

# COSTS AND BENEFITS UNDER PREPAYMENT MEDICAL-SERVICE PLANS

LOUIS S. REED\*

*Because of many inquiries addressed to the Division of Health Studies concerning voluntary prepayment plans for medical services, information available to the Bureau of Research and Statistics on a number of actual or proposed services has been formulated in the following article. The plans and proposals here included do not indicate all types of voluntary arrangements for the prepayment of medical service, nor are they necessarily a representative selection. They illustrate various types of plans in which there is active current interest. Comparison of the provisions of these plans must be made only with regard to their differences in scope, coverage, organization, administration, and charges.*

IN RECENT YEARS in this country there has been a rapid development of plans for the purchase of medical care on a prepayment or insurance basis, i. e., plans whereby the subscriber, in return for a fixed charge paid periodically, is entitled to such medical care as he may need. Of the many varieties and types of prepayment plans, those which have had the most rapid and widespread development are the nonprofit community-wide plans of hospital-care insurance. These plans—which were virtually nonexistent 8 or 10 years ago—have now been established in some 60 communities and report more than 4.5 million subscribers.<sup>1</sup> Prepayment or insurance plans providing the services of physicians, alone or in conjunction with hospitalization or other forms of medical care, have thus far had a distinctly slower growth. However, both the public and the medical profession are now displaying keen interest in these latter plans, and it is highly probable that the next few years will witness a rapid development of such plans.

This article brings together summary descriptions of 35 existing or projected prepayment plans providing physicians' services, either alone or in combination with other forms of medical care. The primary purpose of this compilation—aside from the interest which attaches to such descriptions in themselves—is to shed light on the per capita cost of furnishing medical service to representative populations. For each of the plans, data are given to show either the monthly charges

considered necessary to provide subscribers with specified medical-service benefits or the average annual cost incurred per covered person in furnishing stated types of medical services.

Since the plans selected for presentation have been restricted to those which furnish physicians' services either alone or in combination with other forms of medical care, examples of the nonprofit community-wide plans of hospital-care insurance, which furnish hospital care only, are not included. The compilation is also restricted to plans serving average population groups; thus it does not include examples of plans such as university health services, which provide medical care to students on a prepayment basis. It also excludes the many varieties of medical-expense indemnity insurance, i. e., insurance which *in fact* pays a cash benefit to the subscriber or policyholder by way of reimbursement for medical expenses incurred. With one exception the plans described are all of a voluntary character, that is to say, subscription is not obligatory by law.

For convenience of comparison, the 35 plans have been grouped under five heads—according to the characteristics of the groups sponsoring or establishing them—as follows: A. Private Group-Clinic Plans; B. Medical-Society Plans; C. General Consumer-Sponsored Plans; D. Company or Employee Medical-Service Plans; and E. Farm Security Administration Plans.

A. *Private Group-Clinic Plans.*—Under this head have been placed the plans organized and operated by physicians who practice as a group and who provide their services to subscribers for a fixed monthly payment. The total number of plans of this type is small, and altogether they probably render service to about 100,000 people.

\*At the time this study was made the writer was with the Division of Health Studies, Bureau of Research and Statistics of the Social Security Board. He is now with the Division of Public Health Methods, National Institute of Health, United States Public Health Service.

<sup>1</sup>Rorem, C. Rufus, *Non-Profit Hospital Service Plans*, American Hospital Association, Chicago, January 1910.

**B. Medical-Society Plans.**—In this group are placed examples of proposals or plans established or sponsored by State or local medical societies. A characteristic feature of all these plans is that all the physicians in the community, or all who belong to the medical society, may participate in the plan if they choose, and subscribers are entitled to free choice among all participating physicians. The first plans of this type were established by local medical societies in the States of Washington and Oregon in 1931–33 and immediately succeeding years; until recently they stood alone. Within the last year and a half a considerable number of local and State medical societies scattered over the country have announced intentions of establishing plans similar to those in Washington and Oregon. At least one of these new plans has been placed in operation. The total number of medical-society plans now operating is small, and it is doubtful whether service is being provided under them to more than 100,000 people.

In this article ten representative medical-society plans are described, of which six are now in operation. Of the remaining four plans, one is called a plan for medical-expense indemnity insurance. Nevertheless the plan proposes to furnish medical service *in kind* to subscribers, and the insuring organization would directly remunerate the physicians rendering the services, each service to be paid for on a scheduled unit-fee basis. The plan accordingly does not differ in these respects from other prepayment medical-service plans, and the name "medical-expense indemnity insurance" would seem a misnomer.

**C. General Consumer-Sponsored Plans.**—Under this head are given examples of plans organized or controlled by consumer groups, not including groups organized on the basis of employment by a particular company or establishment, or employer-sponsored plans. General consumer-sponsored plans, as here defined, would include a wide variety of plans, many of them of long standing—such, for example, as those organized by fraternal associations and lodges. An accurate estimate of the number of these plans or of the number of persons served by them cannot be made. Six examples of general consumer-sponsored plans are given here. Two of these have not yet been placed in operation; the others are all of relatively recent origin. The examples cited here therefore represent, in general, recently organized types of

general consumer-sponsored plans rather than consumer plans of long standing.

**D. Company or Employee Medical-Service Plans.**—A considerable number of prepayment medical-service plans have been established to provide medical care to the employees of particular establishments and sometimes to the dependents of these employees. Generally these plans are organized and established in the first instance by the management, and usually the management administers the plan; however, in some instances employees have achieved a considerable measure of control. There are a few cases of company medical services in which the whole cost of the care provided is borne by the company itself. Whether such plans should be considered prepayment plans is perhaps debatable; nevertheless the experience under such plans can throw light on the cost of furnishing medical care on a prepayment basis, and for that reason a description of one plan wholly financed by the employer is included. The general rule in company or employee medical-service plans, however, is that the employees bear part or all of the cost through periodic contributions in the form of payments deducted from pay. Sometimes participation in these plans is optional with the employee; in many cases, however, the plan is compulsory in that participation is made a condition of employment.

Many company or employee medical-service plans are of long standing; they are found most commonly among railroads and mining companies. It is probable that today between 1 and 2 million individuals obtain all or most of their medical care through plans of this character.

