

SOME HEALTH INSURANCE PROBLEMS

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I am certainly glad to be here. I welcome the opportunity of taking part in this panel discussion of "Prepaid Health and Medical Care Problems."

There are many such problems, of course, but I believe I can utilize my limited time this morning to best advantage by discussing only three. First, I would like to touch on the matter of expanding the scope of benefits -- of furnishing people with more adequate coverage. Second, I would like to outline what is being done to provide health insurance coverage for the aged -- to indicate what the health-insuring companies are doing on the constructive side toward reducing such need as may exist for political action. Third, I would like to devote my remaining time to the problem of controlling hospital and medical costs -- of providing maximum value for the premium dollar.

Before coming to these problems, let me explain that the Health Insurance Council, for which I am speaking, is a confederation of several insurance trade associations, the underlying membership of which comprises more than 700 insurance companies. These companies underwrite an overwhelming proportion of the health insurance protection furnished by so-called "commercial" insurance.

Of course, the insurance companies are only one among a number of groups with an interest in problems and progress in the health insurance field. Blue Cross-Blue Shield is directly concerned, as are the independent health and welfare plans. Hospital people and physicians are vitally affected. And consumer groups -- particularly the Council on Consumer Information -- have a natural interest in the subject. So too does Government -- at federal, state and local levels. Thus, while my remarks will be mainly factual, you should realize I am speaking from only one among several viewpoints.

Security Plan." By wide enrollment, state by state, and with national advertising, about two million aged persons have recently been covered under plans of this sort.

Two other recent insurance-company endeavors should be mentioned. One is the health benefits program for retired Federal employees, which some 150 companies jointly underwrite. Good benefits are provided at an attractive price. There are several options which provide various levels of benefits, including major medical protection.

The second recent endeavor is the Connecticut-65 Plan, which for all senior citizens of that state, also offers major medical expense insurance at modest cost. This plan is underwritten by Connecticut insurance companies together with such out-of-state companies as wish to participate. It became effective only toward the end of last year, but it already covers many thousands of persons.

Controlling Hospital and Medical Costs

Let me now turn to the third problem I mentioned at the outset--controlling hospital and medical costs. The basic device for claim cost control which is utilized by insurance companies is what we call "coinsurance." Coinsurance may be either explicit as in the case of major medical insurance (where the company pays a definite percentage--say 75 percent--of the bill), or it may be implicit as in the case of an ordinary hospital expense policy where a daily benefit of \$20, for instance, might contrast with a typical daily charge of \$25. The thought, of course, is that if the insured person retains at least some financial stake in his health bills, he will tend to avoid unnecessary expenditures.

In addition to using the principle of coinsurance, companies do much to control costs by avoiding policy provisions or practices that tend to tempt abuse while adopting provisions or practices that operate to remove temptation. For example, in some plans, benefits are payable only if the patient is hospitalized. The resulting temptation toward unnecessary use of expensive hospital facilities is a powerful one. An outstanding virtue of major medical expense insurance is precisely that, by paying benefits, whether the patient is in or out of the hospital, this temptation is avoided.

Another example relates to overinsurance by reason of multiple coverage. Certainly, if the patient can actually make a profit on his illness or its continuation, the temptation for abuse can be great. While multiple coverage does not necessarily result in overinsurance, it often does, and the companies are keenly aware of the dangers. They are consequently taking increasingly vigorous action to prevent undue overlapping of coverage.

A third means of controlling hospital and medical costs concerns medical self-discipline. The medical profession, like other professions,

seeks to discipline itself; and medical societies at the state or local levels ordinarily have grievance committees. Insurance companies, however, are loath to bring cases before grievance committees because of the accusative aspects present. Despite all provisos and other qualifications, the action of presenting a case to a grievance committee in itself bears an offensive connotation to the physician involved.

As a means of coping with this problem, the Health Insurance Council has been suggesting that the matter be approached in a less formidable way. The thought is one of encouraging the establishment of review committees with which insurance companies can explore uncertain matters--perhaps with no names being mentioned. With encouragement by the Council, quite a number of medical-society review committees have already been established, and they are making real progress toward successful operations.

Summary and Conclusion

Let me sum up now. As you may have gathered from this discussion, I feel that the first two of the three problems I have talked about are rapidly being solved. The scope of coverage, both qualitatively and quantitatively, is rapidly improving. Health insurance for the aged is increasingly available and is being purchased at an increasingly rapid rate. On the problem of cost control, I am not quite so optimistic. I do not think that in any type of health insurance--Blue Cross-Blue Shield, insurance-company, or a compulsory government system--could this problem be solved in an automatically effective way. However, the insurance companies are working on the problem with great vigor. A composite attack featuring coinsurance, well-designed policy provisions, and medical self-discipline, among other prods, is increasingly getting results. The American citizen now gets literally life-saving values for his health-care expenditures, and I believe the value of the services will increase at least as fast as the costs.