Employee-Benefit Plan Adjustments to Health Insurance for the Aged*

Under many employee-benefit plans, health benefit provisions for retirees and active employees aged 65 and over are being adjusted to take account of the 1965 legislation that added health insurance for the aged to the Federal old-age, survivors, and disability insurance program. Increased payroll contributions to finance the cost of the hospital insurance portion of the new program went into effect on January 1, 1966; the benefits are payable beginning July 1, 1966 (except that payments for care in extended-care facilities start January 1, 1967). Persons who elect to enroll under the voluntary supplementary insurance part of the program will pay, beginning July 1966, a monthly premium of $3, to be matched by an equal amount from general revenues of the Federal Government. The benefits under this part of the program will also begin July 1, 1966.

Examples of adjustments that are being considered or have been adopted to date are summarized here, on the basis of published reports in trade journals, periodicals, and newspapers. For the most part, they involve supplementation of the benefits provided under the program and/or employer payment of the premiums for medical insurance.

There are several areas in which employee-benefit plans can supplement the coverage of health insurance for the aged. For example, under the Federal hospital insurance program the patient must pay the following: The first $40 of charges for hospital confinement during a spell of illness (the deductible feature); $10 a day from the 61st to the 90th day of confinement (the coinsurance feature); any costs incurred after 90 days' confinement; any psychiatric inpatient care after the 190th day during the lifetime of an individual; private-duty nursing; $5 for each day from the 21st to the 100th day in extended-care facilities (after a 3-day hospital confinement); posthospital home health services after the 100th visit; the first $20 of charges and 20 percent of the balance during each 20-day period for outpatient diagnostic services; and any outpatient services other than diagnostic services.

Not payable under supplementary medical insurance are the costs of such items as: The first $50 of covered medical expenses incurred in a year (the deductible feature); 20 percent of the remaining charges (the coinsurance feature); outpatient psychiatric care exceeding $250, and out-of-hospital drugs.

Except under special circumstances, benefits are not provided for care in institutions outside the United States and its possessions.

FIRST REACTIONS

One of the first companies to bargain collectively in connection with Federal health insurance for the aged was Douglas Air Craft Company, which signed agreements with the International Association of Machinists and the United Auto Workers in late July to provide retirees and their dependents with coverage of the $40 deductible for the hospital insurance benefits and the $3 monthly premium for supplementary medical insurance.

The machinists' union bargained for a similar contract with McDonnell Aircraft Company, under which the company will cover, for pensioned employees, the medical insurance premium as well as the $40 deductible for hospital benefits.

The same provisions were agreed upon by one unit of Litton Industries, Inc., and the International Union of Electrical Workers.

Payment of the $3 premium was negotiated by the machinists and the auto workers with the Bendix Radio Division of the Bendix Corporation and with the Marlin Rockwell Company, a division of Thompson Ramo Wooldridge, Inc. Under the latter agreement the premium will be paid for both active and retired employees aged 65 and over.

Through an agreement with the United Steelworkers of America, active employees of the Timkin Roller Bearing Company who have reached age 65 will be offered the choice of continued coverage under the company plan or having the company pay the $3 premium for supplementary medical insurance under the Federal program.

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A few plans, such as the one agreed upon by Ohio Bell Telephone Company and the Communications Workers of America, use the Federal program as a jumping-off place for more extensive coverage, rather than simply filling in the gaps left by the Government program. The Ohio Bell Telephone Company has modified its present retiree coverage to eliminate the $100–$500 "corridor" deductible between basic coverage and the major medical supplement. The plan will continue to pay 80 percent of charges up to a maximum of $5,000. No monthly charge will be made to the retiree for this supplement. The contract, underwritten by Blue Cross-Blue Shield, is considered the model one by the Communications Workers.

An extensive nonnegotiated health plan, underwritten by Travelers Insurance Company, was obtained by the Brotherhood of Locomotive Firemen and Enginemen for its aged retirees and the aged spouses and parents of plan members. In addition to paying the $40 deductible, the $10-a-day coinsurance from the 61st to the 90th day, and the average semiprivate hospital charge after 90 days, the plan will cover the cost of private-duty nurses, out-of-hospital drugs, X-ray and laboratory examinations, anesthesia, oxygen, equipment rental charges, and transportation beyond a $100 a calendar year (corridor) deductible above benefits under the Federal program. Eighty percent of charges are paid up to a lifetime maximum of $10,000. Until December 31, 1966, nursing-home care following a 5-day hospital confinement is covered up to $6.50 a day for 70 days. When nursing-home coverage under the health insurance program becomes effective, the hospital confinement restriction will be lowered to 3 days, and $4 a day from the 21st to the 100th day, plus $12 from the 101st to the 365th day, will be provided. The maximum amount allowed for such benefits, for each disability, is $3,500.