Ten examples of company or employee medical-service plans are given. It is difficult to say how representative these are of plans of this type. For the most part the examples were selected because they were thought to be significant illustrations and because cost data were available. The ten examples include one plan (that established for employees of the city of San Francisco) wherein participation of the employees is compulsory by law—probably the only plan of such character now existing in the United States.

**E. Farm Security Administration Plans.**—Since 1936 the Farm Security Administration (formerly the Resettlement Administration) has promoted

the establishment of what are in effect prepayment medical-service plans among low-income farmers. Such plans now exist in more than 400 districts, areas, or communities and provide care to more than 300,000 individuals. Generally, participation in these plans is restricted to farm families who are receiving or have received aid in the form of loans from the Farm Security Administration. These plans differ from all the others described in that they are designed primarily for families who are not or have not been entirely self-supporting. Generally, the physicians participating in these plans are asked to accept remuneration at reduced fees because of the low incomes of the populations served. Five representative examples of Farm Security Administration plans are given. The author is indebted to the office of the Medical Director of the Farm Security Administration for the selection of these plans and for the descriptions given.

The remainder of this article consists of short descriptions of each of the 35 plans. Each description is designed, within the limits of available space, to give the reader an understanding of the essential nature of the plan, and of the cost or charges and the benefits provided. In most instances the information has been obtained through correspondence.

No analysis or generalization with respect to the cost of furnishing medical service is here attempted. In interpreting these data, the reader is cautioned to remember that the cost of furnishing medical care to any population group varies greatly with the composition of the group with respect to age, sex, race, employment status, economic status, basis of selection, and many other factors.

Unless otherwise mentioned, none of the plans provide care in workmen's compensation cases or institutional care for cases of mental disease, tuberculosis, alcoholism, or drug addiction.

#### **A. Private Group-Clinic Plans**

##### **I**

*Name:* Civic Medical Center.

*Location:* Chicago, Illinois.

*Sponsor:* Private group of physicians.

*Coverage:* About 1,300 subscribers (November 1939). The Center also serves individuals on a fee-for-service basis.

*Cost or charges:* \$2 a month for single persons, \$3 for man and wife (if both fully employed, \$2 each), \$4 for a man and wife and all dependent children; extra charge for home calls during the day of \$1 within city limits and \$2 outside city limits and within a 15-mile radius of the Center; night calls \$2 and \$3. These are new rates applying to subscribers enrolled after October 1, 1939. Rates for persons enrolling before that date were: single person, \$1.50 a month; \$2.50 for family membership including all blood relatives dependent on subscriber.

*Medical services provided:* Physicians', specialists', and surgeons' services, X-rays, laboratory tests, and part of the costs of hospitalization. The subscriber must pay \$3 for each day of care and is entitled to semiprivate accommodations, use of operating room, anesthesia, ordinary drugs, X-rays, and laboratory tests.

*Organization of medical service:* Private group clinic. The group operates as a partnership to which all or most of the medical staff belong.

##### **II**

*Name:* Milwaukee Medical Center.

*Location:* Milwaukee, Wisconsin.

*Sponsor:* Private group of physicians.

*Coverage:* About 3,500 subscribers and their dependents; a total of 10,000 persons (December 1939). Center also serves individuals on a fee-for-service basis.

*Cost or charges:* \$1 a month for a single person, \$2 for man and wife, and \$3 for a family, including all children under 21.

*Medical services provided:* Physicians' services in office, home, and hospital; laboratory and X-ray services. Exclusions: hospitalization, nursing, and drugs.

*Organization of medical service:* Private group clinic, salaried staff. Group is owned by five partners, all physicians; other members of medical staff receive share of profits in addition to salaries.

##### **III**

*Name:* Ross-Loos Medical Group.

*Location:* Los Angeles, California.

*Sponsor:* Private group of physicians.

*Coverage:* About 23,000 members and 40,000 dependents; a total of 69,000 (November 1939).

*Cost or charges:* \$2.50 a month per member for

members joining in groups; \$3 for those joining as individuals. This payment does not cover dependents, except that dependents may obtain medical services at special low costs, i. e., 50 cents for an office call, \$1 for a home call, and proportionate charges for other services except hospitalization, which must be paid for at regular rates.

*Medical services provided:* Complete physicians' services, including X-rays, laboratory services, physiotherapy, etc.; hospitalization (ward accommodations), including all usual hospital services for a maximum of 90 days in any 1 year; all prescribed medicines. Exclusions: hospitalization in obstetrical and in venereal disease cases.

*Organization of medical service:* Private group clinic, salaried staff. Clinic is owned by 18 partners, all physicians; other members of medical staff receive share of profits in addition to salaries.

#### IV

*Name:* Trinity Hospital.

*Location:* Little Rock, Arkansas.

*Sponsor:* Private group of physicians.

*Coverage:* About 2,500 employed persons and their dependents; a total of 5,508 persons (Aug. 1, 1939). Group also serves individuals on a fee-for-service basis.

*Cost or charges:* Group subscribers: \$2 a month for a single person, \$4.50 for a family. Nongroup subscribers: \$2.50 for a single person, \$5 for a family.

*Medical services provided:* Physicians' services in the office and hospital, X-rays, laboratory services; hospitalization (semiprivate accommodations) for a maximum of 6 weeks in any 1 year. Necessary nursing care in the hospital; ordinary drugs used in treatment of patient in the office or hospital. Home calls at a special charge of \$2 during the day and \$4 at night. Exclusions: eye cases, venereal disease cases.

*Organization of medical service:* Private group clinic, salaried staff. Group is owned by four partners, all physicians; other members of medical staff receive share of profits in addition to salaries.

#### B. Medical-Society Plans

#### V

*Name:* Associated Medical Services, Inc.

*Location:* Toronto, Ontario.

*Sponsor:* Ontario Medical Society.

*Coverage:* 11,000 subscribers (October 1939), and growing at the rate of 800 new subscribers a month.

*Cost or charges:* Subscribers, \$2 a month; first dependent, \$1.75 a month; second dependent, \$1.50; third dependent, \$1.25; fourth and each additional dependent, \$1. Dependents include wife or husband of subscriber, and children under age of 21 who are not in receipt of incomes exceeding \$7 a week.

