

Private Industry Health Insurance Plans: Employment Requirements for Coverage in 1974

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In 1974, approximately 28 1/2 million active workers participating in almost 52,000 health plans on their jobs were covered by in-hospital health insurance benefits. A survey of these plans, conducted for the Social Security Administration by the Bureau of Labor Statistics, revealed that not all workers are automatically entitled to benefits on the first day they report for work. More than three-fifths had to fulfill at least one job-related requirement before their hospital coverage was effective. The extent and variety of employment requirements in private industry are discussed here along with data that show how plans that have such requirements differ from those that do not.

PROVISION OF HEALTH benefits through work-related insurance plans is widespread in the United States, although the scope of protection varies.¹ Of special interest here is the employment requirement for health benefits—the length of time an employee must work to be eligible for such protection. The data examined for this study indicate the extent of the employment requirement in a sample representing approximately 52,000 health plans² covering 28 1/2 million workers at the beginning of 1974. The sample includes plans of private firms only, excluding those with fewer than 26 participants and plans of most nonprofit organizations.

EXTENT OF EMPLOYMENT REQUIREMENT

Of the workers in the surveyed plans, 62 percent had to have been employed at least 1 month

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¹ See Marjorie Smith Mueller, "Private Health Insurance in 1974: A Review of Coverage, Enrollment, and Financial Experience," *Social Security Bulletin*, March 1976, and Alfred M. Skolnik, "Twenty-five Years of Employee-Benefit Plans," *Social Security Bulletin*, September 1976.

² To be included in the sample, a plan was required to provide in-hospital protection through either a basic hospital plan with first-dollar coverage or as part of a comprehensive major medical plan package. For additional information about the scope of the study, see Daniel N. Price, "Health Benefits for Laidoff Workers," *Social Security Bulletin*, February 1976, pages 40-45, 51.

to be eligible for hospital benefits. For the remainder, coverage began with employment. The waiting period was 1 month for 28 percent of the workers, 2 months for 8 percent, 3 months for 16 percent, and 4 months or more for 11 percent.

Variations from the flat number-of-months requirement include those that provide benefits (1) on the first day of the second month following specified months of employment, (2) on a specific date in the month following specified months of employment, (3) on the first day of the quarter following specified months of employment, (4) during a certain month following union membership, or (5) after a specific pay period. Two provisions were most prevalent—coverage after a specific number of months and coverage on a specific day of the month following a certain number of months of employment. A minimum number of plans were classified in the other categories.

Workers were counted as having immediate coverage if they were eligible for all the benefits of their particular health plan when they began working or if the eligibility requirement was at least 1 day but less than 1 month on the job (table 1). Seven percent were in the latter category. Twelve percent of the workers were in plans that did not report any existing employment requirement. These plans presumably did not have entry restrictions so workers participating in them were included in the immediate-coverage category. Altogether, 38 percent of the workers were classified in this category.

SELECTED PLAN CHARACTERISTICS

Industry

The provision of immediate coverage, as table 1 shows, varies widely from industry to industry. The proportion of workers with this type of coverage ranged from 85 percent in mining to 8 percent in construction. One explanation for the low percentage of workers with immediate health

TABLE 1—Number and percentage distribution of workers with health care coverage, by employment waiting-period requirement for benefits and by industry, 1974

| Industry | Number of health care plans (in thousands) | Workers with health care benefits | | | | | | |
|---|--|-----------------------------------|--|-------------------|----|----|----|-----------|
| | | Total number (in millions) | Percentage distribution, by waiting period (in months) | | | | | |
| | | | Total | None ¹ | 1 | 2 | 3 | 4 or more |
| Total | 51 6 | 28 4 | 100 | 38 | 28 | 8 | 16 | 11 |
| Manufacturing | 23 3 | 15 0 | 100 | 42 | 30 | 9 | 14 | 8 |
| Construction | 4 | 1 9 | 100 | 8 | 26 | 2 | 11 | 53 |
| Mining | 1 9 | 3 | 100 | 85 | 6 | — | 2 | 7 |
| Transportation | 1 9 | 1 8 | 100 | 28 | 36 | 14 | 9 | 14 |
| Communications and public utilities | 1 1 | 1 7 | 100 | 50 | 27 | 6 | 9 | 8 |
| Wholesale and retail trade | 10 1 | 3 4 | 100 | 32 | 22 | 6 | 23 | 17 |
| Finance, insurance, and real estate | 3 8 | 1 9 | 100 | 39 | 19 | 8 | 31 | 3 |
| Services | 7 2 | 1 6 | 100 | 27 | 38 | 7 | 15 | 13 |
| Other (farming, forestry) | 1 9 | 8 | 100 | 50 | 15 | 2 | 30 | 4 |

