

Health Benefits for Persons 65 and Older

What special problems, if any, have arisen in writing lifetime guaranteed renewable hospital and major medical plans at the older ages? To what extent are impairment waiver riders appropriate or necessary in underwriting at these ages? What morbidity, persistency and expense experience has been recorded in issuing health benefits at older ages?

MR. RICHARD W. ERDENBERGER: Mutual of Omaha has always had some form of coverage available for people 65 and over. In fact, some of our major medical policies have no limiting issue age. All such coverage is subject only to our normal underwriting requirements.

Early in 1959, we embarked on a program called our Senior Security Program. The benefits under this program are:

Room and Board	\$10.00 per Day for up to 60 Days.
Miscellaneous	80% of Charges in Excess of \$100 up to a Maximum of \$1,000.
Surgery	\$225 Schedule.
Nursing Home	\$5.00 per Day for up to 55 Days if Preceded by 5 Days of Hospital Confinement.

The total combined confinements are covered for a 60 day maximum. Policies were sold during various open enrollment periods. Anyone who filled out an application and paid his premium was issued a policy. Because of "machine issue," riders would have posed an expensive problem and were, therefore, eliminated. To offset the very liberal underwriting without the use of riders, we put a six-month preexisting exclusion in our contracts. We have made every effort to keep expenses at a minimum. Premium collection expense was reduced through the use of packets of IBM cards, which were given to the policyholder to be sent in with subsequent premium payments. Our agency force cooperated by accepting a very minimal commission scale.

We have not noticed any appreciable difference by open enrollment when experience is studied by duration. The average age for each enrollment has been close to 72, and each seems to be maintaining a fairly uniform lapse rate of around 20%. With a mortality rate of almost 5%, this high lapse rate is not too unexpected.

The claim frequency after adjustment for the first six months is over 350 claims per 1,000 annual exposures. This has shown some tendency to climb with the duration. An analysis of payments made according to the

terms of the policy produced the following percentage distribution of benefits:

Room and Board	58%
Nursing Home	2%
Miscellaneous	25%
Surgery and Anesthetic	15%

One out of each 31.4 claims involved the nursing home benefit. Hospital claims averaged 14.4 days, and one out of 35.5 hospital claims went the full 60 days. Nursing home stays averaged 28.3 days.

Of those claims requiring hospitalization, 36.5% required surgery, and these claims developed an average duration of 16.1 days as compared to 13.5 days for the nonsurgical cases. Of the total claims, 92.3% by number were for illness. Of this total, over 40% were for cardiovascular-renal system disorders, and only slightly over 8% were for malignant neoplasms. Of the accident claims, over 50% were sprains or fractures, with fractured hips alone accounting for 23% of the total.