage for retired or laid-off workers. State and local government plans are less likely to provide for the financing of coverage for laid-off or retired workers. While 34 percent of participants in medium and large firms in private industry were enrolled in plans where health care benefits were wholly or partly employer-financed during the initial months of a layoff, only 15 percent of government participants were in plans spelling out such coverage. The somewhat lower probability of layoffs in government may account for this difference.

Among private industry participants, 62 percent were in plans that extended fully or partially employer-financed benefits to retirees before age 65 (when Medicare benefits begin) and 56 percent were in plans that extended benefits at age 65 or after. In State and local governments, 48 percent of all workers had at least partially employer-financed coverage during retirement before age 65, and 44 percent at age 65 or after.

Eligibility requirements. Four-fifths of the health insurance participants in State and local governments and one-half in medium and large firms in private industry were allowed to join their plans immediately upon being hired. Length-of-service requirements for remaining employees rarely exceeded 6 months.

Disability benefits

During periods when they are disabled from working, employees receive income through paid sick leave, sickness and accident insurance, and long-term disability insurance. *Paid sick leave* nearly always continues an employee's full salary for at least the initial portion of the disability, and is paid for out of the employer's operating funds, rather than through insurance carriers. Sick leave almost always begins the first day of the disability; waiting periods are rare. *Sickness and accident insurance*, however, usually replaces a part of a worker's regular salary, is funded through insurance carriers or trusts, requires a waiting period before benefits commence, and may be partially employee-paid. Benefits under both plans are referred to as *short-term disability* coverage, because plan payments usually continue for only 1 year or less. *Long-term disability insurance* typically provides partial income replacement to disabled employees for periods longer than 1 year.

Short-term disability coverage. More than 90 percent of the workers in State and local governments and in medium and large firms in private industry have short-term disability coverage. The manner of providing coverage, however, contrasts sharply. Paid sick leave was almost universal among government employees, but sickness and accident insurance was uncommon. In contrast, about half of the private industry employees with short-term disability coverage were in a sickness and accident insurance plan, typically for production workers. (See table 6.)

Sick leave. Virtually all employees with sick leave in State and local governments could receive a specified number of days per year. (See table 7.) The most notable exception was among police and firefighters, where 8 percent were in plans that provided sick leave "as needed." Plans that renewed benefits for each new disability ("per disability" plans) were rare in the public sector.

A different mix of sick leave coverage applied to workers in medium and large firms in private industry. Seven-tenths were in annual sick leave plans, while one-fifth were in "per disability" plans. The more liberal nature of the latter was balanced by the frequency of carryover provisions in the public sector. Forty-three percent of workers with annual sick leave plans in medium and large firms in private industry could carry over unused sick leave from year to year, compared with 97 percent in State and local governments.

On average, regular employees and teachers with annual sick leave plans were eligible for about 12 sick leave days a year, after 1 year of service. This average increased only slightly with longer service. Police and firefighters also had plans that changed little with seniority, averaging 18 days per year after 1 year of service.

Medium and large firms in private industry provided, on average, 15 sick leave days after 1 year of service. These plans, however, typically provided more days of coverage with increasing seniority. This widened the disparity between the private and public sectors for long-service em-

Table 6. Percent of full-time employees participating in plans with various types of short-term disability protection, medium and large firms in private industry and State and local governments

Type of short-term disability coverage	Private industry, 1986	State and local governments, 1987			
	All employees	All employees	Regular employees[1]	Teachers	Police and firefighters
Total	100	100	100	100	100
With coverage	94	97	98	96	98
Sick leave only	46	83	79	91	84
Sickness and accident insurance only	24	1	1	1	1
Sick leave and sickness and accident insurance	25	14	18	5	13
Without coverage	6	3	2	4	2

[1]Regular employees are all workers except teachers and police and firefighters.

NOTE: Because of rounding, sums of individual items may not equal totals.

