

HOSPITAL AND MEDICAL CARE COVERAGE IN THE UNITED STATES OF AMERICA

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THE project for compulsory health insurance under Government control in the United States has drawn attention to the voluntary hospital and medical care Plans which have made great headway in recent years. Plans which provide for care in hospitals are known as Blue Cross while those which cover medical treatment in hospitals, at homes, or at physicians' offices, and provide fees for operations, are called Blue Shield. Both Plans are designated as non-profit insurance companies.

The benefits under Blue Cross Plans vary materially in different communities, the scope depending in part upon the premiums which the offices feel that the public is likely to pay and in part on the extent of the services which the medical profession is willing to provide. The services range from limited care to the most liberal type in semi-private rooms in hospitals, with practically all kinds of treatment provided.

Blue Cross Plans have organizations in Canada and Puerto Rico in addition to the United States. At the end of 1948, the membership in these countries was 2,500,000, 50,000 and 30,500,000, respectively, a total of 33,000,000 under programmes approved by the American Hospital Association. The Blue Shield Plans have a membership of 10,000,000, of which fully 90% is in the United States. My paper will be confined to conditions in that country, and will not refer to the proprietary and mutual insurance companies which provide cash indemnity to groups for hospital and medical care with an estimated membership of 22,000,000.

At this point, it might be well to explain the nomenclature ordinarily connected with the Plans. The 'subscriber' is the person who applies for the coverage. The 'members' are the persons insured, including the subscriber, his or her spouse, and their children. The 'certificate' usually refers to the agreement or policy issued to the subscriber. The monthly payment under groups is frequently collected by means of 'payroll deductions'. The hospitals which enter into agreements with the various Blue Cross Plans to perform specified services are known as 'member or participating hospitals'. Similarly, the doctors who make agreements with the Blue Shield Plans are referred to as 'participating physicians'. A cash allowance towards hospital or medical care is an 'indemnity' while complete protection, paid by the Plan, is known as 'service' coverage.

For those who are not familiar with hospital practice in the United States, it should be mentioned that, except for municipal and county hospitals, which care for indigents, and for government hospitals including those for veterans of the various wars, the majority of the hospitals are of the voluntary type which are supported by payments from patients, supplemented by endowments, gifts, and contributions by individuals, corporations and communities. There are other kinds of hospitals than voluntary, such as those owned by corporations or by groups of individuals, usually doctors, some of which have agreements with the Plans.

Three types of service are given in many of the community hospitals—private rooms, semi-private accommodation, usually with two to four beds per room, and wards which may have a few or many beds. There are fixed charges for the first two mentioned; for the third the patients pay what they can afford. In some hospitals, the physicians and surgeons give their services in the wards without remuneration; in other hospitals there are fixed charges for services and the doctor may charge a suitable fee. There are also hospitals in some parts of the country where there are no semi-private rooms and where the Blue Cross Plans provide for occupancy in wards. There may also be a clinic where examinations, treatments, advice, and medicine are provided practically free. From the foregoing it may be seen that practice is not uniform throughout the United States.

BLUE CROSS PLANS

Extent and Scope

The growth of the hospitalization Plans has been very rapid, the membership ten years ago in the United States being 1,000,000 whereas it is now over 30,500,000 and covers nearly 25% of the population. In some States a small proportion are insured while in a few it is 50% or more of the inhabitants. These percentages are affected not only by the type of Blue Cross organizations and by the competition of insurance companies but by the economic conditions, including the proportion of employees in the low income groups.

Salaried sales representatives are generally used to call on likely clients who may be partners in firms, managers in small factories, or those in charge of the personnel of large organizations.

The subscribers are divided into three groups: (a) individual, (b) husband and wife, (c) family, including children up to 18 years of age. At present it is estimated that 45% of the contracts or policies are issued to individuals, 15% to husband and wife, and 40% to the family, including children. However, some Plans have only two groups, including the husband and wife in the family group.