*Medical services provided:* Services of participating physicians in office, home, and hospital, including consultations, surgery, and X-rays; semiprivate hospital care at cost not to exceed \$3.50 a day, plus cost of anesthesia and use of operating room; medicines while in hospital at average cost not to exceed 50 cents a day; all necessary nursing; care in childbirth after patient and husband have been members for 10 months. Maximum cost of service to a subscriber or dependent not to exceed \$800 in a contract year.

There is a 2-month waiting or probationary period. Tonsil and adenoid operations provided only after year of membership.

*Organization of medical service:* Subscriber has free choice of participating physicians; i. e., all registered medical practitioners in Ontario who accept conditions of participation, including payment according to fee schedule adopted by the Ontario Medical Association.

#### VI

*Name:* California Physicians' Service.

*Location:* California; headquarters in San Francisco.

*Sponsor:* California State Medical Association.

*Coverage:* Present number of subscribers, 8,000 (Feb. 15, 1940). Plan is open to employed persons earning \$3,000 or less a year. Coverage not yet extended to dependents.

*Cost or charges:* The plan covering physicians' services is offered in conjunction with hospitalization insurance provided by three nonprofit associations in the State. The combined charge for both services is \$2.50 a month or \$2 a month if the subscriber assumes the costs of the first two visits of a physician in any illness or injury. Of the combined charge, \$1.70 or \$1.20, respectively, goes to the medical-service plan and 80 cents to

the hospital-service plan. Subscription to either service may be obtained separately.

*Medical services provided:* The medical-service plan provides complete physicians' care including laboratory and X-ray services (not more than 1 year's service for any one illness or injury). Herniotomy, tonsillectomy, adenoidectomy, and nasal septum operations not provided until member has been enrolled for at least 12 months; service with respect to pregnancy, childbirth, or miscarriage not provided until member has been enrolled for 24 months. The hospital-service plans provide hospitalization (semiprivate accommodations) for a maximum of 21 days in any one illness.

*Organization of medical service:* Subscriber has free choice of all licensed physicians in the State who participate. More than 5,000 physicians have agreed to provide their services under the plan. California Physicians' Service is distinct and separate both financially and administratively from the hospital-service plans. However, to facilitate promotion and the collection of dues, both are sold together, and the subscriber may pay for both services by a single payment or payroll deduction.

## VII

*Name:* Hawaii Medical Service Association.

*Location:* Honolulu, Hawaii.

*Sponsor:* Honolulu County Medical Society.

*Coverage:* Employed persons with incomes of \$300 a month or less; about 1,000 members (March 1939).

*Cost or charges:* \$3 a month.

*Medical services provided:* Physicians' care in the office, home, and hospital (if the member uses more than \$20 in office and home calls within the first 6 months, he is required to pay half the cost of such calls during the balance of his membership year); laboratory and X-ray services (not to exceed \$35 in any 1 year); hospitalization for 21 days at a cost of not more than \$4.50 a day for room and board; medical drugs, supplies, and dressings, not to exceed \$15 in any 1 year; private-duty nursing for a maximum of 21 days. Total medical benefits<sup>2</sup> are limited to \$300 in the first year, and if the service received in the first year does not exceed \$10, the limit will be increased to

<sup>2</sup> Bureau of Medical Economics, American Medical Association, *Organized Payments for Medical Services*, Chicago, 1939, p. 118.

\$350 in the second year. Exclusions: prenatal and obstetrical care, eye refractions, eyeglasses.

*Organization of medical service:* Members have free choice among physicians who are members of the Honolulu Medical Society. The fee schedule is based on schedule submitted by medical society and comprises ordinary fees of doctors.

## VIII

*Name:* King County Medical Service Corporation.

*Location:* Seattle, Washington.

*Sponsor:* King County Medical Society.

*Coverage:* About 35,000 employed persons (1939); only employees earning less than \$1,800 annually are eligible. Group coverage through contract with employer.

*Cost or charges:* From \$1.25 to \$1.75 a month, depending upon make-up of group of employees, nature of industry, etc.

*Medical services provided:* Medical and surgical care for not more than 26 weeks for any one illness or accident; hospital and nursing care in hospital for not more than 26 weeks; dental examinations and X-rays when necessary for medical diagnosis; X-rays; orthopedic appliances. Exclusions: obstetrical cases; conditions requiring use of radium or deep X-ray except on authorization of medical director; venereal diseases and diseases peculiar to sex; tuberculosis, diabetes, and cancer; chronic diseases; however physicians shall treat acute conditions of chronic ailments other than those named above.

*Organization of medical service:* Subscriber has free choice of participating physicians.

## IX

*Name:* Medical and Surgical Care, Inc. (proposed plan).

*Location:* Utica, New York.

*Endorsers:* Local county medical, osteopathic, and homeopathic societies and academies of medicine. Plan not yet in actual operation; subscribers are being enrolled but medical service is not yet being given (Mar. 2, 1940).

*Coverage:* Enrollment open to employed persons and their dependents. No income limits.

*Cost or charges:* Two plans are offered, Plan I providing physician's, surgeon's, or osteopath's care in the office, home, and hospital; Plan II providing physician's care in hospitalized illnesses

only. Charges under Plan I are \$1.40 a month for employed subscriber, \$1.15 for spouse and each dependent from 16 through 18 years of age, and 75 cents for one or more children under 16, regardless of number. The analogous charges under Plan II are 80, 75, and 60 cents. Under Plan I, during the first contract year the first \$6 of care per family is to be paid by the subscriber; subsequently the cost of the first two home or office calls in each separate illness is also to be paid by the subscriber. Under Plan II, the first \$10 of expense per family in any 1 contract year is paid by the subscriber when hospitalized. In both plans subscribers must pay the added fee usually charged by physicians for home calls made after 10 p. m.