Table 7. Full-time participants in paid sick leave plans with selected provisions, medium and large firms in private industry and State and local governments

Category	Private industry, 1986	State and local governments, 1987			
	All employees	All employees	Regular employees[1]	Teachers	Police and firefighters
Percent of full-time employees in paid sick leave plans					
Total	100	100	100	100	100
Sick leave provided on:					
Annual basis only[2]	72	98	99	99	91
Per disability basis only[3]	19	(4)	(4)	(4)	(4)
Both annual and per disability basis	4	(4)	(4)	(4)	(4)
As needed basis[5]	4	1	1	(4)	8
Other basis[6]	(4)	(4)	(4)	(4)	(4)
Average number of sick leave days in annual plans by length of service[7]					
1 year	15.2	13.0	12.0	12.4	18.0
5 years	25.1	13.4	13.3	12.7	18.5
10 years	32.2	13.9	13.6	13.3	19.0
15 years	37.0	13.9	13.6	13.5	19.0
20 years	39.8	14.0	13.7	13.6	19.0
25 years[8]	41.2	14.0	13.7	13.6	19.0

[1]Regular employees are all workers except teachers and police and firefighters.

[2]Employees earn a specified number of sick leave days per year. This number may vary by length of service.

[3]Employees earn a specified number of sick leave days for each illness or disability. This number may vary by length of service.

[4]Less than 0.5 percent.

[5]Plan does not specify maximum number of days.

[6]Includes formal plans with provisions that change, after a certain service period, from a specified number of days per year to a specified number of days per absence or to an unlimited number of days per year.

[7]Includes only paid sick leave plans with a specified number of sick leave days available each year.

[8]The average (mean) was virtually the same after longer years of service.

NOTE: Because of rounding, sums of individual items may not equal totals. Computation of average excluded days paid at partial pay and workers with only partial pay days or zero days of sick leave.

ployees. For example, private industry employees averaged 40 days after 20 years of service. Again, the greater potential to carry over unused days from year to year in the public sector should be noted.

Sickness and accident insurance. Sickness and accident insurance benefits were very similar in the public and private sectors. Such plans commonly replaced 50 to 75 percent of pay for a fixed period, usually 26 weeks, after a 1- to 7-day waiting period. Private sector plans were twice as likely as public sector plans to require employees to be on the job for a specified time before becoming eligible for benefits.

Long-term disability insurance. Once sick leave and sickness and accident insurance are exhausted, long-term disability insurance may take over for the disabled employee. In both sectors, disability benefits generally continue as long as the worker is disabled or until retirement age. For workers disabled after age 60, however, disability benefits usually continue for 5 years or less.

Nearly half of the full-time employees in medium and large firms in private industry had disability insurance coverage, compared with three-tenths of the State and local government employees. Government workers, however, were more likely to have access to immediate disability retirement pension benefits than were their private industry counterparts: About 8 of 10 government workers had pension plans with immediate disability retirement clauses, compared with 4 of 10 private industry workers.

In both the public and the private sectors, the large majority of participants had long-term disability benefits based on a fixed percent of earnings. (See table 8.) The most common benefit formulas for both classes of workers provided either 50 or 60 percent of monthly pay. In both sectors, most participants were in plans that had a limit on maximum monthly payments (71 percent in private industry and 60 percent in State and local governments). These maximum limits typically ranged from $2,000 to $5,000.

Table 8. Percent of full-time employees participating in long-term disability insurance plans by method of determining payments, medium and large firms in private industry and State and local governments

Method	Private industry, 1986	State and local governments, 1987			
	All employees	All employees	Regular employees[1]	Teachers	Police and firefighters
All methods	100	100	100	100	100
Fixed percent of earnings	76	89	87	93	94
Less than 50 percent	2	3	1	9	0
50 percent	20	22	23	19	44
55 percent	2	0	0	0	0
60 percent	39	28	29	25	27
62 percent	0	2	2	3	0
65-67 percent	12	27	27	27	19
70 percent or more	2	7	5	10	4
Percent varies by earnings	10	9	12	5	6
Percent varies by service	(2)	(2)	(2)	(2)	0
Scheduled dollar amount varies by earnings	9	0	0	0	0
Other[3]	4	1	1	2	0
Data not available	(2)	0	0	0	0

[1] Regular employees are all workers except teachers and police and firefighters.

