

b. Existing available protective measures as to disability - excerpted from TAB D

(1) Against permanent and total disability there are these four measures:

(a) Individual's own commercial Ordinary Life policy in which disability coverage may be secured for small additional premium, or a straight commercial disability policy.

1. Commonly these disability features cost in the neighborhood of \$100.00 annually for a benefit of \$200.00 per month, have "white collar" risk restriction, exclusion for military service in time of war and air flight in non-scheduled service.

(b) National Service Life Insurance to which a veteran may add some disability coverage for an additional premium. (Example: \$50.00 per month benefit for a yearly premium of \$11.40 on a \$10,000 life policy).

(c) Federal Employees Compensation Act

1. This Act provides compensation for disability (and full medical care) resulting from injuries suffered in performance of duty or from diseases proximately caused by employment for as long as the disability continues.

2. The maximum monthly benefit provides two-thirds of the employee's salary up to and including GS-13, 58% of a GS-14, and 53% for a GS-15.

(d) The Civil Service Retirement Act

1. This Act provides disability benefits for life without regard to performance of duty, provided the employee has a minimum of 5 years civilian service and is totally disabled.

2. The benefits are based on salary and length of service. A GS-9 with 8 years service (including military) would receive \$50.00 per month. A GS-13 with 11 years service would receive \$116.00 per month.

(2) Against temporary disability, there are these four measures:

(a) Federal Employees Compensation Act
(see b(1)(c) above)

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(b) Public Law 110

1. This Act provides benefits to employees (only) assigned to permanent duty stations outside the Continental U. S., its territories, and possessions for illness or injury requiring hospitalization and which occur in line of duty.
2. The benefits are payment of travel expenses to and from an appropriate hospital or clinic and payment of cost of treatment.

(c) A group hospitalization and surgical benefit plan administered under Government Employees Health Association (GHI), underwritten by Mutual Benefit Health and Accident Association of Omaha, Nebraska.

(d) A group hospitalization and surgical benefit plan administered under Government Employees Health Association (GHI), underwritten by Group Hospitalization, Inc.

(e) These general observations are pertinent here in respect to these two plans.

1. Omaha was offered to Agency employees in August 1948; GHI was offered in March 1953. Omaha's maximum membership was [redacted] as of 1 June 1954 - predominantly [redacted] The effect of Omaha's raise in benefits to \$9.00 per day from \$6.00, and \$135.00 in hospital extras instead of \$30.00, is too recent to be assessed.) GHI has grown to [redacted] in about 15 months from a [redacted] nucleus of old GHI and Blue Cross transfers.

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2. Both plans confine eligibility to Staff Employees and Staff Agents.
3. Omaha is superior on the whole as it stands, for the overseas employee who has his dependents with him.
4. GHI is superior on the whole for the employee resident in the U. S. but, because of the nature of the GHI hospitalization plan, a dollar value is impossible to obtain, in the domestic cases.
5. Omaha is cheaper than GHI even if the surgical benefits were matched. (per Omaha's firm offer to match - see page 16)
6. Neither plan pays off if FECA does.

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7. Neither plan meets the criterion set by Dr. George Baehr, Medical Director of the Health and Insurance Plan of Greater New York - HIP. (See TAB E, Appendix XI for his Congressional testimony and Appendix XII for description of HIP.) i.e. benefits are almost entirely confined to hospital and surgical costs. Dr. Baehr holds that 90% of the costs of illnesses arise outside a hospital - in the doctor's office and in the home. This view suggests remedying our unsatisfactory situation as to a hospitalization and surgical plan as such and then dealing with outside hospital costs separately.
8. Neither plan offers catastrophe insurance which, written on a "deductible" basis (the same principle as in automobile collision insurance), is a relatively cheap addition.

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f) Detailed comparison of Omaha and GHI

<u>1.</u>	<u>OVERSEAS</u>	<u>OVERSEAS</u>
<u>OMAHA</u>	<u>Hospitalization</u>	<u>GHI</u>
	<u>Hospitalization</u>	<u>Hospitalization</u>
1. Hosp. Board & Room: \$9 per day for 31 days with no limit on frequency, plus \$135 for hospital extras.		1. Hosp. Board & Room: \$10 per day for 21 days with 90 day interval on frequency, plus \$64 for hospital extras.
2. Plus surgical as shown below.		2. Plus surgical as shown below.
3. Plus out-patient emergency up to..... \$ 135 within 24 hours of accident		3. Plus out-patient emergency up to... \$ 10 within 2 hours of accident
4. <u>Effective date.</u> 1st of the next month.		4. <u>Effective date.</u> 1st of the next month.
5. <u>Waiting period.</u> Maternity only. 9 months but coverage extends 9 months beyond termination of contract.		5. <u>Waiting period.</u> None if participation is 75% of GERA and no extension beyond termination of contract for pregnancy.
6. Maternity. \$9 per day for 14 days plus up to \$45 total for Hosp. extras.		6. Maternity. \$9 per day for 8 days except Caesarean, termination of ectopic pregnancy and miscarriage, for which hospitalization benefits are 1. above
7. T.B., mental and nervous disorders and quarantinable diseases - same as No. 1. above.		7. T.B., mental and nervous disorders and quarantinable diseases - 10 day limit in any 12 month period for No. 1. above.