*Medical service to be provided:* Under Plan I, physician's, surgeon's, or osteopath's care in the office, home, or hospital and X-rays and laboratory services, subject, however, to the following cost limitations: value of care given is not to exceed \$225 for one person, \$325 for two, \$425 for a family; calls in office, home, or hospital not to exceed \$75 for each person not including maternity and surgical after-care; X-ray diagnosis, \$50 each person; X-ray therapy (including radium treatments), \$50 each person; laboratory examinations, \$35 each person; allergy tests and treatments, \$100 and one-half the cost to be paid by the subscriber; physiotherapy, 30 treatments, one-half the cost to be paid by the subscriber; surgery, \$225 each person.

Under Plan II, physician's services in hospitalized illnesses, subject, however, to the same over-all limitations as under Plan I and to the following, for each person enrolled: anesthesia services, \$25; physician's calls in hospital, \$40 not including maternity or surgical after-care; physician's calls in home or office within 30 days after discharge from hospital, \$20; X-rays and radium treatments, \$25; laboratory examinations in the hospital, \$25; surgery, \$225.

*Exclusions:* Services for conditions, disease, or ailment existing at time of enrollment; maternity and prenatal care and care in hernias and tonsillectomies within 10 months of enrollment.

*Organization of medical service:* Subscriber to have free choice of participating physicians, and may also receive service from nonparticipating physicians who will be paid two-thirds of the participating physician's fee. Subscription to the

plan is offered in conjunction with Hospital Plan, Inc., with home office in Utica.

## X

*Name:* Michigan Medical Service, Inc. (proposed plan).

*Location:* Michigan.

*Sponsor:* Michigan State Medical Society.

*Coverage:* Plan not yet in operation. To be open to single persons with incomes under \$2,000 and families with incomes under \$2,500.

*Cost or charges (tentative):* \$2 a month for individual subscribers, \$3.50 for husband and wife, and \$4.50 for a family.

*Medical services to be provided:* Complete physicians' services in office, home, and hospital; laboratory, anesthesia, and X-ray services; obstetrical care after 12 months of membership; for tuberculosis, venereal diseases, cancer, and nervous and mental conditions, medical service limited to that necessary to establish diagnosis. Subscriber must bear directly first \$5 of cost of services received in each year. The value of services which subscribers may receive in any 1 subscription year is not to exceed \$325 for a single subscriber, \$550 for man and wife, and \$875 for a family.

*Organization of medical service:* Subscriber to have free choice of physicians who care to participate under the terms laid down.

## XI

*Name:* Multnomah Medical Service Bureau.

*Location:* Portland, Oregon.

*Sponsor:* The Bureau, although owned by its member physicians numbering more than 200, is controlled by the Multnomah County Medical Society. The latter appoints the board of directors of the Bureau. Any member of the local medical society may become a member of the Bureau.

*Coverage:* More than 14,000 employed persons (November 1939). The "objective" is to limit subscription to employed persons earning less than \$1,800 a year. Group coverage through contract with employer, who deducts dues from pay; dependents of employees not covered.

*Cost or charges:* Varies with composition and size of employee group.

*Medical services provided:* All necessary medical, surgical, and hospital care (ward accommoda-

tions). Hospital care limited to 6 months for any one illness; medical service limited to 1 year for any one illness or injury; dental X-rays and extraction of teeth; special nursing in hospital when required; prescribed drugs. Exclusions: service not provided in pregnancy or childbirth or in conditions arising therefrom, in venereal diseases, or in cases of allergy or pyorrhea.

*Organization of medical service:* Subscriber has free choice among the member physicians of the Bureau.

## XII

*Name:* Mutual Health Service (proposed plan).<sup>3</sup>

*Location:* Washington, D. C.

*Sponsor:* Medical Society of the District of Columbia.

*Coverage:* Plan not yet in operation (February 1939). Enrollment open to employed persons and their dependents in the District of Columbia with incomes of \$2,000 or less for single persons, \$2,500 or less for husband and wife, and \$200 additional for each dependent. Plan to be placed in operation when 5,000 persons have enrolled. Office opened to receive applications July 1, 1939.

*Cost or charges:* Single person, \$1.50 a month; husband and wife, \$2.50; family, including all dependent children under 21, \$3.50.

*Medical services to be provided:* Physicians' services in the office, home, and hospital; laboratory and X-ray services. The subscriber (individual or family) must pay directly for the first medical services rendered in any 1 year up to the amount of \$6. The value of services which subscriber may receive is not to exceed \$250 for a single person, \$350 for husband and wife, and \$450 for a family in any 1 contract year.

*Organization of medical service:* Subscriber to have free choice of physicians who care to participate under the terms laid down.

## XIII

*Name:* Physicians' and Surgeons' Hospital Association.

*Location:* Salem, Oregon.

*Sponsor:* The Association is owned and controlled by its member physicians. Membership is open to all local physicians. The organization,

<sup>3</sup> While the Bulletin was in press, the Medical Society of the District of Columbia announced, as of April 3, that the plan will be held in abeyance "until a sufficient number of employees voluntarily subscribe."

though not established by the local medical society, has the latter's approval.

*Coverage:* About 5,000 employed persons (June 1939). Only employees with low or moderate incomes are accepted.

*Cost or charges:* \$2 a month.

*Medical services provided:* All necessary medical and surgical treatment for maximum of 1 year for any one illness or injury; ward hospitalization for maximum of 6 months; required special nursing for not more than 30 days in any one illness or injury; prescribed drugs, dental extractions. Exceptions: pregnancy and obstetrical cases; venereal diseases; conditions peculiar to sex.

*Organization of medical service:* Subscriber has free choice among member physicians of Association.

## XIV

*Name:* Western New York Medical Plan, Inc. (a proposed plan of medical-expense indemnity insurance).

*Location:* Erie, Allegany, Cattaraugus, Chautauqua, Genesee, Niagara, Orleans, and Wyoming counties in western New York. The headquarters of the plan is in Buffalo.

*Sponsor:* The medical societies of these counties.

*Coverage:* The plan has received a permit to do business but has not yet (February 1940) been licensed. To be open to employed persons and their dependents: single persons with annual incomes of less than \$1,800, husband and wife with incomes under \$2,500, and families with incomes under \$3,000.

*Cost or charges:* Single persons, \$18 a year; husband and wife, \$26; family, including husband, wife, and all unmarried children under 19 years of age, \$30.

