

TRANSACTIONS OF SOCIETY OF ACTUARIES 1969 REPORTS

III. GROUP COMPREHENSIVE MEDICAL EXPENSE BENEFITS INSURANCE

THIS is the seventh 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 1968 experience in time to be included, although additional 1967 experience has been contributed and is included. The contributions of two companies for 1966 and 1967 included in prior reports have been revised, and this report includes the revised experience. These revisions resulted in a modest decrease in aggregate exposure but have not had a significant effect on aggregate actual to tabular ratios. The contribution of one company which normally includes a substantial portion of the "each illness" experience was not received for 1968, and this report therefore excludes "each illness" experience from Tables 1 and 2. Although this report is abbreviated, the experience according to factors such as age and sex does not differ significantly from that included in previous 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 1964, 1965, 1966, 1967, and 1968. 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 resulting 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 Insurance Company
 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 1966-68 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 1968. 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 1964-68 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. 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 9 per cent of the total claims. The 1965 Tabular area factors are also shown in Table 3 in order to facilitate comparisons with actual experience. In assigning metropolitan area codes to the data sub-

TABLE 1
 COMPREHENSIVE MEDICAL
 ALL SIZE GROUPS—NONMATERNITY EXPERIENCE BY PLAN
 COMBINED 1966-68 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 expenses:				
Deductible applied to all expenses	1,094	170,939	11,554	115%
Deductible waived for hospital expenses	115	54,229	2,915	117
Deductible waived for hospital and surgical expenses	36	5,186	405	123
Total	1,245	230,354	14,874	116%
With full reimbursement of hospital expenses:				
Deductible applied to all expenses	295	121,826	8,449	110%
Deductible waived for hospital expenses	1,163	240,765	16,843	115
Deductible waived for hospital and surgical expenses	304	63,401	4,297	108
Total	1,762	425,992	29,589	112%
Total, All-Cause plans	3,007	656,346	44,463	113%
Dependent				
All-Cause plans:				
Without full reimbursement of hospital expenses:				
Deductible applied to all expenses	1,064	105,852	13,270	120%
Deductible waived for hospital expenses	111	36,285	3,894	117
Deductible waived for hospital and surgical expenses	36	3,687	523	117
Total	1,211	145,824	17,687	120%
With full reimbursement of hospital expenses:				
Deductible applied to all expenses	279	81,681	10,375	115%
Deductible waived for hospital expenses	1,086	157,323	19,604	109
Deductible waived for hospital and surgical expenses	267	38,080	4,923	111
Total	1,632	277,084	34,902	111%
Total, All-Cause plans	2,843	422,908	52,589	114%

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

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

TABLE 2
 COMPREHENSIVE MEDICAL
 NONJUMBO GROUPS
 RATIOS OF ACTUAL TO TABULAR CLAIMS
 1964-68 POLICY YEARS' EXPERIENCE BY PLAN

PLAN	RATIO OF ACTUAL TO 1965 TABULAR FOR POLICY YEAR ENDING IN:				
	1964	1965	1966	1967	1968
Employees					
<i>Nonmaternity:</i>					
All-Cause plans:					
Without full reimbursement of hospital ex- penses.....	100% 95	100% 100	110% 105	111% 111	123% 121
With full reimbursement of hospital expenses					
Total, All-Cause plans.....	96% 96	100% 100	106% 106	111% 111	123% 123
<i>Maternity:</i>					
Total, all plans.....	108% 108	98% 98	79% 79	96% 96	79% 79
Dependents					
<i>Nonmaternity:</i>					
All-Cause plans:					
Without full reimbursement of hospital ex- penses.....	97% 92	103% 100	114% 102	116% 110	125% 122
With full reimbursement of hospital expenses					
Total, All-Cause plans.....	93% 93	101% 101	106% 106	111% 111	122% 122
<i>Maternity:</i>					
Total, all plans.....	110% 110	102% 102	81% 81	84% 84	85% 85

TABLE 3—COMPREHENSIVE MEDICAL NONJUMBO GROUPS
NONMATERNITY EXPERIENCE BY REGION, STATE, AND METROPOLITAN AREA
EMPLOYEE AND DEPENDENT COMBINED 1966-68 POLICY YEARS' EXPERIENCE

