

THE WISCONSIN EV. LUTHERAN SYNOD
GROUP COMPREHENSIVE CALENDAR YEAR MAJOR MEDICAL
EXPENSE PLAN IN THE 1980's

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GROUP

COMPREHENSIVE CALENDAR YEAR MAJOR MEDICAL EXPENSE PLAN



Health insurance today is a subject which receives attention and discussion in almost every persons life. Usually only two situations cause people to think of their health insurance plans namely, the need to file a claim or a change in the coverage or premium structure.

Change is common to all financial matters. Yet the health insurance industry has seen the need for extensive changes since the 1960's. More and more people need insurance. More and more insurance is needed by each of those people. And so, more premiums are required so that more benefits can be made available.

While it is not possible in this paper to explore each detail of the above overview, it will be attempted to show that there are indeed significant changes which have occurred in the health insurance most readily available to most workers in the Wisconsin Evangelical Lutheran Synod. Perhaps a better understanding of the last few years of health insurance history for the WELS will prepare each of us for the changes which seem eminent during the rest of the 1980's.

Our Wisconsin Synod Group Hospital-Medical-Surgical Insurance Program was introduced on February 1, 1965. From that time to the present, the program has been a self-insured program, meaning that only Wisconsin Synod workers are eligible to be covered under the plan. However, since we are a church body and not a financial institution, it is also necessary for us to employ outside help in the actual administration of our health insurance. This outside help is selected

and scrutinized by the Synod Group Insurance Board, which has continued to the present to employ the Time Insurance Company of Milwaukee, Wisconsin for this specific purpose.

Before we can understand the changes which have occurred in the premium structure of the plan, we must explore the changes of coverage during this decade of the '80s.

If the common insurance contract of the 1960's were described in a few words it might be: first dollar coverage, limited number of days covered, and a maximum total benefit per person or family of approximately \$20,000. If the same were attempted for the seventies, the changes most evident would be an increase in the number of plans which had deductibles instead of first dollar coverage, a greater number of days of coverage, and skyrocketing maximum benefits with some plans offering unlimited maximum benefits. Of course, this also meant increased premium structures, but with most insurances being paid by labor unions and large corporations most covered persons were less than concerned with the trend.

In the eighties however, the unions, the corporations and the individuals receiving coverage were forced to become aware of the changes in coverages as employment benefits were cut back in many cases and unemployed workers found themselves unable to pay premiums which before they did not understand even approached such high levels.

Persons covered by the Wisconsin Synod plan naturally were more aware of the changes, since in a self-insured plan the experience of the participants in the group are influenced by no other claims experiences. Also, since there are no sales agents involved, all new

information goes out to the covered persons via letters, rather than for the agent to work his way around to each client to "sell" the new idea individually. The transfer of new information is speeded even further by the need for more frequent calculations comparing premiums (income) with claims (expenses).

So what has been the resulting news for our Synod plan in the 1980's? If one would ask any particular covered person, the answer would probably be three-fold. First, everyone is very much aware of the increase in the premiums payable by the covered person and/or the congregation he or she is serving. Secondly, that the amount of covered expenses which much be paid "out-of-the-pocket" by the covered person and his family has increased. And finally, that the benefits available are substancially increased in cases where the claims involved run into the thousands upon thousands of dollars.

The balance of this paper will comment on the above three attitudes, followed by examples of possible solutions to either changing the plan, or the covered persons attitude toward the same.

RESULT #1 Increased Premiums

Premiums for health insurance coverages have increased. So have all other expenses normally included in a family or a congregational budget. It is also fair however, to admit that the premium increases felt by members of the Synod Plan have in many respects been larger than similar increases throughout the health insuring industry. The answer to this is simply that in a self-insured plan all participants

more quickly feel the effect of high claims experiences of other participants. This experience has been escalated by the fact that our Synod Plan has few participants compared to many of the big name health insurers. A self-insured plan, regardless of its actuarial soundness, must adjust itself to increased numbers and sizes of claims on an immediate basis, rather than to amortize (or share) such costs over a greater number of years. Therefore, by considering the state of the economy in recent years, together with the morbidity rate (sickness rate) during the same period of time, some form of adjustment became absolutely necessary if the insurance coverage would be continued to be offered, and to continue the claim benefits which were already being processed.

