REPORT OF THE

INSURANCE TASK FORCE

The Task Force recognizes the length and complexity of this final Part II of its report, but it has diligently attempted to compress the data and its findings into the smallest possible compass. These data and findings at present affect [redacted] CIA employees and their families. The Task Force believes that the attractiveness of the new plan may, with appropriate internal publicity, cause this number to be speedily augmented. 25X9A2

The Task Force recommends that the members of the Board read, in particular, pages 1 through 12 and 17 through 25.

CONTENTS

(The Foreword and Part I, as to death, have been previously presented.)

PART II as to disability

Disability.

3. FACTS as to disability.

a. Statistics.

Ideally an Agency review of what has happened to our people in injury and illness should contemplate incidence in performance of duty, in line of duty, and outside duty - inclusive of family involvements. Such all inclusive information is not available because:

- The Chief, Medical Staff maintains no statistics,
- The records under FECA are case files, lately in Personnel and formerly in OGC, (Personnel is about to set up an effective ledger). At any event, these are only performance of duty accidents or illnesses.
- The re-imbursement program under PL 110, approved in May 1953, still waits a regulation to disseminate the information and to govern it, hence it is estimated that there are hundreds of cases which have not come to our attention unless under an Agency hospitalization or surgical plan.

Therefore excerpted from TAB C are the most important available STATISTICS under the two hospitalization and surgical plans offered to our employees (Mutual Benefit Health and Accident Association of Omaha, Neb., and Group Hospitalization, Inc., - hereinafter designated as OMAHA and GHI respectively). GHI will not give us more information than shown, - from our own records.

OMAHA

(1) Summary of Omaha Hospitalization and Surgical claims since inception in August 1948 thru 1953.

(a) Total no. of claims 1129 (679 incurred in U.S., 450 overseas); total days in hospital, 6665; ratio of claims [redacted]

25X9

(b)

All Claims	Benefit[1]	Actual cost paid by employee	% Benefit
Total	$115,405	$172,878	67.
Hosp. Rm & Bd.	49,744	55,580	89.
Surg.	29,044	70,683	41.
Extras	36,617	46,615	78.

(c) Total Benefit and total actual cost to employee by Geographic location:

1/ All figured at Omaha's increased rate as of 1 September 1953.

	Benefit	Actual cost paid by employee	% Benefit
In U. S.	$ 77,364	$129,912	60%
Overseas	38,041	42,966	86%

(d) The total actual costs paid by the employee in respect to type of service:

		% to total
Hosp. Rm & Bd.	$ 55,580	32.2
Surgical	70,683	41.0
Extras	46,615	26.8
Total	$172,878	

(e) Omaha Surgical Benefits and Actual Cost
(Based on Claims Submitted Through 1953)

	Amount	Ratio of Benefits to Actual Cost
Surgical Benefits -- Total	$29044	41.1%
Operations in U. S.	21938	39.5
Operations Outside U. S.	7106	46.9
Actual Surgical Costs -- Total	$70683	
Operations in U. S.	55533	
Operations Outside U. S.	15150	

Of the above, Omaha Surgical Benefits and Actual Cost for Pregnancy Complications.

	Amount	Ratio of Benefits to Actual Cost
Surgical Benefits -- Total	$12965	37.8%
Maternity in U. S.	9435	34.0
Maternity Outside U. S.	3530	54.2
Actual Surgical Costs -- Total	$34289	
Maternity in U. S.	27724	
Maternity Outside U. S.	6565	

(f) Total benefit and total actual cost experience by type of illness:2/

	Benefit	Actual cost paid by employee	% Benefit
Pregnancy and complications therefrom	$40,222	$ 72,710	55%
Gastro-intestinal	$20,783	$ 26,140	79%
160 cases of misc. small illnesses	$13,125	$ 15,754	84%
Eye, ear, nose and throat	$ 9,511	$ 14,953	63%
Genito-urinary	$ 8,664	$ 13,076	66%
Total of largest 5 categories	$92,305	$142,633	65%
Total of remaining 8 categories	$23,100	$ 30,215	71%

(g) Days hospitalized:

Less than 5 days	47%
Less than 10 days	85%
Less than 15 days	95%

(h) Type of claim:

By policy holder only	43%
By spouse only	43%
By daughters and sons only	14%

2/ 13 categories of illness groupings were specified by our consulting actuaries. The first five largest categories are those shown.

