

# Notes and Brief Reports

## Revised Coverage Estimates for Employee-Benefit Plan Series\*

This note takes another look at the estimates that have been developed by the Social Security Administration on coverage provided by privately organized employee-benefit plans. These estimates have been published as part of the BULLETIN's annual review of employee-benefit plan developments. The last time the series on coverage appeared was in the April 1972 BULLETIN.<sup>1</sup>

Coverage is defined in this series as the number of active civilian wage and salary workers covered for specific types of health, welfare, and pension benefits at the end of the calendar year.

For a variety of reasons, estimates of the number of wage and salary workers covered by privately organized employee-benefit plans lack the precision evidenced in the coverage estimates of public social insurance programs. For one thing,

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<sup>1</sup> Walter W. Kolodrubetz, "Two Decades of Employee-Benefit Plans, 1950-1970: A Review," *Social Security Bulletin*, April 1972.

the compulsory nature of social insurance programs assures a degree of completeness in reporting that is lacking for voluntary plans. For another, the large number of plans and data sources prevalent in the private sector produces a high degree of variability in the data, especially when compared with the data produced by unitary Federal or State programs in the public sector.

Third, the nature of the data available in the private sector tends to produce coverage estimates that create conceptual and definitional complications. Estimates of health insurance, for example, are based on reports of private insurance companies and other nongovernmental agencies. Many of the reports include data for persons who—because of retirement, layoff, sickness, or job shifts—are no longer employed as wage and salary workers. In addition, such establishment reporting leads to an unknown amount of duplication in the coverage of group health insurance, especially that involving working husbands and wives.

Dual coverage is also a critical factor with respect to the estimates of private retirement plan coverage. A number of employers have installed more than one type of pension or profit-sharing plan either for some or all of their employees. Workers are frequently covered by both an insured and a noninsured plan or by a negotiated multiemployer plan and by a single-employer

TABLE 1.—Estimated number of wage and salary workers covered  
(In millions)

End of year	Benefits for all wage and salary workers									
	Life insurance and death <sup>1</sup>		Accidental death and dismemberment <sup>2</sup>	Hospitalization <sup>3</sup>			Surgical <sup>4</sup>		Regular medical <sup>4</sup>	
	Old series	New series		Old series, total	New series, total	Written in compliance with law	Old series	New series	Old series	New series
1950.....	19 4	(ii)	8 1	24 3	(ii)	1 2	17 7	(ii)	8 2	(ii)
1955.....	28 0	(ii)	15 6	33 1	(ii)	1 4	30 2	(ii)	20 4	(ii)
1960.....	34 2	(ii)	20 9	40 6	39 1	1 2	38 6	37 1	29 5	28 2
1965.....	41 9	(ii)	28 4	48 5	45 1	3	47 0	43 2	39 4	37 8
1970.....	51 6	52 7	38 7	59 6	52 9	4	58 9	51 6	52 9	48 5
1971.....	-----	53 5	39 2	-----	53 0	4	-----	51 9	-----	49 0
1972.....	-----	55 6	42 2	-----	54 2	4	-----	52 9	-----	49 4
1973.....	-----	58 2	43 9	-----	56 4	4	-----	55 5	-----	53 1

<sup>1</sup> Plans whose benefits flow from the employment relationship and are not underwritten or paid directly by government (Federal, State, or local). Excludes workmen's compensation required by statute and employer's liability.

<sup>2</sup> Group and wholesale life insurance coverage based on data from Institute of Life Insurance and Health Insurance Association of America, *Group Insurance Coverages in the United States*, annual editions, modified to exclude group plans not related to employment; excludes coverage under the servicemen's group life insurance plan. Self-insured death benefit plan coverage based on data for various trade-union, mutual benefit association, and company-administered plans

<sup>3</sup> Data from Health Insurance Association of America (see footnote 2)  
<sup>4</sup> Data from "Private Health Insurance in 1973: A Review of Coverage, Enrollment, and Financial Experience," *Social Security Bulletin*, February 1975, and from sources cited in footnote 2, modified to exclude group plans not related to employment. Data for hospitalization, surgical, and regular medical coverage adjusted to include employees covered by group comprehensive major-medical expense insurance. New series adjusted for duplication resulting from participation in more than one plan, excludes persons no longer employed as wage and salary workers.