RESULT #2 Deductibles and Out-of-the Pockets

This particular reaction for most of our covered persons is the most difficult to react to in return. But to oversimplify the situation one might state that when insurance claims in the tens of thousands become more common and when at the same time a rather routine visit to a doctors office might incur expenses of \$100 or \$200 or more, some far reaching changes must be considered. The insured members of the Synod Plan would do well to again read the following;

WHEREAS 2) it was deemed necessary by the Group Insurance Board to convert the plan to a Group Comprehensive Calendar Year Major Medical Expense Plan because 1) claim payments and administrative expenses exceeded premium income, a circumstance which resulted in a negative balance of \$243,128.60 as of October 31, 1980; and

cont.

because 2) "...by the use of the deductibles and co-insurance, the covered person is (more) adequately insured against financial ruin" (cf. Group Comprehensive Calendar Year Major Medical Expense Plan Brochure, printed by the Group Insurance Board, (p. 4, pt. 9); and

WHEREAS 3) the analysis of the Group Insurance Board determined that the financial crisis has been created in part by the payment of many small claims which "nickled and dimed the fund to death"; and . . . 1

Once again we might compare this action to the insurance industry in general, and note that the use of deductibles and co-insured benefits have been available and have grown in popularity since the early to mid- 70's, and indeed the newest health insurance products to be made available to the buying public contain even higher deductible and co-insurance levels. To cite only one of many examples, Aid Association for Lutherans has received the go-ahead from all of the various state insurance commissions to market their existing health insurance portfolio with an optional \$2,500 individual deductible. 2

RESULT #3 More of the "Big" bills

Many people question whether or not the necessity exists to cover the possible \$500,000 medical bill, at the expense of covering less of the normal everyday health care cost. The most recent policy schedule to be released by Time Insurance on behalf of the WELS group shows a lifetime maximum benefit of a half-million dollars.

¹ BoRAM, pp. 115,116; Memorial 81-12, p.247

² the Correspondent, April, 1983. Appleton, Wisconsin. p. 31.

Feelings against such a sizeable maximum must be tempered by the trend for most companies to offer an unlimited maximum to those persons whose professional status so allows. We must admit that most of the persons covered under our Synod Plan would qualify for this maximum. On the other side of the coin is the reality that the premiums necessary for such coverage would in most instances claim too high a percentage of the workers income to be practical to consider.

Yet it is a fact of everyday life that the maximum bills incurred today are increasing due to increased lifespans, increased medical knowledge and technology, and an overall increase of the general health of people who qualify for health insurance with any group or company. It is to this point that we must also address our concern for our world missionaries and general counselors in various areas who are also members of the Synod Plan. Without a Synod health plan these families would be subjected (or the Mission Board) to some of the highest insurance premiums in the world, if indeed they were able to obtain coverage in the first place. Those who believe that the upper limits have been extended too high at the expense of other more common benefits, do however, have a point in that in many cases extreme medical disasters are already being "paid for" through social security and medicare programs (including the non-elderly). It is also probable that unless a person is of means other than his or her preacher or teaching compensation, that the entire family unit will be existing on social assistance program before a half-million dollars of medical expenses are reached.

CONCLUSIONS AND SUGGESTIONS

While there have been major changes in the Wisconsin Synod Health Insurance Plan during the first few years of the decade of the 1980's, further changes can and should be expected. Such changes will be directly caused by the economy of the nation, general trends in the health insurance industry and the specific experiences within our group plan. But perhaps the single most important change which would address itself to the individual participant has already been begun on a small scale, and hopefully will be more fully implemented in the near future.

On October the 15th, 1981, the Group Insurance Board, with the full approval of the Conference of Presidents issued an informational letter to all insureds which contained the suggestion that each congregation set up a fund for its workers which would be available to offset the deductible portion for each worker in each calendar year. While the suggestion pointed out that this would avoid future requests for a lower deductible at a higher premium structure, (at an annual savings to each congregation) there is no reason for the suggestion to stop at that point.

We dare not in these modern times return to the obsolete health insurance which existed in the history of Lutheranism, namely, that when a member was ill, everyone pitched together to do the chores and feed the doctor as a form of barter. And yet, if that same idea were to be put to use regarding the smaller medical bills of the workers in each congregation, the three results most commonly seen by participants in the health insurance plan could perhaps be held in

check and the rate of change could be slowed to a less inflationary progression.

Only through a self-insured program can anyone simultaneously accomplish lower premiums, together with protection against the higher catastrophic costs possible today. The key lies in the hearts of those who pay the premiums. By raising the deductibles and then covering those deductibles through a congregational fund, expenses for administration of the plan and cost of servicing legitimate claims can be held to an even lower level. It would not be practical in many cases to go to the extreme of \$2,500 dollar deductibles, however figures in the \$300 to \$500 range would allow premium levels to be reduced to the point where a large portion of the congregations responsibilities toward covering the deductibles would immediately be met by the savings in premiums alone.

Historically, the members of our Synod have always found a way to take care of their workers, even through times of financial problems. Now is the time to not only recall such situations, but to capitalize on the opportunity to return a larger portion of the care for the workers in a congregation, to the local congregation.

Currently the "Reaching Out" program has shown all of us that when our people are properly informed and evangelically approached that our goals are sometimes far too small. Perhaps it is time to go to our people once more and to continue to provide the best health care possible, from the first dollar to the largest claim by "reaching-in" and making the very best of a self-insured situation.

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