

**TRANSACTIONS OF SOCIETY OF ACTUARIES
1968 REPORTS**

**III. GROUP COMPREHENSIVE MEDICAL EXPENSE
BENEFITS INSURANCE**

THIS is the sixth annual report on the study of morbidity experience of Group Comprehensive Medical Expense insurance. This report is abbreviated because several companies were unable to contribute 1967 experience in time to be included, and the experience according to such factors as age and sex does not differ significantly from that indicated in the previous year's report. One of these companies has, in the past, contributed a substantial portion of the "each illness" experience, which accounts for the exclusion of "each illness" experience from Tables 1 and 2. Several companies, however, were able to increase the size of their contributions. The Committee hopes to obtain the missing 1967 experience and to include it in the *1969 Reports*.

The tables in this report show the experience either for all exposure-size groups combined or for nonjumbo groups only. Nonjumbo groups are those with less than 5,000 insured employees. Experience for nonjumbo groups is shown in order to minimize the effect that jumbo groups might have upon the ratio of actual to tabular claims in any of the groupings shown. This report contains experience for policy years ending in 1963, 1964, 1965, 1966, and 1967. The central period of exposure for each policy year is approximately January 1 of that year. Actual claims are shown to the nearest \$1,000.

Ratios of Actual to Tabular Claims

The results are presented in the form of ratios of actual to tabular claims. The basis for the tabular claims is the 1965 Comprehensive Tabular presented in the *1967 Reports* of TSA. A comparison of the 1965 Comprehensive Tabular and 1960 Comprehensive Tabular used for the 1966 and prior reports is also shown in the *1967 Reports*. The 1965 Comprehensive Tabular makes adjustments for most of the factors which influence the cost of Comprehensive Medical Expense Benefits, but no adjustment was made for the income distribution of the employee group.

Caution should be used in comparing factors or ratios of actual to tabular claims of this report to those for the Supplementary Major Medical report, since the respective tabulars often contain different adjustments for the same cost factors. Caution should also be exercised when interpreting the experience results due to the effect on experience result-

ing from the COB provision, the advent of Medicare, and resulting hospital utilization trends as described in the Introduction to this report.

Contributing Companies

Ten companies have contributed to the investigation covered in this report. The results are the composite experience of variations in company practice and in underlying administration and claim procedures, as well as of variations in experience among groups.

Aetna Life & Casualty
 Connecticut General Life Insurance Company
 Continental Assurance Company
 Equitable Life Assurance Society
 John Hancock Mutual Life Insurance Company
 Metropolitan Life Insurance Company
 New York Life Insurance Company
 Occidental Life Insurance Company
 Prudential Insurance Company of America
 The Travelers Insurance Company

Analysis of Experience

Table 1 summarizes the 1965-67 nonmaternity experience for broad groups of plans for all size groups. "All cause" experience only is shown because of the small amount of "each illness" experience submitted for 1967. The actual to tabular ratios are generally consistent for all plans, and a review of the experience for nonjumbo groups only indicates results similar to those shown in Table 1 for all size groups.

Table 2 summarizes the ratio of actual to tabular for years 1963-67 and indicates the trend of experience for nonjumbo groups. Nonmaternity experience is shown for "all cause" plans only, but all plans are included in the maternity experience. The maternity actual to tabular ratios indicate a general downward trend, although the values for 1966 appear to be abnormally low. Again, the factors mentioned in the Introduction should be kept in mind when interpreting these results.

Table 3 presents the combined employee and dependent nonmaternity experience by metropolitan area, state, and region. This table, as in prior reports, includes the reported experience under "each illness" plans. These plans include 12 per cent of the total claims. The 1965 Tabular area factors are also shown in the table in order to facilitate comparisons with actual experience. In assigning metropolitan area codes to the data submitted, contributing companies used state and region codes in those instances where it was not known whether 75 per cent of the covered em-

TABLE 1
 COMPREHENSIVE MEDICAL
 ALL SIZE GROUPS, NONMATERNITY EXPERIENCE BY PLAN
 COMBINED 1965-67 POLICY YEARS' EXPERIENCE