(1) Surgical Claims only: Distribution Range of Actual Cost to Policy Holder

(Based on 683 Incidences)

Groups	Number	Per Cent	Cumulative Ratio
Total	683	100.0	
Less than $25	91	13.3	13.3
$25 thru $49	101	14.8	28.1
$50 thru $74	99	14.5	42.6
$75 thru $99	72	10.5	53.1
$100 thru $124	81	11.9	65.0
$125 thru $149	33	4.8	69.8
$150 thru $174	82	12.0	81.8
$175 thru $199	29	4.2	86.1
$200 thru $224	45	6.6	92.7
$225 thru $249	6	0.9	93.6
$250 thru $274	20	2.9	96.5
$275 thru $299	5	0.8	97.2
$300 and Over	19a/	2.8	100.0

a/ $300 - 4
335 - 1
349 - 1
350 - 5
375 - 1
400 - 3
500 - 2
550 - 1
650 - 1

(j) Extras Claims only: Distribution Range of Actual Cost to Policy Holder.

Extras Incidence
(Based on 871 Claims)

Groups	Number	Per Cent	Cumulative Ratio
Total	871	100.0	
$25 and less	283	32.5	32.5
$26 thru $50	220	25.3	57.8
$51 thru $75	162	18.6	76.4
$76 thru $100	96	11.0	87.4
$101 thru $125	55	6.3	93.7
$126 thru $150	21	2.4	96.1
$151 and over	34a/	3.9	100.0
a/ $151 thru $175	13		
$176 thru $200	5		
$201 thru $225	5		
$226 thru $250	2		
$251 thru $275	3		
$276 thru $300	2		
$301 thru $325	2		
$326 thru $350	1		
$668	1		

(k) Comparison of Claims paid and Premiums paid:

(On 1 Sept 53, when approached by the Agency, Omaha raised its benefits as follows:
Hosp. $9.00 per day from $6.00.
Extras $135.00 unallocated, from $30.00 allocated in only 4 fixed categories.
Extras in maternity only, to $45.00 from $30.00.
All previous claims back thru 1948 are figured on basis of the new (1 Sept 53) rates in order to evaluate properly the existing Omaha plan. Figures are therefore calculated not actual.)

Year	Claims	Premiums	% of Premiums Returned
1948-50	$18,541.67	$40,344.59	46%
-51	18,947.29	33,716.60	56%
-52	24,506.61	51,197.35	48%
-53	27,903.27	49,787.60	56%
Total	$89,898.84	$175,046.14	51%

GHI

(2) Summary of GHI hospitalization and surgical claims accepted from GHI at inception (in March 1953) for previous claims - and thru 1953.1/ GHI pays directly to the hospital and withholds dollar costs not shown.

(a) Total no. of claims 1865, total days in hospital 8651 (8350 days allowed)2/ ratio of claims to total no. of

25X9 [redacted]

1/ When CIA took on GHI, that association turned over to us all previous records of our employees - whether inside or outside the Agency at the time of claim. Claims accounted here therefore include those before March 1953.

2/ The difference accounted for by: Overstaying on discharge hour, overstaying on child tonsilectomy (one day allowed) adult (2 days allowed) or maternity (8 days allowed).

(b) All Claims	Benefit	Actual cost paid by employee	% Benefit
Total	-----	-----	---
Hosp.	7,999 days	351 days over	96%
Surg.	$49,779	not known	---
Extras	$15,665	not known	---

(c) Total benefit and total actual cost to employee by geographic location:

Unobtainable.

(d) Total actual costs paid by the employee in respect to type of service:

Unobtainable.

(e) Total benefit and total actual cost experienced by type of illness. (Information limited to hospital days only.)

	Benefit Days	Actual Days	% Benefit
Pregnancy and complications therefrom	2,920	3,015	94%
Other (many small misc. claims)	997	1,042	96%
Gastro-intestinal	910	982	93%
Accidents	769	779	99%
Genito-urinary	676	697	96%

(f) Days hospitalized:

Less than 5 days	58%
Less than 10 days	91%
Less than 15 days	96%

(g) Type of claim:

By policy holder only	27%
By spouse only	43%
By daughters and sons only	30%

(h) Surgical claims only: Distribution Range of Actual Cost to policy holder:

Unobtainable.

(i) Extras claims only: Distribution Range of Actual Cost to policy holder:

Unobtainable.

(j) GHI choice of coverage by the individual as of 31 March 1954 shows the following:

GHI Hospitalization only

	Nos.
Single -	[redacted]
Husband and wife -	
Family -	
Total	

25X9

GHI Hospitalization and Surgical

Single -	[redacted]
Husband and wife -	
Family -	
Total	
Grand Total	

25X9

[redacted]

[redacted]

3) Financial status of GHI as shown in their last two annual reports to the D.C. Insurance Dept.

(GHI operates under an Act of Congress, is not supervised by the District Insurance Dept. or District Commissioners, but makes one annual report to these offices at "any time" during the year following annual audit.)

25X1A [redacted] was asked to try to get the last report and got a "runaround" from GHI. Accordingly, representatives of the Task Force visited the District offices, viewed the audited statements
25X1A for '52 and '53 made by [redacted] - CPA's.