[2] Less than 0.5 percent.

[3] Includes flat dollar amounts and scheduled percent of earnings varying by length of disability.

NOTE: Because of rounding, sums of individual items may not equal totals.

Life insurance

Life insurance benefits are usually stated as a flat dollar benefit (for example, $10,000) or as a multiple of annual earnings. Insurance benefits based on earnings were more common in the private sector: 66 percent with life insurance had this type of benefit, compared with 45 percent of government workers. (See table 9.) The percentage was slightly lower for teachers and police and firefighters. Conversely, flat dollar amounts of life insurance were more common in the public sector.

The following tabulation shows the average flat dollar amounts or average multiples of earnings provided under these life insurance plans.

	Average flat amount	*Average multiple of earnings*
Private:		
All employees	$ 9,930	1.5
Public:		
All employees	11,200	1.5
Regular employees	10,118	1.4
Teachers	13,698	1.7
Police and firefighters	10,855	1.8

The incidence of benefit ceilings in multiple-of-earnings formulas varied considerably between the survey groups. Of all private industry employees with this type of life insurance, 52 percent were subject to a maximum benefit level, compared with 40 percent of regular public employees. Plan maximums were found less frequently for teachers (34 percent) and police and firefighters (20 percent).

About 17 percent of public sector employees participated in pension plans that provided death benefits of one or more times annual earnings. Flat amount lump-sum death benefits of $2,000 or more were featured in plans covering an additional 2 percent of public sector workers. In private industry, however, only 5 percent had a lump-sum death benefit of one or more times annual earnings and 1 percent had flat dollar lump-sum death benefits of $2,000 or more.

Life insurance is sometimes reduced for older active employees, usually at age 65. A reduction often takes into account the additional cost of term life insurance as an employee ages. The reduction is usually stated as a percentage reduction from the original benefit. (For example, many plans provide active employees over age 65 only 50 percent as much insurance protection as those under 65.) Reductions were observed frequently in both the private and public sectors. About 56 percent of private sector plan participants were subject to a life insurance reduction related to age; 49 percent of State and local government participants encountered this provision, with the incidence nearly equal among the three occupational groups.

Few differences were noted in the incidence of auxiliary life insurance benefits. Availability of nonoccupational accidental death and disability coverage was similar between the public and private sectors: approximately two-thirds or more of participants in all groups had this benefit.

Additionally, little variation was noted in the incidence of partially employer-paid supplemental life insurance. In most groups, supplemental insurance was available to almost 10 percent of the employees. The opportunity to purchase additional insurance by paying full group rates was not studied.

Survivor income benefits were offered to 10 percent of the workers in the private sector, but were rarely available to public employees. Benefits are paid monthly to beneficiaries, in addition to life insurance, and can be short term (up to 24 months) and/or long term (usually until the surviving spouse remarries or reaches age 65).

Dependent life insurance was available to 17 percent of participants in private industry insurance plans. Although police and firefighters were as likely as those in private industry to have coverage provided for dependents, the overall availability of coverage was much lower for public sector employees.

Contributions towards basic insurance premiums were required of one-tenth of the private industry employees; two-tenths of the government employees were required to make contributions. Contributions are commonly expressed as a fixed monthly rate for each $1,000 of insurance.

Around 50 to 60 percent of participants in all categories had life insurance that continued after retirement. Benefits after retirement would be continued indefinitely for a majority of participants in both sectors, while less than 5 percent had coverage that ended at some point during retirement.

Minimum length-of-service requirements for participa-

Table 9. Percent of full-time employees participating in life insurance plans by selected benefit provisions, medium and large firms in private industry and State and local governments