*Medical services to be provided:* The services of participating physicians in the office, home, and hospital. Subscribers (individuals or families) must pay directly the first \$10 for home and office calls in any contract year in medical but not surgical cases. The value of service which subscribers may receive (or, in the language of the plan, "the amount of indemnification and reimbursement") is not to exceed \$200 for a single subscriber, \$300 for subscriber and spouse, and \$400 for a family in any 1 contract year.

The language of the plan runs in terms of indemnification or reimbursement to the subscriber

for medical costs incurred. However, "in order to make sure that the physician receives such moneys so payable to the subscribing member under his contract," the corporation is authorized by the subscriber in his contract to pay the physician directly any such sums due him, the subscriber thereby being relieved of financial obligation for his physician's bill. Physicians participating in the plan agree to accept remuneration for their services in accordance with a unit schedule and to have all bills paid by the corporation on a pro rata basis.

Exceptions: services for which "reimbursement" will not be given during the first year include elective operations and treatment for any condition arising from pregnancy or childbirth. Treatment of venereal disease acquired as a venereal infection during the first 11 months of the contract will not be "reimbursed." Excluded from the contract of "reimbursement" are: services rendered in connection with any ailment or physical condition arising from the use of drugs or alcohol; diagnostic investigation or study not founded on clinical evidence of disease or injury; treatment of any congenital defect except in the newborn and then only when the subscriber holds a family contract; services rendered to individuals who have had prior to, or have at the time of their application for, membership, cancer, diabetes, osteomyelitis, tuberculosis, chronic nephritis, or coronary thrombosis; or treatment of any ailment or condition known by the subscriber to exist when application was made.

Costs of treatment of functional nervous and mental diseases in excess of \$50 in any contract year must be paid by the subscriber. When obstetrical care is given by a specialist—a physician whose practice is limited solely to obstetrics—the subscriber must pay the difference between the \$50 allowed by the corporation and the specialist's fee.

The plan does not cover nursing fees, drugs, appliances, or hospital care. Under the New York law, indemnity for costs of hospital care may not be provided by corporations organized to furnish medical-expense indemnity.

*Organization of medical service:* The subscriber is to have free choice of physician who agrees to participate as an underwriting member of the plan.

### C. General Consumer-Sponsored Plans

#### XV

*Name:* Douglas County Cooperative Health Association (proposed plan).

*Location:* Superior, Wisconsin.

*Sponsor:* Independent cooperative association in conjunction with Douglas County Medical Society, acting with approval of Wisconsin State Medical Society.

*Coverage:* Plan not yet in operation. It is intended to place plan in operation as soon as a sufficient number of people have enrolled. The Cooperative Health Association now has 162 members (individual or family units) including 400 individuals (November 1939).

*Cost or charges:* \$1.50 a month for a single person, \$2.25 for husband and wife, and \$2.90 for family.

*Medical services to be provided:* Physicians' services, including X-rays and laboratory services. Exclusions: treatment of venereal disease.

*Organization of medical service:* Members have free choice of participating members of county medical society.

#### XVI

*Name:* Farmers' Union Cooperative Hospital Association.

*Location:* Elk City, Oklahoma.

*Sponsor:* Independent cooperative association.

*Coverage:* 1,000 subscribers to the prepayment plan; about 3,800 persons covered, including dependents (December 1939).

*Cost or charges:* Members of the prepayment plan pay annual dues as follows: one person, \$12; two persons, \$18; three persons, \$22; four or more persons, \$25. These rates apply to husband and wife and all unmarried children living at home. Other dependents living in the household are included if the family group consists of four persons or less; otherwise such dependents pay \$6 a year.

*Medical services provided:* These dues entitle members to physicians' services, laboratory services, X-rays, and hospitalization (semiprivate accommodations), subject to the following extra charges: physicians' home calls, \$1 each plus 25 cents a mile one way; hospitalization, \$2 for each day of care plus charges for anesthesia and use of



operating room of \$20 in major operations and \$10 in minor operations and obstetrical cases; X-rays, \$3 first picture, \$2 each for additional pictures. Members are entitled to X-ray of teeth and extractions without charge and to other dental services at low cost, e. g., cleaning \$1, ordinary fillings \$1.

*Organization of medical service:* Salaried staff. The medical staff receives 75 percent of the dues for their services to members.

## XVII

*Name:* Greenbelt Health Association.

*Location:* Greenbelt, Maryland.

*Sponsor:* Independent cooperative association, unincorporated.

*Coverage:* Approximately 275 families (November 1939).

*Cost or charges:* \$1 a month for single persons, \$1.50 for a couple, \$2 for a family.

*Medical services provided:* General practitioners' care; however, there are extra fees for first home call in an illness (50 cents during day, \$1 at night), obstetrical cases (\$25), and for certain other services such as tonsillectomies and minor surgery.

*Organization of medical services:* Service given by three salaried physicians who also engage in private practice.

## XVIII

*Name:* Group Health Association, Inc.

*Location:* Washington, D. C.

*Sponsor:* Originally Home Owners' Loan Corporation, now independent.

*Coverage:* Approximately 2,350 Federal employees and their dependents; a total of about 5,450 persons (December 1939).

*Cost or charges:* Member, \$2.20 a month; wife or husband of member, \$1.80; all children under 18, \$1; children 18-21, \$1 each; dependents over 21, \$2.20. Extra charges: \$1 for first home call in any one illness; \$25 for delivery. If a chronic ailment develops within the first 3 years of membership, the member is required to pay that part of the cost of services received for the chronic illness in question which is in excess of one-half of all dues paid by the member to date.

*Medical services provided:* Physicians' services, laboratory tests, X-rays, eye refractions, hospitalization (semiprivate accommodations) for 42 days in a year, 21 days in any one illness.

*Organization of medical service:* Salaried staff; outside consultants when necessary.

## XIX

*Name:* Health Service, Inc. (proposed plan).

*Location:* Boston, Massachusetts.

*Sponsor:* A group of lay individuals organized as a nonprofit corporation.

*Coverage:* Plan not yet in operation (January 1940). To be open to persons with annual incomes of not more than \$3,500. Membership at first to be limited to groups of employed persons and their dependents.