Plan	No. Ex- perience Units	Employee Years of Exposure*	Actual Claims (000)	Ratio of Actual to 1965 Tabular †
Employee				
All-Cause plans:				
Without full reimbursement of hospital ex- penses:				
Deductible applied to all expenses	1,221	202,487	12,435	107%
Deductible waived for hospital expenses . . .	112	53,406	2,725	106
Deductible waived for hospital and surgical expenses	89	14,894	928	103
Total	1,422	270,787	16,088	107%
With full reimbursement of hospital expenses:				
Deductible applied to all expenses	370	117,161	7,498	104%
Deductible waived for hospital expenses . . .	1,259	235,790	13,804	108
Deductible waived for hospital and surgical expenses	446	105,234	7,071	104
Total	2,075	458,185	30,373	106%
Total, All-Cause plans	3,497	728,972	46,461	106%
Dependent				
All-Cause plans:				
Without full reimbursement of hospital ex- penses:				
Deductible applied to all expenses	1,218	131,629	14,529	111%
Deductible waived for hospital expenses . . .	112	38,647	3,895	107
Deductible waived for hospital and surgical expenses	68	8,648	1,054	107
Total	1,398	178,924	19,478	110%
With full reimbursement of hospital expenses:				
Deductible applied to all expenses	372	81,770	9,428	106%
Deductible waived for hospital expenses . . .	1,246	162,095	19,212	103
Deductible waived for hospital and surgical expenses	422	61,601	7,538	105
Total	2,040	305,466	36,178	104%
Total, All-Cause plans	3,438	484,390	55,656	106%

* For dependents, exposure of employees insured with respect to their dependents.

† Tabular adjustment in Steps I, II, and III.

TABLE 2
 COMPREHENSIVE MEDICAL
 NONJUMBO GROUPS
 EXPERIENCE BY PLAN AND BY YEAR
 1963-67 POLICY YEARS' EXPERIENCE BY PLAN

PLAN	RATIO OF ACTUAL TO 1965 TABULAR FOR POLICY YEAR ENDING IN:				
	1963	1964	1965	1966	1967
Employee					
<i>Nonmaternity:</i>					
All-Cause plans:					
Without full reimbursement of hospital expenses.....	88%	100%	100%	110%	111%
With full reimbursement of hos- pital expenses.....	87	95	100	105	111
Total, All-Cause plans.....	87%	96%	100%	107%	111%
<i>Maternity</i>					
Total, all plans.....	105%	108%	98%	83%	98%
Dependent					
<i>Nonmaternity:</i>					
All-Cause plans:					
Without full reimbursement of hospital expenses.....	87%	97%	103%	114%	113%
With full reimbursement of hos- pital expenses.....	87	92	100	102	110
Total, All-Cause plans.....	87%	93%	101%	106%	111%
<i>Maternity</i>					
Total, all plans.....	103%	110%	102%	87%	92%

TABLE 3
COMPREHENSIVE MEDICAL, NONJUMBO GROUPS
NONMATERNITY EXPERIENCE BY REGION, STATE, AND METROPOLITAN AREA
EMPLOYEE AND DEPENDENT COMBINED 1965-67 POLICY YEARS' EXPERIENCE

Region,* State,† or Metropolitan Area	No. Ex- perience Units‡	Years of Exposure‡	Actual Claims (000)	Ratio of Actual to 1965 Tabular	1965 Tabular Area Factor
<i>Total, all locations</i>	4,045	716,490	99,887	105%	.....
New England States:					
Connecticut.....	22	2,676	340	96%	96%
Bridgeport-Stamford-Norwalk..	10	4,868	675	98	100
Hartford-New Britain-Bristol..	7	591	67	80	96
New Haven-Waterbury.....	12	824	154	126	104
Total.....	51	8,959	1,236	99%	.....
Maine.....	34	10,310	1,675	110%	92%
Massachusetts.....	52	9,598	1,427	112%	104%
Boston.....	37	3,392	432	84	108
Springfield-Holyoke.....					100
Total.....	89	12,990	1,859	104%	.....
New Hampshire.....	9	899	106	85%	92%
Rhode Island.....				§	104%
Providence.....					104
Vermont.....	7	2,302	262	96%	92%
Region.....	5	835	163	118%	100%
<i>Region total</i>	196	36,331	5,304	104%	.....
Middle Atlantic States:					
Delaware.....					92%
District of Columbia.....	31	8,934	1,253	108%	100%
New Jersey.....	42	6,526	746	106%	100%
New York.....	115	12,350	1,677	103%	96%
Albany-Schenectady-Troy.....	14	1,595	250	109	96
Buffalo.....				§	96
New York-Northeastern New Jersey.....	234	36,406	5,241	109	108
Rochester.....				§	96
Syracuse.....	18	7,261	1,164	106	96
Total.....	388	58,442	8,443	107%	.....
Pennsylvania.....	71	15,679	1,760	99%	80%
Allentown-Bethlehem-Easton..				§	88
Philadelphia.....	36	3,718	441	98	92
Pittsburgh.....	5	2,654	561	126	100
Wilkes-Barre-Hazleton.....				§	88
Total.....	114	22,150	2,779	103%	.....