¹ In all tabular matter, includes 2.3 million workers for whom no employment requirement was reported

¹ In all tabular matter, includes 0.7 million workers who must fill an employment requirement, with the exact length not determinable

coverage in the construction industry is that the nature of the work dictates a different method of determining eligibility. The employment criterion used in this industry, and to a much smaller extent in a few other industries, is the number of hours of work within specific time periods. Few workers in the surveyed plans were affected by this particular eligibility requirement (These workers are discussed later.) Slightly more than one-fourth of the workers covered by health plans in the transportation and service industries gained immediate benefits with employment, while plans for manufacturing and all other industries covered approximately one-third to one-half of the workers without a waiting period.

When all nonmanufacturing industries are grouped so that they can be compared with the manufacturing industries, the difference in the extent of the required waiting period is clear, as the following tabulation shows. Manufacturing is

| Employment waiting period requirement, 1974 (in months) | Industry | |
|---|---------------|------------------|
| | Manufacturing | Nonmanufacturing |
| Total number (in millions) | 15 0 | 13 4 |
| Total percent. | 100 | 100 |
| None | 42 | 33 |
| 1 | 30 | 26 |
| 2 | 9 | 6 |
| 3 | 14 | 18 |
| 4 or more | 5 | 17 |

more likely to offer coverage early in employment than are nonmanufacturing industries. 42 percent for the former, 33 percent for the latter. This difference becomes even more apparent for em-

ployees whose coverage begins after 3 months or more. Only 19 percent of the employees in manufacturing had to wait at least 3 months to obtain coverage, compared with 35 percent in the other industries.

Size of Plan

In 1974 the employment requirement for private health insurance coverage generally was not related to the number of employees in health care plans. No clear-cut differences are seen in the coverage figures of plans with varying numbers of enrollees (table 2). Instead, an irregular pattern appears. The only identifiable distinction occurs between very large plans covering 50,000 or more employees and all plans covering less than 50,000 employees. Workers in the large plans were not as likely to obtain immediate coverage. 27 percent had coverage that began with the first day of work, compared with a range of 36-45 percent of

TABLE 2—Number and percentage distribution of workers with health care coverage, by employment waiting-period requirement for benefits and by size of plan, 1974

| Size of plan (number of workers) | Total number (in millions) | Workers with health care benefits | | | | | |
|----------------------------------|----------------------------|--|------|----|----|----|-----------|
| | | Percentage distribution, by waiting period (in months) | | | | | |
| | | Total | None | 1 | 2 | 3 | 4 or more |
| Less than 100 | 1 5 | 100 | 45 | 22 | 8 | 20 | 5 |
| 100-999 | 5 9 | 100 | 38 | 23 | 12 | 17 | 10 |
| 1 000-4,999 | 7 5 | 100 | 40 | 27 | 5 | 17 | 11 |
| 5 000-9,999 | 4 0 | 100 | 36 | 33 | 5 | 15 | 11 |
| 10,000-19,999 | 3 4 | 100 | 45 | 26 | 4 | 14 | 12 |
| 20 000-49,999 | 2 3 | 100 | 36 | 41 | 6 | 5 | 13 |
| 50,000 or more | 3 9 | 100 | 27 | 29 | 15 | 19 | 11 |

the employees in plans covering less than 50,000 workers. One reason for this difference is the greater proportion of employees in large plans than in small who are workers paid hourly and/or who are in multiemployer plans. The nature of certain multiemployer industries more often leads to longer eligibility periods or to different types of requirements—such as hours of work—than that of single-employer plans.