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OMAHA Hospitalization

1. Hosp. Board & Room: \$9 per day for 31 days with no limit on frequency Plus \$135 max. for hospital extras
2. Plus surgical as shown below ---
3. Plus out-patient emergency up to \$135 within 24 hours of accident
4. Examples (Hospitalization only):

Bd. & Room

\$ 90
270
126 Plus a maximum of \$135
90 to cover all hospital
126 extras
90
27

Normal

appendectomy
comp. fracture
bilat. hernia
unilat. hernia
hysterectomy
hemorrhoidectomy
tonsillectomy

10 days	\$ 135	(/ 45)
30 "	405	(/ 135)
14 "	189	(/ 63)
10 "	135	(/ 45)
14 "	189	(/ 63)
10 "	135	(/ 45)
3 "	40	(/ 13)

Plus the hospital extras, (16 listed) which range from \$50 for the simplest, uncomplicated appendectomy to very substantial amounts for the serious or complicated case.

Net = 50% greater on Board & Room than OMAHA
*1 - Basic costs of Board & Room @ \$13.50 per day (typical presently) is absorbed by GHI completely.

5. Same as overseas
6. Same as overseas
7. Same as overseas

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GHI

Hospitalization

1. Hosp. Complete Service for 21 days (semi-private. partic. hospital) with 90 day interval on frequency \$10 per day if in private room. Plus \$5 per day for additional 180 days
2. Plus surgical as shown below ---
3. Plus out-patient emergency up to \$10 within 2 hours of accident
4. Examples (Hospitalization only):

Bd. & Room*1 (diff.)

5. Same as overseas
6. Same as overseas
7. Same as overseas

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Overseas and Domestic

3.

OMAHA Surgical

(Example)

GHI Surgical

$$\$ \frac{1235}{16} = \$ 77$$

This is 60% of GHI

\$ 50....Hernia Ing. util.....	\$ 100
75....Hernia Ing. bilat.....	140
100....Appendectomy.....	100
100....Radical Mastectomy....	175
50....Fracture of spine.....	125
35....Hip dislocation.....	75
150....Prostatectomy.....	200
50....Normal delivery.....	80
100....Caesarean.....	150
150....Removal of Kidney.....	175
50....Removal of Cataract....	150
100....Gastrectomy.....	250
25....Tonsillectomy.....	55
25....Adenoidectomy.....	55
25....Hemorrhoidectomy.....	60
150....Hysterectomy.....	165
<u>\$1235</u>	<u>\$2055</u>

$$\$ \frac{2055}{16} = \$ 128$$

N.B. The surgical fees scheduled are accepted by the surgeon as full payment for a single participant if his income does not exceed \$3000.00 and, for a family participant, if the family income does not exceed \$5500.00.

(The above, of course, disregards frequency of occurrence - is set forth as a quick look.)

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4. OMAHA Premiums (monthly)

GHI Premiums (monthly)

<u>Hosp.</u>	<u>Surgical</u>	<u>Total</u>
--	--	\$1.60
--	--	4.75
--	--	6.00

Individual contract.....
 Individual & spouse contract.
 Indiv. & spouse & children...

<u>Hosp.</u>	<u>Surgical</u>	<u>Total</u>	<u>Diff.</u>
\$1.70	\$1.00	\$2.70	/ 1.10
3.70	3.20	6.90	/ 2.15
3.70	3.20	6.90	/ .90

If OMAHA should match GHI on surgical, monthly total premiums would be:

<u>Total</u>	<u>Total</u>	<u>Diff.</u>
\$1.60 / .16 = \$1.76	\$2.70	/ .94
4.75 / .89 = 5.64	6.90	/ 1.26
6.00 / .80 = 6.80	6.90	/ .10

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(g) Summary comparison of these two plans:

