NEW YORK 65

The example for New York 65 was set by the formation of the Connecticut 65 Extended Health Insurance Association in the fall of 1961. The development of this plan was reported in detail by C. Manton Eddy at the meeting last year and appears in the *Transactions of the Society of Actuaries*, Volume XIII, page 638. The experience foundation for both plans, it should be acknowledged, was established by the pioneering companies that, on their own, had previously undertaken to offer health benefits to persons age 65 and over without health examination or other evidence of insurability. These experiments were conducted first with groups or associations of retired individuals and then extended on a mass enrolment basis to the over 65 residents of a whole state.

The joint offering of health insurance benefits of broad scope for those over 65 by an association of companies such as in Connecticut initially and now in Massachusetts and New York has several added advantages. An association makes possible the pooling of the experience and resources of a number of companies and the application of the collective strength of the total agency forces of the state to the marketing of the plan. However, special legislation is required.

The legislation in New York was sponsored by the governor in his message to the Legislature in January as follows:

> In order to encourage the purchase of private health insurance by persons over the age of 65, I urge your Honorable Bodies to enact legislation authorizing insurance companies to act jointly in providing both basic hospital and major medical insurance for these persons on a group basis. Such legislation should enable companies to make available broader coverage at lower rates than are now charged persons over 65 for individual policies.

The bill introduced was passed by both the Assembly and the Senate without a dissenting vote and became law when signed by the governor on March 27, 1962.

Several differences between the New York law and those of Connecticut and Massachusetts are worthy of mention. For one thing, the degree of regulation and supervision by the superintendent of insurance specified is much greater in the case of the New York law than for the other two. The superintendent is required to approve the plan of the association for offering, selling, issuing, and administering the insurance as well as the policy forms, premium rates, and commission schedules.

Second, the law states that the company association shall be nonprofit and elsewhere indicates that any excess of premiums for the insurance

over the cost of providing the benefits must be used solely for the benefit of the persons insured.

Third, the premiums for policies issued by the association are exempt from state premium tax. The nonprofit aspect of the plan was one of the considerations in the minds of the legislature which led to this favorable tax treatment.

Last, the law provides that basic hospital, surgical, and medical expense coverage offered by the plan must be sold independently of any major medical expense benefits. In other words, the requirement that major medical expense benefits be purchased by persons who want basic benefits may not be imposed as is the case in Connecticut and Massachusetts. Here it was reasoned that, if an association of companies to offer health insurance to residents 65 and over was a good thing, its efforts should be lent equally to the spread of basic coverage to more people as well as to broadening the scope of available benefits by the addition of major medical.

Immediately after the signing of the bill, which became Section 221(a) of the New York Insurance Law, a group of New York domestic companies met and set up a Steering Committee composed of representatives of eight of the companies to do the necessary developmental work and planning for the formation of an association. The Steering Committee then appointed working committees to proceed in different areas as follows:

To the Actuarial Committee was assigned the job of recommending the benefit plans to be offered and the applicable premium rates. Their work also involved the development of background information with respect to the persons eligible and the extent and types of health insurance they already had.

The Legal Committee was asked to begin drafting the articles of association, the group health insurance contract through which the benefits would be provided, and the certificate booklets to be issued to those enrolled.

The Agents Marketing Committee took over the development of marketing plans, the consideration of the basis of agents' compensation, and the immediate establishment of relationships with the agents' and brokers' associations and the field forces of the companies. It was realized early that if the plan were to be successful the state's agents and brokers would have to play a key role in its sale. A one-shot enrolment fee payable to the agent or broker in the amount of $7.50 per person for the sale of either the basic or major medical coverage and in the amount of $10.00 per person for the sale of the combination of the basic and major medical coverages was the compensation finally agreed upon. This is at the same level as in Connecticut and Massachusetts.

The Promotion and Public Relations Committee began to map out a program of public relations, advertising, and promotion. The plan would first have to be presented to the agents and brokers, and here the Committee would be working closely with the Agents Marketing Committee. Then there would be the advertising and direct-mail promotion of the plan with the public and other interested groups which was to be directed so as to support the sales efforts of the field forces.

The task of the Professional Relations Committee was to inform the doctors, the hospitals, and other groups in the medical care complex and to secure their support.

The necessary approvals were obtained from the Superintendent of Insurance early in August, and the New York 65 Health Insurance Association then came into being with the signing of the Articles of Association by seven companies. Invitations to become members were immediately sent to all other companies licensed to sell health insurance in the state. At this writing there are a total of forty-seven participating companies.

New York 65 offers a plan of basic benefits and a plan of supplemental major medical benefits. The New York 65 Regular Basic plan provides hospital room-and-board benefits up to $18 a day for 31 days; up to $150 for other hospital charges; up to $7.50 a day for convalescent nursing home charges for a maximum of 31 days following a period of necessary hospital confinement of at least 5 days; in-hospital medical benefits for non-surgical conditions of up to $6 a day for the first 7 days of hospital confinement, $5 for the next 7 days, and $4 for the next 17 days; and, lastly, surgical and radiation therapy benefits for malignancy in and out of the hospital according to a schedule of allowances up to $250.