Negotiation Status

Health plans that were established as a result of collective bargaining were less likely to offer immediate benefits than nonnegotiated plans. Close to one-third of the enrollees in the negotiated plans had immediate coverage but for those in nonnegotiated plans the proportion rises nearer to one-half, as the following tabulation indicates.

| Employment waiting period requirement 1974 (in months) | Collective-bargaining status of plan | |
|--|--------------------------------------|---------------|
| | Negotiated ¹ | Nonnegotiated |
| Total number (in millions)..... | 15.8 | 12.6 |
| Total percent..... | 100 | 100 |
| None..... | 31 | 46 |
| 1..... | 32 | 23 |
| 2..... | 9 | 6 |
| 3..... | 14 | 18 |
| 4 or more..... | 14 | 6 |

¹ Includes plans negotiated for some but not necessarily all covered workers. Includes 270,000 workers for whom data on negotiation status were not available.

If employees with immediate coverage are combined with those who must wait 1 month, the proportions covered under either type of plan are more similar. 63 percent in the negotiated plans and 69 percent in nonnegotiated plans. Once again, in negotiated plans, the predominance of workers paid hourly and of workers in multiemployer plans helps to account for the differences. Fewer workers (6 percent) had to fulfill the 4-month waiting period in nonnegotiated plans than in collectively bargained plans (14 percent).

Single-Employer and Multiemployer Plans

Single-employer plans, as discussed earlier, were more likely to cover workers immediately than were multiemployer plans. Immediate cov-

erage was available to 45 percent of the workers in single-employer plans, compared with 18 percent of workers in multiemployer plans. A waiting period of at least 4 months was imposed on 24 percent of the workers in multiemployer plans and 6 percent of those in single-employer plans.

The manufacturing industries, as noted, were more likely to provide immediate benefits than were nonmanufacturing industries. It is not surprising then to find that 63 percent of the workers in single-employer plans were in the manufacturing industries, and only 26 percent of the workers in multiemployer plans were engaged in manufacturing work. Previously discussed interrelationships also contribute to the distribution of workers seen in the following tabulation.

| Employment waiting period requirement, 1974 (in months) | Type of employment unit | |
|---|-------------------------|----------------|
| | Single-employer | Multi-employer |
| Total number (in millions)..... | 20.6 | 7.8 |
| Total percent..... | 100 | 100 |
| None..... | 45 | 18 |
| 1..... | 26 | 32 |
| 2..... | 8 | 6 |
| 3..... | 15 | 19 |
| 4 or more..... | 6 | 24 |

Type of Worker

Available data on hourly and salaried workers indicate that salaried workers were much more likely to be in a plan affording immediate coverage—45 percent, compared with 27 percent of the employees paid hourly. Almost one-fifth of the employees in plans solely for hourly workers had to be employed at least 4 months before they were eligible for health plan benefits. Immediate coverage under plans covering both hourly and salaried employees more closely resembles that for salaried workers than for workers paid hourly. In plans with both types of workers 40 percent of the employees were covered as soon as they began their jobs (table 3).

Duration of Hospital Benefits

Health plans that provide immediate coverage to new employees also tend to provide full hospital benefits for longer periods of time than plans

TABLE 3—Number and percentage distribution of workers with health care coverage, by employment waiting-period requirement for benefits and by wage status of workers, 1974

| Wage status of workers | Workers with health care benefits | | | | | | |
|-------------------------------|-----------------------------------|--|------|----|----|----|-----------|
| | Total number (in millions) | Percentage distribution, by waiting period (in months) | | | | | |
| | | Total | None | 1 | 2 | 3 | 4 or more |
| Hourly | 8 2 | 100 | 27 | 30 | 8 | 16 | 18 |
| Salaries | 3 8 | 100 | 45 | 28 | 10 | 15 | 2 |
| Hourly and salaried | 8 5 | 100 | 40 | 31 | 6 | 17 | 6 |
| Not available | 7 8 | 100 | 43 | 22 | 8 | 15 | 13 |

requiring 3 months or more of employment for benefit eligibility. The data in table 4 indicate that 44 percent of the workers in plans providing coverage for more than a year of in-hospital care also receive immediate health benefits, only 15 percent must wait at least 3 months for health care benefits. Plans that provide between 1 and 31 days of in-hospital coverage not only are less liberal in the maximum period allowed for basic hospital benefits but also provide immediate health care benefits to only 27 percent of their enrollees. More than two-fifths of their enrollees must wait at least 3 months. For the bulk of workers (13.7 million) covered under plans providing 71 days to 12 months of hospital benefits, immediate benefits were available to two-fifths of the participants and one-fifth had to wait 3 months or more for health care benefits.