1. Overseas general hospitalization
OMAHA is far superior to GHI.
2. Overseas maternity hospitalization
OMAHA is substantially superior to GHI in normal pregnancy. In the cases involving Caesarean, termination of ectopic pregnancy and miscarriage (av. 10%, per Dr. Tietjen), GHI is substantially superior.
3. Overseas surgical
OMAHA is only 60% as good as GHI.
4. Domestic general hospitalization
OMAHA is substantially INFERIOR to GHI in either a normal or abnormal case.
5. Domestic maternity hospitalization
OMAHA is substantially superior to GHI in normal pregnancy. In 10% of the cases involving Caesarean, termination of ectopic pregnancy and miscarriage, GHI is substantially superior.
6. Domestic surgical
OMAHA is only 60% as good as GHI.
7. Fees are the same in each plan as between overseas and domestic. However, OMAHA's fees are all lower than GHI. For individual contract OMAHA charges 60% of GHI; for individual and spouse OMAHA charges 70% of GHI; for individual, spouse and children OMAHA charges 88% of GHI, but GHI doesn't offer just an individual and spouse contract at a lower rate than one inclusive of children.
8. Net on the above - if OMAHA's surgical could meet GHI, it is a better plan than GHI for overseas if the dependents are with the employee. Even if OMAHA's surgical meets GHI, it is not as good a buy for domestic assignment.
9. As to hospitalization, the two plans are strictly comparable in respect to an overseas location of the individual with family, but impossible of comparison in the domestic situation. This is because the GHI hospitalization benefit is buried under the completely untranslatable "full service benefits" with participating hospitals. While the non-complicated case calls for a minimal few hospital extras, the complicated case under GHI gets 16 of them free and as many times as necessary. These variables cannot be assessed dollar-wise for purpose of comparison with OMAHA.

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Even though it is true that the seriously complicated case is statistically in the low frequency category, the great dollar benefits under GHI are nevertheless there for the individual who wants to insure against precisely such a risk.

It may be held that benefits in a serious case ride on the backs of the non-complicated majority in respect to fees, and also that throwing in "the works" for every member is misleading persuasion. However, the minority who do get caught in heavy extras can't pay with statistics. The simplest and blandest appendectomy calls for about \$50.00 in hospitalization extras. From there it could go anywhere in cost while the patient still lives.

- a. Pregnancy hospitalization contains the same problem but not as seriously so. In 90% of pregnancy cases - the normal ones - OMAHA is a better buy, but not so if one wishes to insure against costs arising out of the minority of cases (i.e. Caesarean section, termination of ectopic pregnancy or miscarriage). Here GHI is superior.
- b. Again in the domestic hospitalization field GHI adds a filip for the unusual case and offers \$5.00 per day for 180 days on top of the 21 "full" service benefit days. (Room and board plus 16 named extras) Strictly from the point of view of frequency statistics, this might be labeled a "come-on".
- c. Also, in the GHI brochure is seen the same hand as immediately above, i.e., the illustrated cases are not the usual ones. They are in the relatively infrequent category, but because there are but three of them, the coloration seems to be present. These cases are cancer (\$1449.15 benefits), fractured vertebrae (\$337.05 benefits) and gall stones (\$518.90 benefits).
- d. GHI requires a 90 days interval between discharge and re-entry to a hospital. OMAHA requires one day. Here GHI is inconsistent with the preceding tactics as to minority occurrences.
- e. OMAHA's fee schedule is superior both in dollars.
- f. GHI, being so firmly enmeshed in legislation and so integrated with the large and necessarily unwieldy Blue Cross, presents practically no possibility of modification in plan to suit us, whereas OMAHA is completely flexible - even to a tailored plan.

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g. OMAHA's service to us in the settlement of claims (per [redacted] is "vastly better" than GHI. Mr. [redacted] characterizes GHI as a "bickering, negotiating outfit".

h. "Fine Print".
Comparison of these two plans in some small items is important also because of the effect in irritation and dollars.

-- Ambulance.

GHI won't pay to and from a hospital; Omaha will.

-- X-Rays.

GHI won't pay unless the X-Ray is in connection with surgery performed within three days' time. Omaha will pay with no surgery nor time restriction if the X-Ray is taken in a hospital or clinic.

-- Hospital Extras.

GHI will pay on sixteen specific hospital extras without limit. Omaha pays on all extras up to their established maximum of \$135.00.

-- Type of Hospital.

GHI's reimbursement is dependent upon type of hospital, as follows:

Participating hospital - full benefit; member hospital of another hospital service plan gets the prevailing service of that plan; non-participating hospital gets only up to \$10.00 per day for 21 days, plus \$64.00 for hospital extras (the same as the GHI overseas rate). Omaha on the other hand reimburses the same all over the world in any hospital of the individual's own choice.

-- Room and Board.

The "full service benefit days" under GHI pertains to a semi-private room, but if the individual chooses or really needs a private room, GHI allocates only \$10.00 per day. Omaha on the other hand pays the contract guarantee for any accommodation.

-- Dependent Children.

Under GHI, they are added when 90 days old, and carried to the 18th birthday. Under Omaha, they are added when 14 days old and carried to the 19th birthday. This may well be important in connection with congenital anomalies.

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- Tuberculosis and Mental or Nervous Disorders.
Under GHI, these are covered for only 10 days during any 12-month period. Under Omaha, they are covered for the same number of days and same frequency (one day break only) as all other accidents or illnesses.

- Congenital Anomalies. (viz: cleft palate, congenital hernia)
Under GHI, not covered at all. Under Omaha, full coverage at any age, after 14 days from birth.

- Outpatient Emergency First Aid.
GHI requires reporting within two hours of accident, else they won't pay. Omaha allows 24 hours.

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