*Cost or charges (tentative):* Individuals, \$1.25 a month; husband and wife, \$2.50; each child under 2 years of age, \$1; each child over 2 years of age and under 21, 50 cents; maximum family rate for husband and wife and dependents under 21 years of age, \$4; for each dependent over 21 years, \$1.25.

*Medical services to be provided:* Physicians' services at the office, home, and hospital; laboratory and X-ray services. Exclusions: radium and X-ray therapy for tumor or cancer. Special charges: for the first four home calls in any one sickness within a period of any 2 consecutive months, \$1 each for a day call and \$1.50 for a night call; obstetrical care, including prenatal and postnatal care but excluding home calls, \$25; X-ray service, depending upon extent of study, \$1-5.

*Organization of medical service:* Subscribers to Health Service, Inc., are to receive service from a group of physicians organized as a partnership under the name of Medical and Surgical Associates. By the terms of an agreement between Health Service, Inc., and Medical and Surgical Associates, the latter group agrees to provide to subscribers to Health Service, Inc., all the services stipulated in the contract with subscribers, and in return Health Service, Inc., agrees to pay to Medical and Surgical Associates 80 percent of all the dues received by Health Service, Inc., from its members, and as much more as is compatible with the sound operation of Health Service, Inc. Medical and Surgical Associates also agree that members of the partnership shall receive compensation only for their services as physicians and for management of the partnership and that the profits of the partnership shall not be distributable to the partners.

## XX

*Name:* Wage Earners' Health Association.

*Location:* St. Louis, Missouri.

*Sponsor:* Independent cooperative association.

*Coverage:* 450 members, November 1939; 497, June 1, 1938.

*Cost or charges:* Group subscribers: individuals, \$1 a month; family, \$1 per person with a maximum of \$3 per family, including husband, wife, and dependent children under 18. Nongroup subscribers: individuals, \$1.25 a month; family \$1.25 per person with a maximum of \$3.75 per family. Persons 60 years of age and over pay twice these rates. Extra charges: home calls, hospital calls in minor illness, and office or home calls for infants under 1 year of age, \$1 each call. In hospitalized major illnesses, including surgery and confinements, special charges for physicians' services will be made in amounts not to exceed \$20 when patient is in hospital for less than 8 days, \$40 for 8-14 days, or \$60 for 15 days or more.

There is an initial entrance and examination fee of \$3 for an individual or head of a family, \$2 for the second member of a family, and \$1 for each additional family member. There is also an initial membership fee of \$10 for a single individual and \$20 for a family, payable in installments.

*Medical services provided:* Annual health examination, services of general practitioners and certain specialists (subject to extra charges mentioned above), routine laboratory examinations, annual dental diagnosis; X-rays, special laboratory services, and physiotherapy provided at reduced rates; hospitalization not included. Service in maternity cases provided only after 18 months' membership, in genito-urinary and venereal disease cases after 1 year.

*Organization of medical service:* Service provided by independent private practitioners, who agree to serve members at stipulated fees.

### **D. Company or Employee Medical-Service Plans**

## XXI

*Name:* American Cast Iron Pipe Company Medical Service.

*Location:* Birmingham, Alabama.

*Sponsor:* American Cast Iron Pipe Company.

*Coverage:* Company provides free medical care to all employed persons and their dependents.

The average number of employees during 1938 was 1,068, of whom approximately 60 percent were Negroes. Total group served consisted of about 5,340 persons.

*Cost or charges:* The cost to the Company of maintaining its medical department in 1938 was \$102,529, including costs of comprehensive medical examinations of new employees and of care furnished in industrial injuries. The over-all cost in 1938 per person served was \$19.20.

*Medical services provided:* Physicians' services, hospitalization (ward accommodations—employee must pay the difference in cost if he desires a private room) without limitations, nursing care, drugs used in treatment of patients at the clinic or hospital, and dental care.

*Organization of medical service:* Company maintains its own clinic (capital investment of about \$125,000). Medical department has staff of 4 full-time physicians, 10 physicians (specialists) on part time, 6 full-time nurses, 2 half-time dentists, and 1 full-time laboratory technician.

## XXII

*Name:* East Ohio Gas Company Employees' Mutual Hospital and Medical Association.

*Location:* Cleveland, Ohio.

*Sponsor:* East Ohio Gas Company.

*Coverage:* 600 employees and 300 wives entitled to Class B benefits (Nov. 1, 1939).

*Cost or charges:* Monthly dues, \$2 a member; an additional payment of 50 cents a month entitles wife to Class B benefits.

*Medical services provided:* Members are entitled to payment of medical and hospital bills within following maximum limits: office calls \$2 and home calls \$3 each, with combined total maximum of \$36 for any 1 year; hospitalization, \$5.50 a day for a maximum of 21 days; operating room and anesthesia, \$20; X-rays, \$25; surgeons' fees—major operations \$100, minor operations \$25, tonsillectomies, including anesthesia, \$50. X-ray and laboratory fees are not to exceed \$25 in any 1 calendar year. Total benefits in any 1 contract year not to exceed \$200. If the maximum is used in 2 consecutive years, no further benefits are allowed until a full year has elapsed. Class B members are entitled to payments for costs of hospitalization, operating room, and anesthesia only.

*Organization of medical service:* Members have free choice of physicians in city. Fees allowed for medical and hospital services correspond to those allowed by the State Workmen's Compensation Commission. Charges in excess of those fees are to be paid by the individual member.

*Note.*—Five associations similar to the one just described have been organized, three covering employees of the East Ohio Gas Company in Akron, Canton, and Youngstown, respectively, one for employees of the Peoples Natural Gas Company in Pittsburgh, and one, entitled Hope Employees Mutual Hospital and Medical Association, in Clarksburg, West Virginia. Altogether, the six associations have 1,705 members and 515 Class B members (Nov. 1, 1939). The dues and benefits under all these associations are identical.

### XXIII

*Name:* Endicott Johnson Company Medical Service.

*Location:* Johnson City, Endicott, Binghamton, and Owego, New York.

*Sponsor:* Endicott Johnson Corporation.

