

CONNECTICUT 65 EXTENDED HEALTH INSURANCE

There are today about 22,000 Connecticut citizens age 65 or over enrolled in a program of major medical insurance paying benefits of as much as \$10,000, a plan for which they had to pass no medical examination and which pays bills for almost all forms of health care including room and board in a convalescent hospital.

Along with many other unique and perhaps dramatic characteristics of this program is the fact that the "lead time" from the idea stage to actual installation was almost exactly twelve months. In that period, special legislation had to be adopted in the Connecticut Legislature to permit companies writing health insurance in the state to associate for the purpose; the actuarial, underwriting and sales arrangements had to be worked out; the association, which now has 32 member companies, had to be formed; and the Connecticut agent force had to be mobilized for the project. The result on October 1, 1961 was the enrollment of about 22,000 Connecticut citizens. The enrollment of this many people in the plan may not seem a vast achievement, but it does encompass a tenth of all of the residents of the state who are in the age group, and perhaps a fifth or a sixth of the real market.

The name of the insurance plan is "Connecticut 65 Extended Health Insurance," and it is generally referred to as "Connecticut 65."

The project emerged out of discussions between insurance leadership in Connecticut and officers of its Medical Association to consider their response to the passage of the Kerr-Mills legislation at the special session of Congress in 1960. Although the Connecticut 65 program grew away from the direct problem of financing care for the medically indigent, it was this joint attention of doctors and insurance people to a common concern that put the project in motion.

The motivation of the insurance people was a desire to demonstrate that the voluntary method of financing adequate health care can do a good job for a great many people. In Connecticut the population over age 65 already owned a great deal of health insurance—some two-thirds of the people in the age bracket had some form of basic protection, either through group plans in connection with present or former jobs, through individual insurance policies, or through Blue Cross and Blue Shield. But major medical insurance was hard—in fact, generally impossible—for people in the age group to obtain. If you will, a void or vacuum existed in available insurance protection. Experience with which to underwrite insurance of this kind is slight. It is recognized that the risk is sizable. The

premium has been kept as low as possible with the objective of reaching a good portion of a restricted market.

May I recite a few dates to give you an idea of the pace of this project:

September 27, 1960.—The meeting of insurance people with the representatives of associations of physicians, druggists and hospitals to discuss the implementation of Kerr-Mills in the state.

October 3.—The first meeting of representatives of five Hartford companies to explore the best way the power of insurance could be brought to bear against the health care problems of older people. A "working committee" of six people went into almost daily sessions.

November 14.—The first draft was completed of the proposed plan for an association of companies, for legislation needed to avoid legal difficulties and for the benefit plan.

January 19.—A bill was introduced in the legislature.

April 13.—The bill passed the Senate, and a week later, the House.

April 28.—The 11 domestic companies writing health insurance were invited to join the association; 10 accepted.

May 3.—The Governor signed the bill and work started on sales, advertising and promotion plans. Committees, including representatives of the larger member companies, were set up to work on each phase of the job.

September 1 to 30.—The first enrollment period, which brought in the 22,000 insured enrollees in the plan. By then, 22 more companies had joined the association.

I have recited this chronology, because I must confess that in my experience as an actuary I have not often seen an insurance project move so rapidly from the idea stage to the actuality. I have often marveled at how complicated committees can make things and here, where the committee idea was further compounded by the presence of a number of companies and a legislature, progress might have been even worse than one would ordinarily expect.

And I have tried to speculate on why.

I suppose the superficial answer might be that the companies were making a belated start on trying to forestall further government intervention in the economics of old age health care. There may have been some of that, but I don't believe anybody seriously believed this project in one state was really going to do much to stand off the mounting pressures that we feel in Washington and among the welfare-minded around the country.

I don't think the companies expected to make money—in fact they decided to forgo any chance to make money. The rates are set to cover claims, plus expenses that anticipate streamlined administration, plus a minimum first commission equal only to a little more than half a month's premium and no renewals, plus a small "risk charge."

The reason, I believe, was essentially to give a demonstration to the belief that all insurance men must have, or they wouldn't stay in the business, that the method of insurance can be brought to bear to help people to protect themselves against a measurable risk. Here the measurements were in an uncertain stage, and hopefully the Connecticut experience will make them more certain for the further efforts that we hope will occur around the country.

Let me tell you a little about the insurance.

First, it is available for Connecticut residents only. The power of the Connecticut law didn't apply beyond the borders, so this was an essential qualification, but a Connecticut resident who moves away can maintain his coverage if he keeps up his premiums.

Second, it is available to people 65 or over, or to the husbands or wives of people 65 or over, provided these spouses are not less than 55 years old and do not have regular employment.

Third, it is issued without physical examination or health questions, but to be eligible the applicant must not have been confined in the hospital during the 31 days prior to his enrollment.