Region,* State,† or Metropolitan Area	No. Experience Units‡	Years of Exposure‡	Actual Claims (000)	Ratio of Actual to 1965 Tabular	1965 Tabular Area Factor
<i>Total, all locations.</i>	3,407	664,666	98,791	113%	.....
New England States:					
Connecticut:	16	2,545	352	106%	96%
Bridgeport-Stamford-Norwalk	9	2,905	473	107	100
Hartford-New Britain-Bristol	11	1,315	177	91	96
New Haven-Waterbury	13	877	157	130	104
Total	49	7,642	1,159	106%	.....
Maine	25	8,935	1,471	113%	92%
Massachusetts:	36	3,117	450	102%	104%
Boston	38	3,214	457	93	108
Springfield-Holyoke					100
Total	74	6,331	907	97%	.....
New Hampshire	12	993	132	99%	92%
Rhode Island:					104%
Providence				§	104
Vermont				§	92%
Region	7	4,906	745	131%	100%
<i>Region total</i>	169	28,966	4,426	110%	.....
Middle Atlantic States:					92%
Delaware					92%
District of Columbia	29	5,834	842	117%	100%
New Jersey	30	9,371	1,332	110%	100%
New York:	80	7,000	1,066	111%	96%
Albany-Schenectady-Troy	15	2,215	420	127	96
Buffalo	8	557	46	76	96
New York-Northeastern New Jersey	202	28,045	4,436	113	108
Rochester	4	433	43	73	96
Syracuse	23	8,021	863	103	96
Total	332	46,271	6,874	111%	.....
Pennsylvania:	62	10,497	1,567	124%	80%
Allentown-Bethlehem-Easton				§	88
Philadelphia	22	2,216	255	99	92
Pittsburgh				§	100
Wilkes-Barre-Hazleton					88
Total	91	13,108	1,888	120%	.....

* 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	9	947	141	119%	100%
<i>Region total</i>	<i>491</i>	<i>75,531</i>	<i>11,077</i>	<i>113%</i>	
North Central States:					
Illinois	201	31,903	4,487	116%	92%
Chicago	169	46,865	6,164	104	100
Total	370	78,768	10,651	109%	
Indiana	73	15,144	2,093	120%	84%
Indianapolis	17	6,046	968	117	84
Total	90	21,190	3,061	119%	
Kentucky	17	1,946	238	94%	92%
Louisville	23	6,291	1,231	118	108
Total	40	8,237	1,469	113%	
Michigan	58	7,656	1,071	100%	100%
Detroit	18	2,608	451	116	116
Total	76	10,264	1,522	104%	
Ohio	45	12,632	1,545	109%	92%
Akron	3	702	107	97	96
Cincinnati	9	3,024	257	97	92
Cleveland				§	104
Columbus	7	4,700	825	115	92
Dayton				§	92
Toledo				§	92
Youngstown				§	92
Total	72	21,795	2,830	109%	
West Virginia	31	3,172	479	124%	88%
Wheeling-Steubenville				§	92
Total	32	3,825	495	125%	
Wisconsin	33	20,125	3,279	131%	92%
Milwaukee	16	2,044	346	120	100
Total	49	22,169	3,625	130%	
Region	25	9,506	1,593	121%	96%
<i>Region total</i>	<i>754</i>	<i>175,214</i>	<i>25,246</i>	<i>114%</i>	
Plains States:					
Iowa	40	5,447	800	107%	100%
Kansas	12	3,016	570	150%	100%
Minnesota	23	5,861	958	121%	96%
Minneapolis-St. Paul	30	3,066	394	104	108
Total	53	8,927	1,352	116%	