*Coverage:* Medical care is furnished to all employees of the company and their dependents. The average number of employees during 1938 was 18,666, and the total number of persons eligible for the service was approximately 51,180.

*Cost or charges:* Formerly (except for a 9-month period in 1932) the entire cost of the medical service furnished to employees and their dependents was borne by the company. In the spring of 1938 business conditions forced the company to make a 5-percent deduction in wages for the support of the medical service. The total cost of maintaining the service amounted in 1938 to \$47.48 per worker or approximately \$17.33 per eligible person.

*Medical services provided:* Physicians' services, hospitalization without limit, X-rays, laboratory services, drugs, and the simpler forms of dental care.

*Organization of medical service:* Salaried medical staff.

### XXIV

*Name:* Health Service System of San Francisco. (A compulsory medical-service plan for employees of the city and the board of education.)

*Location:* San Francisco, California.

*Sponsor:* City government.

*Coverage:* All employees of the city and of the board of education (10,251) and the dependents (5,600) of these employees.

*Cost or charges:* \$2.50 a month per employee, \$2.50 for husband or wife, \$1.50 for the first dependent (under 18), and \$1 for each additional dependent.

*Medical services provided:* Physicians' services, including surgical and consultant services; laboratory and X-ray services; 21 days' hospitalization (ward accommodations) for member or spouse and 10 days' hospitalization for minor dependents (hospitalization not provided in obstetrical cases); for ambulatory patients, physiotherapy treatments limited to \$10, X-ray examinations to \$10, and laboratory tests to \$5.

*Organization of medical service:* Members have free choice of all physicians in San Francisco who desire to participate and will accept payment according to specified fee schedule.

### XXV

*Name:* Medical Service of the Homestake Mining Company.

*Location:* Lead, South Dakota.

*Sponsor:* Homestake Mining Company.

*Coverage:* The company provides medical care to all employees and their families—approximately 2,020 employees and their dependents or an estimated total of approximately 6,080 persons (1938).

*Cost or charges:* Cost in year 1938 estimated to be \$15.05 per eligible person, including fixed charges on company-hospital investment but excluding cost of care furnished in industrial injury cases. Includes 85 cents per capita as cost of eyeglasses. Practically all costs, except cost of eyeglasses, are borne by the company.

*Medical services provided:* Physicians' services, hospitalization, X-rays, laboratory services, eyeglasses, and drugs. Dental care and home-nursing service not provided.

*Organization of medical service:* Salaried medical staff. Company owns and operates a hospital.

### XXVI

*Name:* Northern Pacific Beneficial Association.

*Location:* The line of the Northern Pacific Railway Company. One hospital each at Saint Paul,

Minnesota; Glendive and Missoula, Montana; and Tacoma, Washington.

*Sponsor:* Northern Pacific Railway Company and its employees.

*Coverage:* All employees of the Northern Pacific Railway. Membership in the Association is a condition of employment. The average number of employec-contributors in 1938 was approximately 20,278. Dependents are not covered but may receive care as pay patients in the hospitals at reduced rates.

*Cost or charges:* Members pay 1 percent of monthly earnings, with a minimum assessment of 85 cents and a maximum of \$1.75 a month. Contributions from members in 1938 amounted to \$18.13 per employec-contributor. Except for a small deficit, contributions covered the cost of medical care and provided burial benefits costing \$1.29 per member, leaving \$16.84 as the average contribution for medical care. The company contributes a sum presumed to cover the cost of care of employees injured on duty. The cost of medical care furnished to employec-contributors, exclusive of care in industrial accident cases, amounted to approximately \$17 per covered person in 1938.

*Medical services provided:* Complete physicians' care, including laboratory services, X-rays, and hospitalization, all without limitations other than those indicated below; special nursing but for not more than 7 days; dental care limited to X-ray and extraction of diseased teeth; prescribed drugs; trusses, splints, and other appliances; eyeglasses (up to a cost of \$5 and only after 3 years of membership). Bylaws limit treatment to 6 months in any one case of disabling illness or injury, but this limitation is seldom observed in practice. Care is not furnished without charge in obstetrical cases. The Association pays \$1.50 a day toward cost of sanatorium care in tuberculosis for a maximum of 1 year, depending on length of previous membership.

*Organization of medical service:* The Association owns and operates four hospitals, each with salaried medical staff. In addition, there are more than 400 physicians and surgeons designated as "line surgeons" and remunerated by retainer, part-time salary, or fees, who furnish home and office care to employees at different places along the line. In emergencies, employees may consult other physicians and be cared for at other

hospitals; bills for such services are paid by the Association. The bulk of the care rendered is in the Association's hospitals and their out-patient departments. The Association's expenses for medical care exceed \$500,000 yearly, and it has a capital investment in medical facilities of more than \$1.5 million.

## XXVII

*Name:* Southern Pacific Hospital Department.

*Location:* The lines of the Southern Pacific Company—Pacific Lines. The Department's main hospital is in San Francisco. Through its own or contract facilities, service is made available to employees everywhere along the lines.

*Coverage:* All employees of the company—more than 50,000. Dependents are not covered.

*Cost or charges:* \$1.50 a month is deducted from the pay of each employee. These contributions cover the greater part of the cost of furnishing care. The company makes up any deficit and provides free services, such as transportation, telegraph services, and auditing.

*Medical services provided:* "All necessary medical and surgical attention at either [the employees'] residences, physicians' offices, or hospitals, together with hospital care, nursing and maintenance, medicines, surgical dressings, artificial limbs and appliances—in fact everything that enters into the bill of expense when misfortune in the way of sickness or accident befalls them."

*Organization of medical service:* The Department has on its staff some 600 physicians and surgeons remunerated mainly by salary, full or part time. It operates a general hospital of 400 beds, a tuberculosis sanatorium of 85 beds, and 16 emergency hospitals or first-aid stations. It has contracts with independent hospitals along the line to furnish emergency care.

## XXVIII

*Name:* Stanocola Employees Medical and Hospital Association, Inc.

*Location:* Baton Rouge, Louisiana.

*Sponsor:* Independent employee mutual-benefit association composed of employees of the Standard Oil Company of Louisiana. The company collects the dues through a pay-roll deduction but assumes no official responsibility for the operation of the Association.

