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Group Major Medical Expense Benefits

A. How does the loss experience under superimposed plans compare with that under comprehensive plans?
B. Do companies have any effective control over increasing costs? How widely are Relative Value Schedules being used? Is this the solution to the problem of surgical fees?
C. What deductible amounts and coinsurance provisions are being used? To what extent do these vary by the income of the insured persons? Are family deductibles being applied? If so, how frequently and in what form?

MR. HARRY L. SUTTON, JR.: A few years ago the rates charged by the Prudential for comprehensive plans were quite low in relation to the claims. Since raising rate levels about a year ago experience has remained about the same under the two types of plans.

MR. ROBERT V. YOUNG: Approximately a year ago, we increased our comprehensive major medical rates 25 to 30 percent, which made our rates the highest in the industry. We increased only our comprehensive rates because we felt that our superimposed major medical rates were adequate.

Our assumptions concerning the rate increase have been proven wrong, however, since our superimposed major medical experience is considerably worse than the comprehensive. I think that we will have to increase the superimposed rates to keep in line with the increase we made on comprehensive. An additional consideration for higher superimposed rates is that superimposed experience is subject to more fluctuation than comprehensive experience for a given group.

MR. SAMUEL M. DAVIS, JR.: The superimposed loss ratios have been lower in the Southwestern. The $50 calendar year deductible frequently employed on comprehensive appears too low to be effective.

MR. SUTTON: As basic plans are modified, either to provide more or less liberal benefits, there is a resulting change in the rate basis of the superimposed plan. This is a hidden change which can be easily overlooked in attempting to analyze current experience or experience trends under superimposed programs.

MR. RICHARD W. ERDENBERGER: Mutual of Omaha will include Relative Value Schedules in contracts on request.

MR. SUTTON: The Prudential does intend to include these schedules in West Coast contracts. There have been very few requests for such inclusion in the Midwest operations.

MR. DAVIS: The Southwestern offers plans providing either 20% or 25% coinsurance with deductibles no lower than $50. The deductible must be satisfied within an accumulation period which may vary by plan from 3 months to 12 months.

MR. ERDENBERGER: There appears no trend toward the use of family deductibles. The Bell cases written during the past year or two have employed a pseudo family deductible which limits the deductible applicable to a family to 3 times that applicable to an individual.

MR. MORTON D. MILLER: The practice of waiving deductibles on hospital or hospital and surgical expenses under comprehensive is one of the most unsatisfactory developments in this field. Policyholders should have a clear understanding of the increasing costs they are buying when they purchase comprehensive.

MR. SAM HOUSTON HUFFMAN: All insurance carriers and consultants should emphasize the importance of employing a good deductible in plan design. If there were some concerted promotional efforts, the idea could probably be sold far more effectively than is now being done.