* 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.....	15	1,683	253	118%	92%
Kansas City.....	31	1,695	277	120	100
St. Louis.....	50	3,747	492	111	100
Total.....	96	7,125	1,022	115%	.....
Nebraska.....				§	92%
Omaha.....	17	1,745	286	114%	100
Total.....	26	2,034	316	114%	.....
North Dakota.....					92%
South Dakota.....				§	88%
Region.....	4	347	50	94%	100%
<i>Region total.....</i>	<i>234</i>	<i>27,031</i>	<i>4,127</i>	<i>117%</i>	.....
Mountain States:					
Colorado.....	12	6,310	1,219	124%	112%
Denver.....	16	9,560	1,936	127	120
Total.....	28	15,870	3,155	126%	.....
Idaho.....	9	720	125	128%	100%
Montana.....	14	1,279	181	120%	92%
Nevada.....	13	1,048	178	129%	120%
Utah.....	19	2,257	376	123%	96%
Wyoming.....				§	96%
Region.....					104%
<i>Region total.....</i>	<i>88</i>	<i>21,323</i>	<i>4,041</i>	<i>126%</i>	.....
Pacific States:					
California.....	172	22,529	3,562	110%	124%
Los Angeles.....	360	41,774	6,947	110	140
San Diego.....	37	5,782	843	112	136
San Francisco-Oakland.....	52	8,926	1,573	106	140
Total.....	621	79,011	12,889	109%	.....
Oregon.....	31	3,315	580	113%	100%
Portland.....	8	650	83	99	108
Total.....	39	3,965	663	111%	.....
Washington.....	31	4,382	708	112%	108%
Seattle.....	18	2,701	370	100	116
Total.....	49	7,083	1,078	108%	.....

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	18	4,854	882	116%	112%
<i>Region total</i>	<i>727</i>	<i>94,813</i>	<i>15,512</i>	<i>110%</i>	.....
Gulf States:					
Arizona	38	5,982	949	92%	116%
Arkansas	28	3,190	359	108%	84%
Louisiana	35	4,877	696	112%	100%
New Orleans	15	1,836	331	108	108
Total	50	6,713	1,027	111%	.....
New Mexico	19	1,761	201	102%	100%
Oklahoma	29	1,958	344	127%	104%
Texas	58	10,303	1,233	104%	108%
Dallas	15	680	70	107	120
Fort Worth			§		116
Houston	25	3,963	740	128	120
San Antonio	9	1,322	239	127	108
Total	109	16,396	2,299	113%	.....
Region	7	981	146	105%	100%
<i>Region total</i>	<i>280</i>	<i>36,981</i>	<i>5,325</i>	<i>108%</i>	.....
Southeastern States:					
Alabama	22	3,739	704	118%	108%
Birmingham	19	1,159	142	83	108
Total	41	4,898	846	111%	.....
Florida	46	7,216	907	108%	92%
Miami	16	1,434	216	120	116
Tampa	7	1,927	220	87	104
Total	69	10,577	1,343	105%	.....
Georgia	32	5,062	665	121%	88%
Atlanta	29	9,320	973	106	96
Total	61	14,382	1,638	112%	.....
Maryland	16	1,951	226	92%	84%
Baltimore	20	2,243	323	114	92
Total	36	4,194	549	104%	.....
Mississippi	8	705	117	156%	100%
North Carolina	29	3,368	369	95%	96%
South Carolina	30	3,092	447	115%	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.....	25	4,337	769	155%	96%
Knoxville.....				§	104
Memphis.....	24	3,044	449	112	108
Total.....	52	7,632	1,262	135%	.....
Virginia.....	62	16,625	2,075	124%	84%
Norfolk-Portsmouth.....	12	930	113	103	92
Total.....	74	17,555	2,188	123%	.....
Region.....	19	3,978	540	118%	92%
<i>Region total.....</i>	<i>419</i>	<i>70,381</i>	<i>9,299</i>	<i>115%</i>	<i>.....</i>
Hawaii.....	14	676	67	80%	100%
Alaska.....	9	728	101	83%	132%
<i>Total, states and regions.....</i>	<i>3,185</i>	<i>531,644</i>	<i>79,221</i>	<i>113%</i>	<i>.....</i>
<i>All others||.....</i>	<i>222</i>	<i>133,022</i>	<i>19,570</i>	<i>113%</i>	<i>.....</i>

|| Less than 75 per cent of employees in one region, state, or metropolitan area.

mitted, contributing companies used state and region codes in those instances where it was not known whether 75 per cent of the covered employees 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.