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PART II
Disability

4. DISCUSSION.

- a. Noting: that there exists in the commercial market beneficial coverage for permanent and total disability, as well as various and sundry plans for individual purchase in temporary disability; that FECA is excellent coverage for either permanent or temporary disability occurring in performance of duty; that CSRA is poor coverage for an agency the personnel of which is young, outside of performance of duty; - the Agency is properly concerned to offer its employees the benefit of group rates for temporary disability that includes family protection. This coverage is found in a hospitalization and surgical plan.
- b. It is possible to buy practically anything in this field - at a price. The problem is - what coverage features should we offer and how far should they go.
 - (1) The latter brings to mind the importance of the principle of co-insurance, as to catastrophic or low-incidence excessive costs where-in given features are covered up to a normal or average-circumstances extent and from that point on the insurer carries the larger burden with the individual sharing a part of it. The philosophy is roughly that of automobile collision insurance with a \$50.00 or \$100.00 deductible clause.
- c. The Agency's offer of two largely non-comparable hospital and surgical plans to its employees is failure to meet its proper personnel responsibility. It is rolling with whatever an outsider has to offer. It fails to utilize Agency strength to get a one best plan which defers to operational and security circumstances, and to the facts of illnesses.
- d. Omaha's original grievously inadequate plan - in effect until 1 Sept. '53 - and improved somewhat then, is a sad reflection on us. Their improved plan is some better, but not nearly enough so.
 - (1) Then to offer GHI, - by and large poorer than Omaha overseas - in this heavily overseas business is to compound our error. This is particularly so in light of Omaha's flexibility i.e. complete willingness to tailor a plan, and its 100% security. (Omaha will accept Agency certification of circumstance and pay to anyone to whom and how we designate.) The Agency also forgot that this rigid association - GHI prevents us from gaining the advantage of our own experience (presumably better); hence in our premium rates we carry poorer risks than we, and deprive ourselves of downward adjustment as deserved.

SECRET

- e. It is suggested that the Omaha experience is statistically sufficient to provide a critical basis for assessing our coverage needs. Accordingly these general conditions seem indicative.
- (1) The incidence of actual cost hits heaviest in the surgical field (41%), Hospital board and room is next (32%) and hospital extras are seen not to occupy as great importance as often thought (27%).
 - (2) Pregnancy and complications therefrom, stand out with heavy incidence. 42% of the employees' total actual costs are in this one field.
 - (3) Hospitalization coverage beyond 15 days is for the last 5% of incidence, but the insurance company knows its premium rate carries no real burden when coverage extends from 15 to 31 days. (Experience identical under GHI).
 - (4) The same observation, - as in (3) above obtains in respect to surgery. Total actual costs are almost entirely below \$300. - (97%). One can cover the unusual, even beyond actual incidence for no real premium burden.
 - (5) Equally so - as in (3) and (4) above, the picture of total hospital Extras cost conforms. 96% are covered in a plan embracing up to \$150.
 - (6) Indemnification return of premiums paid at 50% under the present Omaha plan is woefully insufficient. Omaha admits it.
 - (7) Indemnification return of actual costs to the employee at 67% is not enough.
 - (8) Omaha admits that its surgical coverage with 41% indemnification on actual costs is poor.
- f. GHI's attitude is that of doing us a favor. When [REDACTED] (Task Force member and Chief, Insurance and Claims Branch, Employee Services Division, Office of Personnel), approached them for some modest statistics concerning our own experience the response was: "If you require this kind of information, it might be better for you to take your business elsewhere." Also they refused us and [REDACTED] a balance sheet.
- g. GHI's balance sheet and Operating Statement reveal a reserve accumulation that might be warrantable in a catastrophic-coverage situation - which they don't have. Liabilities under their plan are predictable, by and large; the premium rates, producing a 12%

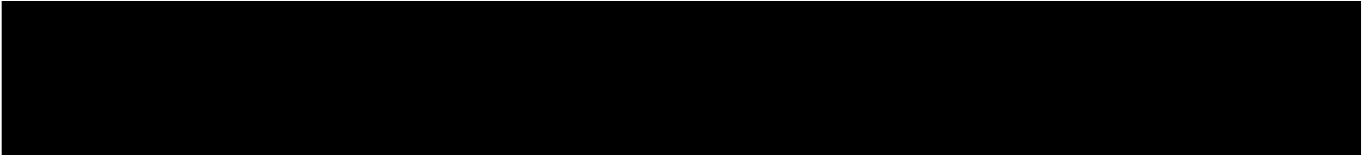
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gross profit in 1952, and a ratio of assets to liabilities of nearly 2 to 1 seem out-of-line with true risk assumed.

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- i. GHI's plan means that we will never know where we stand - experience versus premiums and never get the benefit of our experience if it proves better than others. Omaha offers to do this.
 - j. GHI's inter-plan feature (wide-spread Blue-Cross tie-in) is countered by Omaha's willingness to continue coverage for the terminated individual at a non-group rate without medical examination or statement of health, - as long as he wishes - or until he acquires membership in a new group plan. (The non-group premium is 20% higher.)
 - k. With the differing benefits of Omaha and GHI, overseas versus domestic, the employee is pulled about in his attempt to secure adequate coverage. This is highly unsatisfactory.
 - l. The 3 types of contract offered by Omaha show these premium differentials - :

(1) Individual contract premium	\$1.60 (monthly)
(2) Individual and spouse contract premium	\$4.75 (monthly)
(3) Individual, spouse and children contract premium	\$6.00 (monthly)

GHI combines the 2nd and 3rd groups above into a single premium rate which means that 758 #2s are carrying part of the cost for 1615 #3s. Perhaps the #1 rate contains a cut of this burden also.

The youth of our Agency (2/3 under 35 years of age) suggests that the single individual plus individual and spouse help carry, in premium rates, some of the family contract burden.

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