* Excludes groups coded for a specific state or metropolitan area.
† Excludes groups coded for a specific metropolitan area.
‡ Employee only.
§ Less than \$50,000 of tabular claims and less than ten experience units.

TABLE 3—Continued

Region,* State,† or Metropolitan Area	No. Experience Units‡	Years of Exposure‡	Actual Claims (000)	Ratio of Actual to 1965 Tabular	1965 Tabular Area Factor
Region	7	703	100	106%	100%
<i>Region total</i>	582	96,755	13,321	106%	.....
North Central States:					
Illinois	224	32,634	4,375	108%	92%
Chicago	226	43,620	5,751	99	100
Total	450	76,254	10,126	103%	.....
Indiana	73	15,399	1,954	110%	84%
Indianapolis	26	6,940	991	106	84
Total	99	22,339	2,945	108%	.....
Kentucky	25	2,886	371	98%	92%
Louisville	21	6,291	1,127	112	108
Total	46	9,177	1,498	108%	.....
Michigan	68	8,992	1,191	101%	100%
Detroit	27	4,145	699	109	116
Total	95	13,137	1,890	103%	.....
Ohio	52	12,429	1,510	102%	92%
Akron	6	1,005	134	97	96
Cincinnati	9	2,663	195	92	92
Cleveland				§	104
Columbus	8	2,440	377	100	92
Dayton	6	434	64	99	92
Toledo				§	92
Youngstown					92
Total	84	19,240	2,310	100%	.....
West Virginia	45	3,997	520	111%	88%
Wheeling-Steubenville					92
Total	45	3,997	520	111%	.....
Wisconsin	41	15,395	2,226	120%	92%
Milwaukee	26	3,194	490	108	100
Total	67	18,589	2,716	117%	.....
Region	22	7,804	1,102	108%	96%
<i>Region total</i>	908	170,537	23,107	106%	.....
Plains States:					
Iowa	34	6,303	960	103%	100%
Kansas	12	1,923	304	133	100
Minnesota	23	4,483	654	108	96
Minneapolis-St. Paul	33	4,036	578	97	108
Total	56	8,519	1,232	103%	.....

* Excludes groups coded for a specific state or metropolitan area.

† Excludes groups coded for a specific metropolitan area.

‡ Employee only.

§ Less than \$50,000 of tabular claims and less than ten experience units.

TABLE 3—Continued

Region,* State,† or Metropolitan Area	No. Experience Units‡	Years of Exposure‡	Actual Claims (000)	Ratio of Actual to 1965 Tabular	1965 Tabular Area Factor
Missouri.....	29	2,732	410	113%	92%
Kansas City.....	30	3,189	494	110	100
St. Louis.....	49	3,924	441	90	100
Total.....	108	9,845	1,345	103%	.....
Nebraska.....				§	92%
Omaha.....	13	1,474	238	106%	100
Total.....	20	1,667	255	105%	.....
North Dakota.....				§	92%
South Dakota.....	15	1,133	118	92%	88%
Region.....	5	492	72	91%	100%
<i>Region total</i>	<i>255</i>	<i>30,113</i>	<i>4,306</i>	<i>104%</i>	.....
Mountain States:					
Colorado.....	14	4,159	756	118%	112%
Denver.....	13	3,904	558	104	120
Total.....	27	8,063	1,314	111%	.....
Idaho.....	20	1,299	204	114%	100%
Montana.....	25	2,924	347	95%	92%
Nevada.....	16	1,054	164	110%	120%
Utah.....	26	3,212	466	103%	96%
Wyoming.....	17	625	102	112%	96%
Region.....					104%
<i>Region total</i>	<i>131</i>	<i>17,177</i>	<i>2,597</i>	<i>107%</i>	.....
Pacific States:					
California.....	235	36,353	5,211	99%	124%
Los Angeles.....	413	49,542	7,441	100	140
San Diego.....	34	3,906	610	112	136
San Francisco-Oakland.....	63	10,827	1,852	107	140
Total.....	745	100,628	15,114	101%	.....
Oregon.....	34	3,787	565	99%	100%
Portland.....	8	422	57	92	108
Total.....	42	4,209	622	98%	.....
Washington.....	29	4,612	738	111%	108%
Seattle.....	25	2,788	370	93	116
Total.....	54	7,400	1,108	105%	.....
Region.....	16	3,906	648	105%	112%
<i>Region total</i>	<i>857</i>	<i>116,143</i>	<i>17,492</i>	<i>101%</i>	.....