*Coverage:* 3,000 employees and their defined dependents; a total of about 11,500 persons (November 1939).

*Cost or charges:* \$3 a month per member, plus two or three special assessments a year of \$3 each. In addition, \$1 a month is paid by members who have dependents other than wife, children, and parents covered by the service. Each new member is required to purchase a share of stock at a cost of \$20, payable in installments.

*Medical services provided:* Physicians' services in the office, home, and hospital; laboratory tests, physiotherapy, diagnostic X-ray service; hospitalization (ward accommodations) and private-duty nursing, to a combined maximum of \$250 for a single illness. Located in organization's clinic is a pharmacy operated independently by a local druggist. The cost of drugs is borne by the individual on a reduced-price basis.

*Organization of medical service:* Salaried medical staff.

## XXIX

*Name:* Tennessee Coal, Iron and Railroad Company.

*Location,* Birmingham, Alabama.

*Sponsor:* Company medical-service plan for employees.

*Coverage:* All employees living within certain radius of works and mines and earning less than \$250 a month may ask to be placed on the "medical list." Almost all eligible employees are on this list. Company has more than 20,000 employees (November 1939). Services given to dependents also.

*Cost or charges:* \$1.75 a month. These charges do not cover whole cost of service. Remainder is borne by the company.

*Medical services provided:* Physicians' service at dispensary or home and professional services in hospital; dental care at cost.

*Organization of medical service:* Salaried staff of 63 physicians and 13 dentists.

## XXX

*Name:* Union Oil Company Employees' Benefit Plan.

*Location:* Headquarters at Los Angeles; field and sales offices in many locations in California and Pacific Coast States.

*Sponsor:* Union Oil Company of California.

*Coverage:* Membership in medical plan compulsory for the company's 7,700 eligible workers (1939).

*Cost or charges:* Monthly contribution per employee, \$2. Company contributes administrative cost amounting to 12-15 percent of the total cost of the plan.

*Medical services provided:* Complete physicians' services, including X-rays and laboratory services, and all necessary hospitalization. Exclusions: care not furnished in cases of flat feet, pyorrhea, venereal diseases, confinements, and conditions due to the deflection of the nasal septum. Dental and eye care not included. Ward hospital care provided ordinarily, with semiprivate or private room when medically necessary. Prescribed drugs furnished in hospitalized cases. Maximum cost of medical care provided in any one illness, \$500.

*Organization of medical service:* Members have free choice among licensed physicians (including osteopathic physicians). Medical and hospital bills of members paid according to fee schedule determined and approved by governing board of plan. Except in cases of emergency, approval of local administrative officer must be obtained before special services are performed.

## E. Farm Security Administration Plans

(Five typical plans are cited here, taken from approximately 375 district, county, and project plans developed by the Farm Security Administration; as of September 1939. Services offered by these plans are available only to low-income farm families.)

## XXXI

*Name:* Ashwood Health Association.

*Location:* Ashwood Plantation, Bishopville, South Carolina.

*Sponsor:* Farm Security Administration. The Association is unincorporated, cooperative.

*Coverage:* 145 families, including 841 individuals (Sept. 30, 1939). Membership open to families resident on this resettlement project.

*Cost or charges:* Single persons, \$18 a year; families, \$30; \$5 extra charge for obstetrical care.

*Medical services provided:* General practitioners' care, specialists' care, and 21 days' hospitalization (ward) in acute conditions.

*Organization of medical service:* Members have free choice of licensed physicians in area who are participating.

### XXXII

*Name:* Beckham County Health Bureau.

*Location:* Sayre, Oklahoma.

*Sponsor:* Farm Security Administration.

*Coverage:* Farm families in county who are included in rehabilitation program of Farm Security Administration. On September 30, 1939, 104 families consisting of 534 persons held membership.

*Cost or charges:* Annual membership fee determined by adding to basic fee of \$21, \$1 for each member of the family; \$29 maximum annual fee charged.

*Medical services provided:* Physicians' and surgeons' services for acute or emergency conditions, prescribed drugs, and hospitalization, as advised by the physician.

*Organization of medical service:* Members have free choice of licensed physicians in county who are participating.

### XXXIII

*Name:* Shenandoah Health Service.

*Location:* Counties of Rappahannock, Page, Greene, Madison, and Rockingham in Virginia.

*Sponsor:* Farm Security Administration.

*Coverage:* Farm families included in rehabilitation program or residing on Farm Security Administration resettlement project in area. On September 30, 1939, 153 families consisting of 712 persons held membership.

*Cost or charges:* Annual membership fee of \$15 per family; extra charge of \$5 per case for obstetrical care.

*Medical services provided:* Physicians' services for acute or emergency conditions.

*Organization of medical service:* Members have free choice of licensed physicians in area who are participating.

### XXXIV

*Name:* Southwest Kansas Mutual Aid Association.

*Headquarters:* Garden City, Kansas.

*Sponsor:* Farm Security Administration.

*Coverage:* Membership open to all farm families in 18 counties in southwestern Kansas who are clients of the Farm Security Administration. On September 30, 1939, 618 families, comprising 3,463 persons, held membership.

*Cost or charges:* Annual membership fee of \$30 per family.

*Medical services provided:* Physicians' and surgeons' services for acute or emergency conditions, prescribed drugs, hospitalization (ward service) as recommended by physicians, and limited dental service such as physicians may recommend for health of patient.

*Organization of medical service:* All licensed physicians in area are eligible for service, and subscriber has free choice of participating physicians.

### XXXV

*Name:* Taliaferro County Medical Unit.

*Headquarters:* Crawfordsville, Georgia.

*Sponsor:* Farm Security Administration.

*Coverage:* Membership open to all farm families in county who are included in rehabilitation program of Farm Security Administration. On September 30, 1939, 242 families, comprising 1,479 persons, held membership.

*Cost or charges:* Annual fee of \$12 for husband and wife, plus \$1 a year for each child; \$18 maximum.

*Medical services provided:* Physicians' services in acute and emergency conditions; prescribed drugs and limited surgery and hospitalization, as advised by the physician.

*Organization of medical service:* Member has free choice of licensed physicians in county who are participating.