An alternate basic plan with a $12 hospital room-and-board benefit but with all other benefits the same was also made available for use in some of the lower cost areas upstate and as a minimal plan elsewhere. The monthly premium for the Regular Basic is $10 per person and for the Optional Basic only $8.

New York 65 Major Medical was designed to dovetail with the Regular Basic plan and to fit reasonably on top of the wide variety of other basic health insurance plans in force among those 65 and over. Available coverage statistics indicated that some 60 per cent already had basic health insurance benefits with Blue Cross–Blue Shield, through an individual health insurance policy, or by way of continuance of group health insurance after retirement. Hospital and convalescent nursing home benefits are provided up to $18 a day for hospital room and board after the first 31 days of confinement; to the extent of 80 per cent of the charges for other hospital services and supplies in excess of $150; and for 60 days of convalescent nursing home charges following at least 5 days of hospital con-

finement at a rate of up to $7.50 a day—all subject to a maximum of $3,600 for any one confinement. In addition, New York 65 Major Medical provides benefits for a broad range of other medical services and supplies in the amount of 80 per cent of charges in excess of a deductible of $75 in a calendar year, subject to a lifetime maximum of $10,000. Included here are doctors' medical and surgical services in home, office, or hospital; private-duty nursing (with charges not to exceed $1,000 in a calendar year); prescribed drugs and medicines; diagnostic X-ray and laboratory examination and outpatient diagnostic services; physiotherapy; artificial limbs and eyes; trusses and crutches; anesthetics; oxygen; rental of radioactive substances; blood and blood plasma; rental of a wheel chair and local ambulance service. The monthly premium for the Major Medical plan is $9 per person.

The extent of the charges for doctors' medical and surgical services brought under the Major Medical plan is limited to the fees for the particular services established by the Blue Shield plans within the state for families with a maximum yearly income of $6,000 or less. This provision was made in the expectation that the physicians and surgeons would support the plan by affording New York 65 insureds the same consideration fee-wise that they give to persons enrolled in the Blue Shield plans sponsored by their societies. The Medical Society of the State of New York has approved the plan in principle.

It was felt that New York 65 benefits should not be allowed to overlap with or duplicate other health insurance benefits. Therefore, both the Basic and the Major Medical plans contain nonduplication provisions under which benefits will be reduced to the extent that the insured has other hospital, surgical, or medical benefits. Furthermore, persons who already have basic health insurance are not eligible for New York 65 Basic.

While no medical examination or health questionnaire will be required, coverage for those in the hospital or a convalescent nursing home at the time of the enrolment campaign will not become effective until 31 days after the end of their confinement. Also coverage for conditions for which treatment or care was rendered within 90 days of the effective date of an individual's enrolment will begin after six months.

In addition to the 1,700,000 residents of New York who are age 65 and over, some 200,000 persons under 65 will also be eligible by reason of being a wife or husband of someone 65 or over. People becoming 65 after the initial enrolment will automatically be eligible to join within 31 days, and means of providing for the continuous enrolment of others upon retirement after age 65 are being studied.

It was essential that the company which was to administer the program on behalf of the member companies of the Association should be chosen early in order that there might be sufficient time to work out the many details that would be involved before the beginning of the enrolment period. This was accordingly one of the first matters of business for the Steering Committee, and the Committee's request to take on this assignment was accepted by the Equitable Life Assurance Society. A separate office for the Association has been set up in the Equitable's Home Office from which all the operations of the plan, including the settlement of claims, will be carried out in the name of the Association.

A sophisticated system of record-keeping and administration was designed around the most up-to-date electronic data-processing equipment in a remarkably short time. The planning anticipates processing one claim for every three persons insured and a relatively large volume of correspondence that is to be expected judging from the experience of the over-65 plans. Special arrangements were worked out for the peak load of mail, telephone, and personal inquiries preceding and during the enrolment. To encourage early application and spread the work of issuing the certificate booklets and setting up the records, the insurance will become effective throughout the campaign upon the date of receipt of the enrolment form for the applicant with the applicable premium instead of making them all effective at the end of the period as in Connecticut and Massachusetts.

The initial enrolment in New York will run from October 15 to November 15. Planning for New York 65 was co-ordinated with that for Massachusetts 65 and with the ongoing activity in Connecticut 65, with the result that it was possible to have the first two weeks of the New York campaign coincide with the last half of the campaign in Massachusetts and both with the second reopening in Connecticut. In this way, each plan will support the others so that their collective efforts will have maximum impact in spreading health insurance among those over 65 in the northeast.

It is too soon to judge how the New York 65 enrolment is going. The plan has, however, received tremendous interest on the part of the public, the press, radio and television, and the agents and brokers in the state. We are therefore hopeful of securing a successful enrolment.

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