Coverage During Layoff

No clear-cut relationship exists between the availability of health benefits during layoff and

the employment requirements necessary to obtain such benefits. Of the 11.1 million workers covered by health benefits after they are laid off their jobs, however, 34 percent received immediate health coverage when employed, and, as the following tabulation shows, 40 percent of those without

| Employment waiting period requirement, 1974 (in months) | Benefit protection status | |
|---|--------------------------------|-----------------------------------|
| | With layoff benefit protection | Without layoff benefit protection |
| Total number (in millions) | 11.1 | 17.1 |
| Total percent | 100 | 100 |
| None | 34 | 40 |
| 1 | 35 | 23 |
| 2 | 11 | 6 |
| 3 | 10 | 20 |
| 4 or more | 10 | 11 |

health coverage during layoff were eligible for immediate health coverage when employed. A higher proportion of employees not receiving health benefits while laid off must, on the other hand, work at least 3 months to be eligible for health care benefits. 31 percent, compared with 20 percent of workers with layoff benefits protection.³

Insurer of Hospital Benefit

Employment requirements vary with the type of insurer who underwrites the employer's health care plan. The insurer of the basic hospital benefit may not always insure surgical, medical, or other

³ *Ibid.*, page 41. The data in that article have since been updated.

TABLE 4—Number and percentage distribution of workers with health care coverage, by employment waiting-period requirement for benefits and by duration of full basic hospital benefit, 1974

| Duration of full basic hospital benefit (in days) | Number of health care plans (in thousands) | Workers with health care benefits | | | | | | |
|--|--|-----------------------------------|--|------|----|----|----|-----------|
| | | Total number (in millions) | Percentage distribution, by waiting period (in months) | | | | | |
| | | | Total | None | 1 | 2 | 3 | 4 or more |
| Total | 51.6 | 28.4 | 100 | 38 | 28 | 8 | 16 | 11 |
| 1-31 | 8.8 | 2.5 | 100 | 27 | 21 | 8 | 23 | 21 |
| 32-70 | 8.7 | 4.8 | 100 | 31 | 34 | 4 | 17 | 14 |
| 71-120 | 11.8 | 6.8 | 100 | 41 | 25 | 5 | 17 | 11 |
| 121-365 | 4.6 | 6.9 | 100 | 42 | 32 | 12 | 9 | 6 |
| 366 or more | 1.9 | 1.5 | 100 | 44 | 21 | 20 | 9 | 6 |
| Dollar maximum ¹ | 9.1 | 2.5 | 100 | 37 | 26 | 10 | 21 | 5 |
| Comprehensive major medical ² | 4.4 | 2.4 | 100 | 44 | 29 | 3 | 16 | 7 |

¹ Includes less than 1.0 million workers for whom data on duration of hospital benefits were not available.
² Duration of basic hospital benefit limited by actual specified dollar amount.

per confinement rather than number of days of hospital stay.
³ Hospital benefits have an initial deductible and/or coinsurance payment rather than full basic benefit.

TABLE 5—Number and percentage distribution of workers with health care coverage, by employment waiting-period requirement for benefits and by type of insurer, 1974

| Insurer for basic hospital benefit | Workers with health care benefits | | | | | | |
|--|-----------------------------------|--|------|----|---|----|-----------|
| | Total number (in millions) | Percentage distribution, by waiting period (in months) | | | | | |
| | | Total | None | 1 | 2 | 3 | 4 or more |
| Total ¹ | 28.4 | 100 | 38 | 23 | 8 | 16 | 11 |
| Commercial ² | 15.4 | 100 | 32 | 31 | 8 | 21 | 8 |
| Blue Cross | 8.4 | 100 | 48 | 25 | 9 | 9 | 10 |
| Independent, self-insured, and unfunded..... | 2.2 | 100 | 33 | 19 | 5 | 10 | 33 |

¹ Includes 2.4 million workers covered by comprehensive major medical plans not shown separately

² Includes 68,000 workers for whom data were not available

benefits under the same plan package⁴ Almost half the workers whose hospital benefits were insured by Blue Cross plans received immediate health coverage, but only one-third of those with commercial group insurance were covered immediately on employment (table 5).