<sup>5</sup> Includes private hospital plans written in compliance with State temporary disability insurance law in California.

plan. Duplicate coverage also arises from provisions for separate pension plans established for workers earning more than the social security taxable maximum.

Another factor that inflates the usual estimates of coverage under retirement plans is the increasing number of workers entitled to vested pensions from a previous employer. Establishment reporting tends to count such workers twice if they are covered by a pension plan in their current job and at the same time have deferred vested rights from a previous job. Some reports also make no distinction between active workers and retired annuitants.

In light of the need for more precise estimates of coverage, the Social Security Administration, the Department of Labor, and the Department of the Treasury contracted with the Bureau of the Census to conduct a special household survey of pension and health coverage of employed workers in conjunction with the April 1972 Current Population Survey. From this survey benchmark data for 1972 were developed.<sup>2</sup>

During this period, the Institute of Life Insurance and the Health Insurance Association of

America, which develop basic coverage estimates for life, health and disability insurance, and insured pension plans, also changed their method of data collection and therefore made revisions in their published time series.<sup>3</sup>

Table 1 presents data from the old series and the new, where revised, for all types of benefits included in the employee-benefit series. The new series uses 1972 household data as benchmark data and the revised historical series of the insuring agencies and takes account of the latest data developed by the Institute of Life Insurance on the extent to which group life insurance protection covers employment groups.<sup>4</sup> The new data show a much higher proportion of life insurance plans applicable to groups related to employment than earlier anticipated by the Social Security Administration, thus producing a higher coverage estimate.

A significant downward adjustment is seen in the new series estimates for private pension, health, and temporary disability coverage. The supplemental unemployment benefit estimates also have been lowered as the result of more detailed

<sup>2</sup> Walter W. Kolodrubetz, "Employee-Benefit Plans, 1972," *Social Security Bulletin*, May 1974, and "Employee-Benefit Plans, 1973," *Social Security Bulletin*, May 1975.

<sup>3</sup> Health Insurance Institute, *Source Book of Health Insurance Data, 1974-75*, and Institute of Life Insurance, *Tally of Life Insurance Statistics*, February 1975.

<sup>4</sup> Institute of Life Insurance, *Life Insurance Fact Book*, 1974, page 32, and unpublished data.

under Employee-benefit plans,<sup>1</sup> by type of benefit, 1950-73

[In millions]

Benefits for all wage and salary workers— <i>Continued</i>		Benefits for wage and salary workers in private industry								End of year	
Major medical expenses <sup>4,6</sup>		Temporary disability including formal sick leave <sup>1</sup>				Long-term disability <sup>2</sup>	Supplemental unemployment <sup>3</sup>		Retirement <sup>10</sup>		
Old series	New series	Old series, total	New series, total	Written in compliance with law			Old series	New series	Old series		New series
				Old series	New series						
2 3	(11)	20 1	(11)	6 6	(11)	-----	-----	-----	-----	1950.	
9 7	8 3	23 5	(11)	6 8	(11)	-----	1 0	(11)	15 4	1955	
17 5	16 2	24 5	(11)	6 8	(11)	-----	1 7	(11)	21 2	1960.	
26 6	23 1	27 6	24 2	6 4	(11)	-----	2 1	(11)	25 3	1965	
-----	24 0	31 2	29 5	6 9	7 1	1 9	2 5	2 0	29 7	1970.	
-----	24 6	-----	29 8	-----	6 9	7 2	-----	-----	-----	1971.	
-----	25 8	-----	30 0	-----	7 3	8 2	-----	-----	-----	1972.	
-----	-----	-----	31 7	-----	7 5	9 8	-----	2 1	-----	1973.	
-----	-----	-----	-----	-----	-----	10 7	-----	2 3	-----	-----	