In general, the Blue Cross Plans deal with groups of employees where the employer makes a monthly deduction from the wages or salary and remits to the Plan. Labour Unions sometimes insure their entire membership.

A number of associations are experimenting with individual enrolments under methods which would largely offset anti-selection, such as questionnaires covering medical history.

Maternity coverage is not granted in these days of 'planned parenthood' except under group contracts. Some years ago one organization permitted individual insurance which included maternity benefits but the organization suffered a serious loss because of an adverse experience.

Basis of Enrolment

The practice in accepting groups is that the smaller the group the larger is the proportion of the employees that must insure. For example, some Plans provide that, in a group of 10, all must be insured; 60% in a group of 100; 50% in a group of 500; and 40% in a group of 1000 employees. Sometimes the employee pays the whole of the premium; sometimes premium payments are made in whole or in part by the employer. The Plans are greatly helped by the fact that all such payments by the employer may be deducted as a business expense for purposes of Federal Income Tax. Where the employer is unwilling

to make collections or is legally unable to do so, the employees may elect one of their own number to do this work. The enrolment of farmers calls for a special procedure. In many parts of the country there are associations of farmers for mutual help, and for educational and social intercourse, known as 'Granges'; there are also farmers' 'Co-operatives' which collect, store and market the produce to the best advantage. These are but two of the avenues through which the farmers may be reached.

Hospital Coverage provided

In the majority of cases, the patient is entitled to a semi-private room which generally holds two but may have three or four beds and many Plans define the semi-private room as one so classified by the hospital. Meals are provided on the same basis as for other patients in such rooms, including special diets if ordered by the physician. A floor nurse, who may have charge of several patients, is in attendance but care by private nurses must be provided by the patient. The most liberal Plans cover in addition:

- (1) X-ray examinations.
- (2) Laboratory tests.
- (3) Use of cardiographic equipment.
- (4) Basal metabolism examinations.
- (5) Use of physio-therapeutic equipment.
- (6) Anaesthesia materials and the administration thereof, if done by an employee of the hospital.
- (7) Use of the operating room and of the cystoscopic equipment.
- (8) Dressings and plaster casts.
- (9) Medicine and drugs; vaccine, serums, intravenous preparations and visualizing dyes. (Blood or blood plasma is not generally given without a charge unless some friend becomes a blood donor to replace the quantity used.)
- (10) Oxygen and the use of the equipment therefor.

The maternity benefit is not available until the contract has been in force for from nine to twelve months, but many Plans waive the waiting period where, for example, there are 100 employees of whom 75% apply and provided further that 75% of the married employees apply for family contracts. While most Plans grant maternity benefits on the basis of a cash allowance toward the hospital bills, others make the same 'service' provision as for non-maternity care.

There may be other restrictions such as a limitation of hospital service for removal of tonsils or adenoids to one day in the hospital in the case of young children and two days for older children and adults. Mental diseases, tuberculosis, and communicable diseases calling for isolation are not usually covered as the member hospitals may not have the necessary facilities. It might be well to point out that the Blue Cross Plans enter into contractual agreements with the community hospitals to render definite service for a specified period at mutually agreed rates.

The benefits are usually granted for twenty-one to thirty-one days of continuous treatment, but for the following two to six months, depending upon the liberality of the insurance, from one-third to one-half of the cost is

met by the Plans. Longer periods may be allowed within a year if the second admission to the hospital is for an unrelated condition.

The foregoing is a general statement as it is not possible to describe all of the ninety Plans in detail.

Payments to Hospitals

In the last few years, the cost of hospital service has increased substantially owing to higher wages and prices of food, fuel, repairs, replacements, etc. The average cost has increased over 50% in three years and, accordingly, payments to member hospitals by the Plans have been greatly augmented. For example, in a typical Plan, care for ten days in semi-private rooms cost on the average £24 three years ago against £38 at the present time.

