Washington's Changing Economy

Illness: Less A Financial Hazard Today

By Philip S. Brown

TWO months ago, a custodial worker that the writer had known for many years died after eight months of illness. His medical bills in this short period were about $8,500, equal to 2½ years' wages.

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About $5000 of these expenses were met by hospitalization and surgical insurance and another $2500 by insurance against major medical bills over and above those covered by Blue Cross and Blue Shield. (Premiums on the latter insurance had been paid by his employer).

During the entire illness, he received his weekly wage of $70. First he drew upon his sick and accumulated annual leave and then was given extended sick leave. At death, his family received a $3000 benefit provided by a group life-insurance policy carried by his employer.

This degree of financial protection against sickness isn't typical. Nor is it unusual. But 25 years ago, it would have been.

Group Hospitalization enrolled its first members in 1934, at a time when there were few Blue Cross Plans in effect anywhere in the country and few actuarial data for estimating costs. Today there are about 740,000 members in the Washington area. Of these, 645,000 also subscribe to Blue Shield, which is administered by Group Hospitalization. Blue Shield covers, in part, doctors' bills for surgical and maternity care.

Another 22,000 belong to Group Health. This association is more than an insurance society. It has its own doctors, nurses, technicians and splendidly equipped clinics. Operating on a prepayment basis, members are entitled to complete day-to-day medical care, as well as hospitalization and surgery, regardless of actual costs. Except for nominal X-ray fees and laboratory charges, a family with three or more children gets full medical care for $18 a month. For an additional sum, members can subscribe to Group Health's Dental Plan, which includes complete preventive care as well as oral treatment.

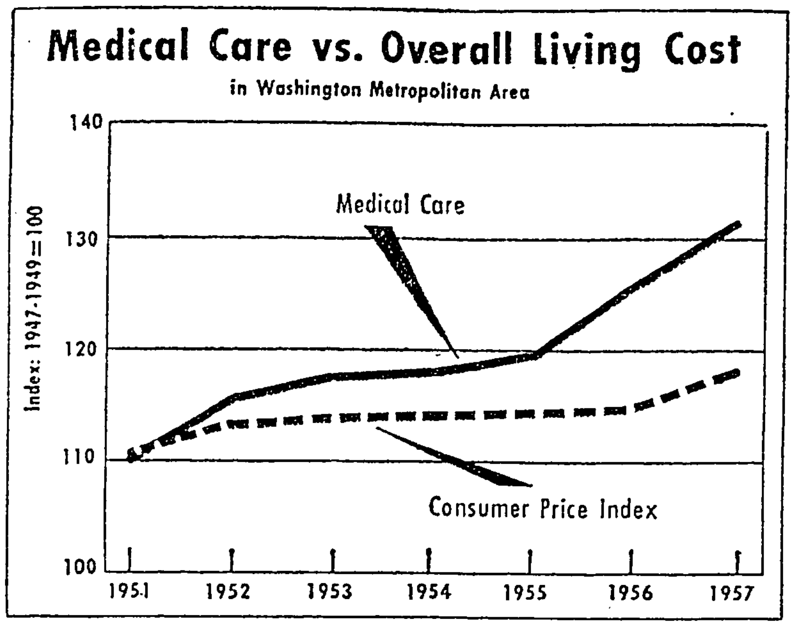
Two Out of Five Insured

NEARLY two out of five Washington-area residents belong either to Group Health or Group Hospitalization. Many of them carry other insurance against sickness and accident.

Most workers not self-employed are covered by Workman's Compensation insurance. If injured at work, they can file claims for medical expenses, benefits up to $54 a week for loss of wages and, if permanently disabled, for further compensation . . . Last year, nearly 10,000 in the District who lost time from work injuries received compensation.

Beginning in 1957, workers 50 to 65 years of age became eligible for Federal disability benefits, if covered by Social Security. Those totally disabled can apply for benefits up to $108.50 a month.