TABLE 3—Continued

Region,* State,† or Metropolitan Area	No. Experience Units‡	Years of Exposure‡	Actual Claims (000)	Ratio of Actual to 1965 Tabular	1965 Tabular Area Factor
Gulf States:					
Arizona.....	54	3,424	714	112%	116%
Arkansas.....	27	3,255	339	101%	84%
Louisiana.....	54	6,541	838	100%	100%
New Orleans.....	19	1,775	333	108	108
Total.....	73	8,316	1,171	102%	.....
New Mexico.....	31	2,421	305	103%	100%
Oklahoma.....	32	2,057	336	118%	104%
Texas.....	89	10,270	1,300	101%	108%
Dallas.....	10	383	55	107	120
Fort Worth.....	4	560	86	105	116
Houston.....	30	3,008	485	127	120
San Antonio.....	8	980	130	98	108
Total.....	141	15,201	2,056	106%	.....
Region.....	7	954	122	92%	100%
<i>Region total.....</i>	<i>365</i>	<i>35,628</i>	<i>5,043</i>	<i>106%</i>	<i>.....</i>
Southeastern States:					
Alabama.....	28	4,669	804	112%	108%
Birmingham.....	17	1,196	157	99	108
Total.....	45	5,865	961	109%	.....
Florida.....	57	8,306	905	95%	92%
Miami.....	20	1,608	265	127	116
Tampa.....	11	1,833	236	94	104
Total.....	88	11,747	1,406	99%	.....
Georgia.....	35	4,905	573	109%	88%
Atlanta.....	28	9,033	877	99	96
Total.....	63	13,938	1,450	102%	.....
Maryland.....	25	3,394	427	102%	84%
Baltimore.....	21	1,993	278	112	92
Total.....	46	5,387	705	106%	.....
Mississippi.....	15	1,046	143	128%	100%
North Carolina.....	25	5,968	912	115%	96%
South Carolina.....	34	3,956	572	109%	88%

* Excludes groups coded for a specific state or metropolitan area.

† Excludes groups coded for a specific metropolitan area.

‡ Employee only.

§ Less than \$50,000 of tabular claims and less than ten experience units.

TABLE 3—Continued

Region,* State,† or Metropolitan Area	No. Experience Units‡	Years of Exposure‡	Actual Claims (000)	Ratio of Actual to 1965 Tabular	1965 Tabular Area Factor
Tennessee.....	28	4,525	692	131%	96%
Knoxville.....				§	104
Memphis.....	22	4,252	603	106	108
Total.....	54	9,042	1,340	118%	.....
Virginia.....	65	12,223	1,396	108%	84%
Norfolk-Portsmouth.....	10	671	78	89	92
Total.....	75	12,894	1,474	107%	.....
Region.....	17	4,411	529	110%	92%
Region total.....	462	74,254	9,492	108%	.....
Hawaii.....				§	100%
Alaska.....	18	1,270	217	96%	132%
Total, states and regions.....	3,778	578,326	80,893	105%	.....
All other#.....	267	138,164	18,994	106%	.....

Less than 75% of employees in one region, state, or metropolitan area.

ployees were in a given metropolitan area. Hence, the experience shown for states and regions may include a few cases where a substantial proportion of the employees are actually located in one of the metropolitan areas shown in the table. In general, the ratios of actual to tabular claims appear to indicate that the 1965 Tabular area factors satisfactorily represent area variations.