<sup>1</sup> Represents coverage under group supplementary and comprehensive major-medical insurance underwritten by commercial insurance companies.  
<sup>2</sup> Includes private plans written in compliance with State temporary disability insurance laws in California, Hawaii, New Jersey, and New York.  
<sup>3</sup> Data from Health Insurance Institute, *Source Book of Health Insurance Data*, annual editions, adjusted to exclude credit accident and health insurance. Before 1963, includes group long-term disability.  
<sup>4</sup> Data from Health Insurance Institute (see footnote 7).  
<sup>5</sup> Based on trade-union and industry reports and "Financing Supplemental Unemployment Benefit Plans," *Monthly Labor Review*, November 1969.  
<sup>6</sup> Excludes dismissal wage and separation allowances, except when financed by

supplemental unemployment benefit funds covering temporary and permanent layoffs.  
<sup>10</sup> Estimated by the Social Security Administration. Includes pay-as-you-go and deferred profit-sharing plans, plans of nonprofit organizations, union pension plans, and railroad plans supplementing the Federal railroad retirement program. Excludes pension plans for Federal, State, and local government employees, as well as plans for the self-employed. Data exclude annuitants. New series adjusted for duplication resulting from participation in more than one plan and the vesting of benefits.  
<sup>11</sup> No change from old series.

TABLE 2.—Estimated percentage of wage and salary workers covered under employee-benefit plans, new series, 1960-73

End of year	Life insurance and death	Accidental death and dismemberment	Hospitalization	Surgical	Regular medical	Major medical expense	Temporary disability, including formal sick leave	Long-term disability	Supplemental unemployment	Retirement
	Covered employees as a percent of all wage and salary workers <sup>1</sup>						Covered employees as a percent of wage and salary workers in private industry <sup>2</sup>			
1960.....	58 1	35 5	66 5	63 1	48 0	14 1	49 0	3 5	3 4	37 4
1965.....	64 2	43 5	69 0	66 2	57 9	24 8	44 1	3 8	3 8	39 8
1970.....	70 7	51 9	70 9	69 3	65 0	31 1	48 0	11 7	3 3	42 4
1971.....	71 8	52 5	71 0	69 8	65 7	32 2	48 7	13 4	3 3	43 2
1972.....	72 6	55 1	70 7	69 0	64 5	32 1	47 7	15 6	3 3	43 7
1973.....	73 0	55 1	70 8	69 6	66 7	32 4	48 1	16 2	3 5	44 3

<sup>1</sup> Coverage of private and public employees relates to average number of private and government full-time and part-time civilian employees—79.7 million in 1973 (table 6 3 in *Survey of Current Business*, July 1974).

<sup>2</sup> Coverage of private employees relates to wage and salary employed labor force in private industry—65 9 million in 1973 (from table 6 3 in source listed in footnote 1).

analysis of the character of such plans and the exclusion of plans that may be more appropriately termed severance-pay plans than supplemental unemployment benefit plans.

In general, the new estimates on health insurance and private pension coverage, where the greatest revision took place, are an attempt to eliminate the overestimates produced by duplication. Data produced from household interview surveys are considered a good tool for this purpose, especially in areas of overlapping coverage arising from participation in more than one plan. The April 1972 household survey obtained data also on the extent to which active workers had built up retirement credits—vested rights—from previous employment, and this factor was used to adjust downward the pension plan coverage estimates.

On the other hand, household interview surveys are known to underreport coverage to some extent because of respondents' errors, lack of knowledge of their coverage status, or failure to respond. The April 1972 survey also did not fully take into account part-time workers. Thus, in developing the revised health and pension plan estimates, the data from the household survey were supple-

mented by data derived from the establishment reports of insurance companies, business firms, and Blue Cross-Blue Shield and independent health plans. Reconciliation of the two sources produce the new estimates shown in table 1 for 1972. The revised estimates for the earlier years and for 1973 were generally determined by applying to the 1972 benchmark data the percentage changes in establishment-reporting coverage figures for these years.

Based on the revisions, group life insurance plans now are estimated to have been the most common type of employee-benefit protection at the end of 1973 (table 2). The proportion of the employed civilian labor force covered by this type of plan was 73 percent, with 71 percent of the labor force having some type of group health insurance. Major-medical plans covered a third of the labor force. Private retirement plans were estimated to reach only 44 percent of the private wage and salary work force. Temporary disability insurance and sick leave plans did somewhat better, covering 48 percent, with long-term disability coverage showing the greatest advance in recent years—to 16 percent of the private labor force by the end of 1973.