The principal expenses occur in the early days of hospital occupancy for laboratory tests, X-rays, drugs, etc., but the scale of payments to the hospitals is generally at the same rate per diem, such as from £2. 5s. to £3. 10s. A few Plans have a scale which decreases with the length of stay in the hospital. For example, for 5 days' occupancy it would average £3. 5s., for 10 days £3, and for 15 days £2. 15s. per diem.

Another manner of payment by Blue Cross Plans to hospitals is to allow a specified percentage of the cost of the hospital bill which may be as high as 90% of the hospital charges.

Hospital costs vary, partly according to the location and partly to the quality of the service. Accordingly, experiments are being made to equalize payments based on the cost of the care. An average daily rate is determined, based on the individual experience of each hospital, which is adjusted periodically for changes in food and labour costs.

The payments to hospitals for maternity cases vary greatly, ranging from the same benefits as for non-maternity coverage to cash payments of from £12 to £20, which amounts may be applied in any way that the patient desires.

It had been my original intention to show the relative cost of hospitalization to premiums received, but further study shows that no good purpose would be served as there are too many factors involved, such as the liberality of the services provided, the extent of the payment to hospitals and the underwriting regulations.

Rates for Coverage

The rates for the benefits are not uniform but do not differ materially in the principal organizations for similar coverage. In the great majority of cases, the subscriber's fee for membership is deducted from his pay-roll by the employer. Where payments are made directly to the Plan and are payable quarterly, they are greater than three times the monthly scale, partly to meet the expected higher claim ratio amongst those who continue membership outside the employer's group, and partly to cover the greater clerical cost.

The monthly deduction from pay averages about 6s. for individuals, 9s. for husband and wife, and 12s. for the family, irrespective of the number of children under 18 years of age.

Semi-private rooms are generally provided but a bed may be obtained in a private room, in which event a cash allowance is made by the Plan towards the room charge and the ancillary services, based on complete service as in semi-private rooms. That statement, like so many of the others, however, may not apply to all Plans.

Experience of Blue Cross Plans

As the extent of coverage differs substantially, as the costs of care vary in different parts of the country and as the incidence of hospitalization differs in urban and rural sections, it is not possible to give even an average of the cost of the Plans. It may be said, however, that in a typical Plan the cost of laboratory tests for patients is 7s. per day, for X-ray examinations 4s., for drugs and medications 8s., and for the use of the operating room 10s. Of course, the principal cost is the room charge.

BLUE SHIELD PLANS

Surgical and Medical Plans

The laws of the State of New York and several other States do not permit the same non-profit organization to insure both hospital services and medical care. Organizations covering the latter are becoming increasingly popular. One of them, backed largely by doctors, had 50,000 members five years ago and has now 1,200,000. Over 16,000 physicians in New York, for example, have agreed to accept the fee scale which applies to annual incomes of £450 or less for individuals and of £625 for families. (These are known as 'service groups'.) Larger fees may be charged by the physician when the income of the patient exceeds the foregoing but the scale is applicable thereto.

Schedule of Fees

In a schedule before me, over 100 types of operations are listed with the corresponding fees. I have selected a number of them to indicate the amounts paid for the services of the surgeon on the basis of 5s. to the dollar, omitting shillings.

Appendicectomy	£25	Simple fracture of Large	£18
Gall Bladder Operation	£31	Bone of Leg (Tibia)	
Simple Amputation of Forearm	£18	Removal of entire Kidney	£37
Amputation of Arm through	£25	Resection of Fistula (Single)	£12
Elbow Joint		Lipoma, simple, non-	£ 2
Radical Removal of Breast	£25	malignant	
Dislocation of Collar Bone	£ 6	Removal of Fibroid Uterine	£25
Tonsillectomy under age 12	£ 6	Tumour	
Tonsillectomy age 12 or over	£10	Removal of Cataract from Eye	£25

The foregoing payments cover a specified period of post-operative care, whether through visits by the surgeon to the hospital or at the patient's home, dependent on the conditions. For example, while a Plan may limit the stay in the hospital to two days for patients age 12 or over in the case of tonsillectomy, it may provide one week of after-care in the same case.