EXISTING CONTRACTS

Some contracts already in existence—such as those between General Electric and the International Union of Electrical Workers and the United Electrical Workers, between the Michigan Bell System and the Communications Workers, between International Telephone and Telegraph Federal Laboratories and the International Union of Electrical Workers, and between General Motors and the United Auto Workers, and other contracts negotiated with major companies by the United Auto Workers and the United Mine Workers—stipulate that benefits will not be provided where they are covered by Federal law. The United Auto Workers, the International Union of Electrical Workers, the International Brotherhood of Electrical Workers, the American Federation of Technical Engineers, the International Association of Machinists, and the Allied Industrial Workers are presently trying to reopen negotiations with General Electric and the Westinghouse Electric Corporation. The AFL-CIO position is that, with the introduction of the Federal program of health insurance for the aged, these companies can extend coverage by the amount saved in benefits that would otherwise be payable.

The AFL-CIO has stated that the health insurance provisions of the Social Security Act are viewed by them as minimum standard health benefits and that they intend to press for employer payment of more extensive services. The United Auto Workers are presently asking that auto and farm machinery producers pay, for their retirees, the $3 premium for the supplementary medical insurance, the $40 deductible and $10 daily charge under hospital insurance, and the $5 a day required for nursing-home care from the 21st to the 100th day. For future full-contract negotiations, coverage of eyeglasses, dental care, and out-of-hospital prescription drugs have also been mentioned.

GROUP COVERAGES PROPOSED BY CARRIERS

The carriers themselves, although they are willing to set up any modification of existing contracts for groups that are large enough, are now devising plans of their own for the supplementation of health insurance for the aged. Maintaining the level of coverage offered under plans more extensive than the Government program, as well as filling in gaps left by the Federal program, appears to be the direction the carriers are taking.

The Continental Casualty Company plans to cover catastrophic illness exceeding 90 days, $10 or $15 a day for out-of-pocket expenses, private-duty nursing, the deductible under both parts of the program, $10 a day from the 61st to the 90th day for hospital care, $5 a day for nursing-home care from the 21st to the 100th day, 20 percent of surgical fees, and certain prescription drugs.

Bankers Life Company of Iowa retains the deductible and coinsurance features (valuable means of preventing overutilization of hospitals, according to President Earl F. Buckwell) and will pay 80 percent of covered hospital expenses after 90 days and extended-care costs after the 100th day. Eighty percent of the charges for out-of-hospital drugs and private-duty nursing are also covered, after a $50 deductible, with a yearly maximum of $1,500 imposed on private-duty nursing. Also subject to the $50 deductible are the $30 a year allowance for a physical examination and the $10 a year allotment for routine immunizations. The maximum for all benefits is $10,000.

Aetna Life Insurance Company imposes its own deductible and coinsurance provisions on the structure. Subject to a $50 deductible, 80 percent of the following items are covered: out-of-hospital prescription drugs, private-duty nursing, the $40 hospital insurance deductible, the $10 daily charge for the 61st through the 90th day of hospitalization, hospital costs after 90 days, and psychiatric hospital costs beyond 190 days, up to $5,000.

The Equitable Life Assurance Society and the Pacific Mutual Life Insurance Company likewise apply their own deductible-coinsurance scheme to the expenditures not covered under the Social Security Act. Metropolitan Life offers various combinations to individual employers. The Washington National Insurance Company pays the $10 daily charge for hospital care but maintains the $40 deductible.

BLUE CROSS-BLUE SHIELD GROUP COVERAGE

The Blue Cross plans, which are used extensively by employers in providing employees with group coverage and are the principal carriers for the hospital insurance portion of the program, are also moving rapidly to readjust their group contracts. The majority are placing the emphasis on filling the gaps in the Federal program.

Of 17 plans that had announced the details of their new group contracts by the end of March 1966, 10 intend to pay the $40 deductible and the $10 coinsurance provision for hospital benefits, the $20 deductible and 20-percent coinsurance charges for outpatient diagnostic care, and outpatient emergency benefits. The remaining plans have been modified to provide some but not all of these benefits.

Four plans will cover surgery on an outpatient basis. Eleven plans will extend full benefit coverage beyond 60 days—generally to 120 days, with one covering as much as 180 days. Five plans offer various additional protection (longer duration and/or daily dollar allowance) in extended-care facilities. Prescription drugs are also covered in various degrees by four plans. One plan (Rochester, N.Y.) will also provide 100 additional visits a year for home health care, as well as unlimited care in psychiatric hospitals. Six plans specify that certain benefits will be provided outside the United States and its possessions. Four plans have announced rate reductions in conjunction with their new benefits.

The Blue Shield plans are developing supplements to the medical insurance portion of the Federal program, and the trend is toward providing the $50 deductible and/or the 20-percent coinsurance. In several instances, payment for doctors' home and office visits is excluded.