25X1A [redacted]

[redacted]

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 $14.40 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 14 years service would receive $146.00 per month.

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

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

(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 (CIA), 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 (CIA), 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] in March 1952; it is [redacted] as of 1 June 1954 - predominantly overseas residence. (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] members in about 15 months from a [redacted] nucleus of old GHI and Blue Cross transfers. 25X9A2 25X9A2 25X9A2 25X9A2

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.

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.

(f) Detailed comparison of Omaha and GHI

1.

OMAHA — OVERSEAS Hospitalization	GHI — OVERSEAS Hospitalization
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. Effective date. 1st of the next month.	4. Effective date. 1st of the next month.
5. Waiting period. Maternity only. 9 months but coverage extends 9 months beyond termination of contract.	5. Waiting period. None if participation is 75% of GEHA 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.

2. WASHINGTON

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 within 24 hours of accident $135

4. Examples (Hospitalization only):

Bd. & Room		Normal
$ 90		appendectomy
270		comp. fracture
126	Plus a maximum of $135	bilat. hernia
90	to cover all hospital	unilat. hernia
126	extras	hysterectomy
90		hemorrhoidectomy
27		tonsillectomy

5. Same as overseas

6. Same as overseas

7. Same as overseas

WASHINGTON

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 within 2 hours of accident $10

4. Examples (Hospitalization only):

	Bd. & Room*1 (diff.)		
10 days	$ 135	(/ 45)	Plus the hospital extras,
30 "	405	(/135)	(16 listed) which range
14 "	189	(/ 63)	from $50 for the simplest,
10 "	135	(/ 45)	uncomplicated appendectomy
14 "	189	(/ 63)	to very substantial
10 "	135	(/ 45)	amounts for the serious
3 "	40	(/ 13)	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

3. Overseas and Domestic

OMAHA Surgical	(Example)		GHI Surgical
	$ 50	Hernia Ing. util.	$ 100
	75	Hernia Ing. bilat.	140
	100	Appendectomy	100
	100	Radical Mastectomy	175
$ 1235/16 = $ 77	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
	$1235		$2055
			$ 2055/16 = $ 128

This is 60% of GHI

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.)

4. OMAHA Premiums (monthly) / GHI Premiums (monthly)

OMAHA Hosp.	OMAHA Surgical	OMAHA Total		GHI Hosp.	GHI Surgical	GHI Total	Diff.
--	--	$1.60	Individual contract.....	$1.70	$1.00	$2.70	/ 1.10
--	--	4.75	Individual & spouse contract.	3.70	3.20	6.90	/ 2.15
--	--	6.00	Indiv. & spouse & children...	3.70	3.20	6.90	/ .90

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

OMAHA Total	GHI Total	Diff.
$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

(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.

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 fillip 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.

25X1A9a
25X1A9a

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.

-- 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.

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 circumstance, 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.

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) Indeminification return of premiums paid at 50% under the present Omaha plan is woefully insufficient. Omaha admits it.

(7) Indeminification 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] 25X1A9a
(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
25X1A 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%

[redacted]

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

h. Under the GHI plan, if an employee cannot reveal Agency affiliation, indemnification is at the poor overseas rate - poorer than the existing Omaha inadequate rate. The employee cannot get the "full-service benefit" day as in an overt domestic situation.

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)

25X9 GHI combines the 2nd and 3rd groups above into a single premium
25X9 rate which means that [redacted] #2s are carrying part of the cost for [redacted] #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.

5. CONCLUSION

a. Both the Omaha and GHI plans are entirely unsatisfactory.

(1) Neither plan offers enough.

(2) Neither plan offers opportunity to relate premiums to our experience.

(3) Neither plan takes advantage of actual previous experience in its coverage features.

(4) Neither plan takes advantage of the co-insurance philosophy to base premium rates in the higher incidence circumstances and still protect the minority substantially.

(5) Security-wise only Omaha offers - or can offer a completely satisfactory situation for the employee who cannot admit Agency affiliation.

(6) The Agency must offer <u>one best</u> plan.

(7) Adding the tangibles and intangibles in the forgoing comparisons, Omaha offers excellent and the only potential for improvement.

6. RECOMMENDATION

a. The Agency accept and offer to its staff employees and staff agents, the new Omaha plan (next hereto) proposed by the Task Force and worked out with the local Omaha office together with Mr. A. W. Randall, head of the Omaha Company's Group Insurance Department, and Mr. Gale Davis, Omaha's No. 1 vice-president.

b. That the DD/A and General Counsel proceed from here on to embody this plan in a contract.

c. That AD Personnel take over responsibility for appropriate Agency publicity on the plan and continue the study of any possible amendment for coverage of home and doctor's office costs.

d. That the Task Force go out of business in respect to disability insurance.

MISSING PAGE

ORIGINAL DOCUMENT MISSING PAGE(S):

Attachments missing