An allowance of £18 is made in the schedule cited above for an obstetrical delivery, which includes pre-natal and after-care for two weeks, to those who are in the 'service group'.

Charges by Plan for Coverage

The customary fees for surgical operations vary with the economic levels of the community, such charges being generally lower in communities with small farms, for example, than in an industrial city with highly skilled workmen. Accordingly, I shall give the present monthly deductions from pay-roll in a

large city whose fee schedule for operations is indicated above. Such deduction is 2s. for individuals, 5s. for husband and wife, and 9s. for the family, which is the only certificate entitling to maternity benefits.

New employees are permitted to become members of the group on the same basis as the original group. Employees who failed to enroll when first eligible to apply are permitted to make application periodically thereafter, subject to underwriting controls. When the employee leaves the group for any reason, he has the right, as already mentioned, to continue the benefit by paying a quarterly premium.

Conversion from Group to Individual Coverage

In a typical plan for surgical, maternity, and medical benefits, the claims may amount to 65% of the premium under groups where premiums are remitted monthly by the employer. Where the privilege of conversion to direct payment is given, the claim ratio, as already mentioned, has been high owing to the selection exercised by the employee. The experience of both Blue Shield and Blue Cross Plans has been unsatisfactory in the groups which have changed to direct payment. However, the feeling among some officials of these Plans appears to be that it is desirable to provide for continuing coverage after termination of relations with the group. It is suggested that any losses on such conversions should be considered as part of the loss to be borne by the groups through which the members were first enrolled. With the high loss ratios now being experienced, however, modifications of the benefits on conversions may be necessary, such as excluding maternity benefits after ten months following termination of group relationship.

Like the Blue Cross Plans, many of the Blue Shield Plans permit individuals to apply for themselves and for their families, a questionnaire regarding medical history being required. Maternity benefits are excluded. One Plan which advertised extensively over a three months' period obtained thousands of applications under which the claim ratio was satisfactory. The experiences have, however, been far from satisfactory where the groups were small and where the regulations regarding them were liberal, especially when maternity benefits were included.

Medical Expense Plans

In a number of Plans, provision for care by a general practitioner is made in connexion with that for hospitalization or for surgical attention. If medical care is given only during the period in the hospital, 15s. may be allowed a doctor for each visit for the first three days, but not exceeding two visits a day, with the same fee for each day for the succeeding eighteen days and an allowance of £2. 10s. weekly for a period of ninety days thereafter.

Experiments are being made with regard to complete medical care in the hospital, in the home, and in the doctor's office, including payments for non-hospital laboratory tests and X-rays. It is too early to report on the progress of these Plans but I should like to make a few comments. A preponderance of the claims are for a relatively unimportant amount of home and office treatment with nominal payments, causing a relatively high cost for claim administration. Some doctors may not send bills for small amounts to the Plans, considering that their time is too valuable to do so and some of the members hesitate to ask the physician to complete the claim form for amounts of 8s. to 10s., preferring to pay the bill themselves.

WELFARE FUNDS

Actuaries in Britain may be interested in learning of Welfare Plans for employees in insurance companies and other large employers of labour which cannot be provided through the Blue Shield Plans. In such organizations, examinations are made periodically; treatments for minor ills are given; examinations of the teeth are made by dentists, but corrections of the defects are not usually provided. The physical examinations are thorough, including blood-pressure, urinalysis, cardiographs, and blood tests when indicated. If anything of moment is found, the employee is told to see his own physician or his dentist to whom the findings are sent. Some companies have a schedule of payments for operations and also for treatments, such as for sinus infections.

Finally, attention should be drawn to the opinion of many persons that the Blue Cross and Blue Shield Plans together with 'various forms of Government aid to the needy ill' would prove more satisfactory than the compulsory health programme now under consideration in Congress. On the other hand, compulsory coverage under Government control has vigorous backing.