How much additional protection is provided by other health and accident policies is not known. But this kind of insurance has been increasing rapidly. Health insurance benefits paid by life insurance companies in all United States were four times greater in 1956 than in 1948.



New types of health and accident policies are being devised daily. Coverages are being extended. Group Hospitalization is experimenting with a type of unlimited medical coverage to provide for chronic disease and long-term disability. Bills have been introduced into Congress to provide Government employes with protection against major-medical expenses, as well as the "basic-type" coverage; they differ mainly with respect to the amount the Government would contribute for such insurance . . . The Transit Workers Union is considering plans for establishment of a diagnostic and treatment center—The Laborers Union already has a clinic of its own—and other labor groups in Washington, as elsewhere, continue to press for more preventive care and greater benefits in case of disability.

Nine Claims for Single Case

MANY persons are covered several times over for medical expenses, and it is not unusual for one who has been hospitalized to be compensated twice for the same expense. It is reported, that a Richmond man filed nine, presumably valid, claims for the same hospital bill.

Carrying a lot of policies covering the same hazards is expensive. The chances of making money in this way may be a little better than by playing the horses. But it's not as much fun. If one can arrange to be hospitalized to have a mole removed—or for some other non-accidental sicknes or injury—the chances may be better. But this takes more guile than most honest horse fans possess.

One notable result of health insurance is better medical care. If one's hospital expenses are covered by insurance, there is less reluctance to go to a hospital when the doctor recommends, instead of waiting until it is imperative. Because of this and because patients are urged today to get up and about sooner, the average hospital stay is very much less than it was 15 or 20 years ago. In 1956, it was less than seven days.

This is fortunate. Otherwise the cost of hospitalization insurance would have risen in proportion to hospital expenses per patient-day.

Expenses of 14 nonprofit District hospitals in providing short-term care averaged $29.19 per patient last year. This is $10 more than in 1950. Moreover, during the past year there has been a further rise and most hospitals have again increased their charges.

This increase of more than 50 per cent since 1950 far exceeds the 15 per cent rise in consumer prices generally.

Hospital Staffs Enlarged

ONE reason for the steep rise is that hospital staffs grew as as the employes' work week contracted. The private short-term hospitals now have an average of five employes, for every two patients.

In 1947, the expense per patient day averaged only $9.87. The employe's work week was longer and there were only three employes for every two patients. Also hospital overhead was less.

Medical expenses make up about 5 per cent of consumer expenditures. But for some families they are 10 or 20 per cent. The greater rise in the cost of medical care, therefore hits some families harder than others. Families with an unusual amount of sickness are doubly afflicted. Moreover, if such sickness results in loss of income, they are triply afflicted.

Earning Power Is Chief Asset

THE GREATEST financial risk of most families is the risk that the family head may be permanently disabled. Such a disaster can impose a great burden of care and may result in the loss of all income.

The chief asset of the husband of a family with small children is his ability to earn $100,000 or $200,000 over a period of 30 or 40 years. Most young couples have little net worth. The husband's equity, if any, in a company pension plan is usually too small to provide much income in case of retirement due to disability.

In view of the great number of serious accidents and illnesses that occur daily, this major asset—the ability to work until retirement—is the one that needs protection. A heart attack or a dozen other diseases can without warning rob one of the ability to work for many years—maybe for the rest of his life.

Why then do people insure against the minor hazards and neglect this major hazard?

One reason is that many labor groups have preferred to bargain first for preventive medicine and limited hospitalization benefits. There is a feeling that major-medical insurance is for the rich man, who has to pay big doctors' and nursing bills. Such insurance for the poor man, it is argued, would simply enable him to pay for services he would otherwise get free.

Maybe the labor leaders are right. Minor hazards have a way of growing into major setbacks, unless provided for. A minor illness, not diagnosed and attended, may become a serious one. A large financial debt can result from the accumulation of many small medical bills, as well as one major and sudden illness.

Another reason, of course, is that insurance policies providing adequate income for life in case of permanent disability are very expensive.