Provision	Private industry, 1986	State and local governments, 1987			
	All employees	All employees	Regular employees[1]	Teachers	Police and firefighters
Total	100	100	100	100	100
Life insurance based on earnings	66	45	47	41	44
Equal to annual earnings times:					
Less than 1.5	27	20	23	15	19
1.5 or more	27	21	21	22	21
Multiple varying with earnings	(2)	0	0	0	0
Graduated schedule	12	3	3	3	4
Life insurance equals flat amount	34	55	52	59	56
Less than $5,000	6	10	9	10	10
$5,000-$9,999	9	16	17	11	13
$10,000-$19,999	13	18	16	19	25
$20,000 or more	3	11	8	17	7
Based on service or age	4	1	1	2	0
Other type of life insurance[3]	(2)	0	0	0	0
Employee contributions required	10	19	18	20	19
Life insurance reduced for older active employees	56	49	49	50	48
Life insurance for dependents	17	10	9	12	16
Nonoccupational accidental death and dismemberment benefit	72	67	66	70	71
Partially employer-paid supplemental life insurance	11	10	10	11	8
Survivor income benefits	10	1	1	(2)	2
Life insurance for retirees	59	55	55	54	61
Continues for life	57	46	47	44	53
Ceases during retirement	2	4	4	3	3
Provision not determinable	(2)	5	4	8	5
Life insurance subject to length-of-service participation requirements	54	28	31	19	29

[1] Regular employees are all workers except teachers and police and firefighters.

[2] Less than 0.5 percent.

[3] Includes life insurance for participants with insurance amount based on family size.

NOTE: Because of rounding, sums of individual items may not equal totals.

tion in a life insurance plan were much more common in the private sector. Teachers had the lowest incidence of these service requirements (19 percent), while regular employees had the highest (31 percent). This is in contrast to the private sector where 54 percent of participants had to complete a service requirement, usually 1 to 3 months.

——*FOOTNOTES*——

[1] Industrial coverage of the private sector survey included mining; construction; manufacturing; transportation, communications, electric, gas, and sanitary services; wholesale trade; retail trade; finance, insurance, and real estate; and selected services. Major findings of the 1986 survey are reported in *Employee Benefits in Medium and Large Firms, 1986*, Bulletin 2281 (Bureau of Labor Statistics, 1987).

Local governments surveyed included general administrative units; hospitals, nursing homes, and outpatient clinics; elementary and secondary schools, and colleges and universities; and water and sewage authorities, park districts, transportation districts, and so forth. Major findings of the 1987 survey are are reported in *Employee Benefits in State and Local Governments, 1987*, Bulletin 2309 (Bureau of Labor Statistics, 1988).

[2] A deductible is a specified amount of expense that an insured person must pay before benefits will be paid by the plan.

[3] A limited test was made of the relation between changes in the medical care component of the Consumer Price Index for All Urban Consumers (CPI-U) and in such health insurance provisions as employee contribution rates and overall maximum limits on dollar benefits. Although all the series examined moved upward over time, the year-to-year changes were not sufficiently close to allow adjustment of the 1986 provisions by the 1986–87 CPI changes in order to improve the comparability of the private and public sector findings.

[4] Ninety-three percent of white-collar workers had sick leave plans in medium and large firms in private industry, close to the 97 percent recorded for government workers.

[5] A health maintenance organization is a prepaid health care arrangement that delivers comprehensive medical services to enrolled members for a fixed periodic fee. For a detailed analysis of HMO's, see Allan P. Blostin and William Marclay, "HMO's and other health plans: coverage and employee premiums," *Monthly Labor Review*, June 1983, pp. 28–33.

[6] HMO enrollment in the Federal Government is also relatively high. According to the Office of Personnel Management, approximately 27 percent of active participants in the Federal Employees Health Benefits Program were enrolled in an HMO as of January 1988.

[7] To be federally qualified, an HMO must meet certain reporting standards and provide basic hospital, physician, and diagnostic services as well as emergency, home health, and preventive care. Other required services include outpatient mental health visits, and medical treatment and referral services for drug or alcohol abuse. If qualified, HMO's are allowed marketing access to employees with employer-sponsored health benefits plans. Qualified plans are eligible to receive financial and technical assistance from the Federal Government.

[8] The usual, customary, and reasonable rate (UCR) is a rate that is: not more than the surgeon's usual charge; within the customary range of fees in the locality; and is reasonable, considering the circumstances. In this survey, full service benefits provided by HMO's and Preferred Provider Organizations were considered payment by the UCR method of reimbursement.