Plans that were independent, self-insured, and unfunded had the most stringent eligibility requirements Forty-three percent of the workers in these types of plans were required to work for 3 months or more to qualify for the health insurance plan on their jobs, compared with 19 percent in Blue Cross plans and 29 percent in commercial plans

Financing of Hospital Plan

Approximately 7 out of 10 workers participate in hospital plans for which they make no contributions Among hospital insurance plans that are totally employer-financed, 35 percent of the workers obtained immediate benefits, 28 percent were required to work a month for eligibility, 9 percent, 2 months, 16 percent, 3 months; and 13 percent had to work 4 months or longer Jointly financed plans, where partial funding is received from the employee or union, were more liberal than plans financed entirely by employers Of the 8.1 million workers participating in jointly financed hospital plans, 42 percent had immediate benefits, 31 percent were required to wait a month,

⁴Daniel N. Price, "Private Industry Health Insurance Plans: Type of Administration and Insurer in 1974," page 13 of this issue

and only 6 percent needed to work 4 months or more The few plans that were financed entirely by employees (containing fewer than 200,000 workers) rarely imposed an employment requirement upon the workers

OTHER EMPLOYMENT-RELATED REQUIREMENTS

In addition to the basic months-of-work requirement, a number of health plans contained other work-related criteria for hospital coverage eligibility Generally, the number of workers who had to fulfill these requirements was very small In some cases, only one or two of the plans in the sample had the specific requirement Nevertheless, it is important to note that variations in requirements do exist and that for a small number of workers health coverage eligibility may be contingent upon several criteria

The hours-of-work requirement affects 5 percent of the surveyed plans—9 percent of the employees in the study, the vast majority of whom worked in the construction industry Often, the eligibility requirements for initial coverage must also be fulfilled on a current basis to maintain such protection Construction industry employees or other employees with hours-of-work requirements may therefore be required to work a specified number of hours in each 3- or 6-month period, for example, to maintain ongoing health coverage

Of the surveyed workers with an hours-of-work requirement, 56 percent could be classified in three categories almost equally prevalent. (1) those who had to work 320–399 hours in the previous 6 months of employment to gain or maintain hospital coverage, (2) those required to work 160–319 hours in the preceding quarter, and (3) those who needed 160 hours or less in the preceding month The remaining workers were in several other requirement categories, each with varying hours in varying periods of time A few workers were required to fulfill both a requirement in terms of hours per quarter and hours per previous year of employment to maintain coverage Others had to work a minimum number of hours to obtain coverage initially and, as the length of employment increased, the number of hours required was also adjusted upward

Other work-related requirements included maximum age, minimum earnings, minimum age and

earnings, union membership, and specified periods of time other than months or hours. These miscellaneous eligibility requirements affected only 2 percent of all workers in the survey. The few workers affected by these requirements were employed in several industries: manufacturing, transportation, construction, wholesale and retail trade, and services.

About 3 percent or less than 1 million of all surveyed workers were covered by plans that specified different requirements for separate groups of employees under the same health plan. In these plans certain groups of employees were allowed more or less liberal benefits than others. Eligibility might vary, for example, from worker to worker according to earnings, age, career status, full- or part-time status, geographic location, or salary.

Occasionally different employment requirements are used as criteria for health benefits other than hospital coverage. In certain instances the employment requirements needed for hospital benefits were less or more stringent than those for supplemental major medical or dental benefits. Eligibility requirements that varied from those for hospital coverage under the same plan affected slightly more than 1 million workers in the sample—86 percent of them with a different requirement for supplemental major medical benefits. Approximately 7 out of 10 of all workers in plans with

varied employment requirements for different health benefits were in the communications and public utilities industries, with the remainder in manufacturing, wholesale and retail trade, and construction.

SUMMARY

The 1974 survey of health insurance plans indicates that 62 percent of private industry workers are accorded the benefits of their particular health plan either immediately with employment or after less than a month on the job. Another 28 percent are covered after 1 month, and approximately 1 in 10 was required to wait 4 months or more. Eligibility requirements other than those calling for specified months of work were contained in few plans and affected only about 1 out of every 10 employees. Workers in health plans providing the most liberal duration of in-hospital benefits were less likely to have an employment requirement in their plan provisions. Employees were also more likely to be eligible for immediate health care benefits if they were participants in plans that (1) were in the manufacturing or communications and public utilities industries, (2) were nonnegotiated, (3) were single-employer, (4) had fewer than 50,000 participants, (5) included salaried employees, or (6) were underwritten by Blue Cross plans.