Consistent with the group approach, enrollments were accepted only during the specified enrollment period, but Connecticut 65 will accept new members at any time provided they have just qualified on age, or release from hospital care. There will, of course, be future enrollment periods, but just when they will be has not been specified.

The insured has his choice of four optional plans:

Option 1, which costs \$10 a month, provides a lifetime major medical benefit of \$10,000, of which no more than \$5,000 may be used in a single year.

Option 2 provides a lifetime benefit of \$5,000, with a \$2,500 annual limit. It costs \$7.50.

Option 3 provides the \$10,000 major medical plus a plan of basic hospital and surgical benefits. The premium is \$17.

Option 4 provides the \$5,000 major medical plus a plan of basic benefits. The premium is \$14.50.

There was no attempt to sell the Connecticut 65 basic benefits. The basic benefits were scaled and priced so as to eliminate, as far as possible, being competitive with existing products. If the applicant already had a basic plan, he was not allowed to buy the Connecticut 65 basic. When the first enrollment period was over, our expectation about the need of the market seemed to be realized. Of the 22,000 who enrolled, almost 19,000 enrolled in the major medical options only, and nearly 14,000 of these were for the higher amount.

The benefits work on a calendar year plan, rather than on a confine-

ment basis. The deductible for the major medical is a variable sum consisting of \$100 plus the amounts which would be payable under Connecticut 65 basic, whether the insured had Connecticut 65 basic or not. These seem a little odd when you first hear it, but it works pretty well. The Connecticut 65 basic benefits are, in most cases, a little more modest than, say, Blue Cross, in which case the insured with Blue Cross plus the major medical might find that his cash deductible was reduced somewhat below the \$100.

The basic hospital-surgical benefits pay hospital room and board charges up to \$12 a day for a maximum of 31 days in each calendar year. They also pay up to \$125 per calendar year for other hospital charges. Surgical reimbursement is based on the Society's latest study with a maximum of \$360 in any one year.

The major medical benefit is set up with internal limits and expenses are classified into Type I and Type II. The plan pays 100 percent of all Type I expenses up to \$250, and then 80 percent of the remainder. It pays 80 percent of Type II expenses.

The Type I expenses, under the higher option, are hospital room and board up to \$18 a day, or convalescent room and board up to \$10 a day, this latter for as long as 90 days in a year. The Type II expenses under the \$10,000 option include surgical fees up to one and two-thirds times the amount shown on the basic schedule; anesthesia fees; nursing in or out of the hospital; doctors' calls up to \$6 and the usual range of drugs, diagnostic services and other kinds of care.

Under the lower major medical option, the \$5,000 lifetime limit, the specified amounts of Type I and II are somewhat less—for instance, \$15 a day in the hospital—but the principle is the same.

For those who are interested in detailed information, the Associated Connecticut Health Insurance Companies will be glad to provide this. Write to Connecticut 65 at 650 Main Street, Hartford.

The sales plan for Connecticut 65 was based on the idea that the companies would go all out to get an enrollment of 20,000 the first month, a number which the underwriters said was a necessary minimum to give them some spread of risk. It was agreed to give the agents a real commission for selling the product, although admittedly a modest one—and this ranged from \$5 for the smaller major medical to \$10 for the larger major medical combined with basic. The monthly premium, you recall, ranged from \$7.50 to \$17. The commission structure meant that an agent could earn as much as \$20 for a sale to a couple. The agents' associations accepted this program, in view of its objectives, and during the first enrollment period, agents were credited with almost 10,000 of the 22,000 sales.

The advertising program was an intense one. We decided that if there was in fact a vacuum to be filled, the market constituting that vacuum should be made aware that it no longer existed. Some 23 daily newspapers and just about all of the radio and TV stations were used. The cost of the promotion during the period averaged out at a little over nine dollars per enrollment, which was considered to be within reason.

The decision was made early in the sales planning that we would accept applications for the insurance from younger people in behalf of their parents. In fact, the signature of the insured was not required and we have enrolled about 6,000 people whose premiums are being paid by relatives.

An extra dividend, and a very important one to the companies, was in the public relations of the business. The newspapers followed the whole development closely and many of them wrote favorable editorials about it. A number of the people in social welfare who had been rather critical of the insurance business in the past came to know some insurance people and to adopt a more friendly attitude toward the business.

But this campaign in Connecticut is a small thing when you look at it in the light of the national challenge to our business. The 10 domestic companies in Connecticut and the 22 other companies which joined them all are hopeful that Connecticut 65 will be a pilot model of a much larger effort all over the country to undertake to meet the need of older people for protection against the major costs of serious illness.

Whatever we have learned in drafting the plan and in selling it is available to every company for use anywhere in the country. Furthermore, I think the Connecticut companies can be counted on to do their share in joining any serious effort to do a sound insurance job along similar lines anywhere.

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