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Volume Author/Editor: Pierce Williams, assisted by Isabel C. Chamberlain

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Chapter Author: Pierce Williams

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## CHAPTER XII

### INDUSTRIAL ESTABLISHMENT MUTUAL BENEFIT ASSOCIATIONS PROVIDING MEDICAL AND HOSPITAL CARE

EMPLOYEE mutual benefit associations are of comparatively long standing in American industry. The movement began as a substitute for "passing the hat" at times when disabling illness or accident to the breadwinner threatened to impoverish his family. The enactment of workmen's compensation laws in all but four states of the Union and the consequent transfer to the employer of the burden of indemnification for loss of earning power due to industrial injury, has tended to limit the insurance function of the employee benefit association to indemnification for loss of earnings due to ordinary sickness, or an injury not entitling the employee to compensation under the state law. This type of sick benefit association resembles in principle commercial health and accident insurance, the chief differences between the two types being, of course, that the former operates with no view to profit. The employee mutual benefit associations are less formally organized, are not required to maintain reserves, and in general do not come under the supervision of state insurance departments. Payment of a fixed amount for funeral expenses is also included as a benefit in many employee associations. The cost of the protection against sickness is met out of membership dues.

Data as to the costs, benefits paid in cash, and methods of management of establishment benefit associations were brought together by the United States Bureau of Labor Statistics in 1928, and published in *Bulletin No. 491, Handbook of Labor Statistics*, 1929 edition. The study covered 430 companies engaged in manufacturing or in commercial or transportation enterprises, but

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included only those benefit associations which received some financial support from the employer. Of the 430 establishments, 214 reported having employee benefit associations. One hundred and forty of these establishments were in manufacturing, 10 were in mining companies, 6 in offices, 3 in steam railroads, 8 in electric railroads, 13 in gas, electric and telephone and telegraph companies, 31 in mercantile establishments. Other industries accounted for 3 associations.

Of the 214 establishments having associations, 177 reported total employees numbering 993,252. Seventy-six per cent of these employees, or 758,067, were members of the establishment mutual benefit association. In many associations, there is a period varying from two weeks to a year after the beginning of employment, before an employee is eligible to membership.

Fifty-six associations reported that an initiation fee was charged. These fees varied from 25 cents to \$2, the usual fee being \$1, and in addition to the entrance fee, many of the associations charged a fee of \$1 or \$2 to cover the cost of the physical examination. Dues charged varied according to the proportion of the expense paid by the employer, and the amount of the weekly benefits. In nearly half of the associations, however, the dues ranged between 25 cents and 75 cents per month, while in 81 cases the dues varied according to benefits, but in general kept within these limits.

### DISABILITY BENEFITS

Disability benefits in most cases cover both sickness and accident, but usually exclude cases of sickness or injury which entitle the employee to payments under the workmen's compensation laws of the different states. Since most of these laws do not provide for payments for the first week or the first two weeks of disability, the plans frequently provide for payments for the period intervening between the date of injury and the date of the first payment of workmen's compensation benefit. In a few cases, however, employees are paid for disability occurring as the result of employment. Eighteen of the benefit associations paid sick and

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disability benefits of under \$7 per week; 36 paid \$7 and under \$10; 45 paid \$10 and over; and 88 paid varying sums per week.

Of the companies reporting, 31 stated that membership was either compulsory or that employees were expected to join the association. In some plants membership in the association is automatic, that is, employees become members as soon as employed. One hundred and nine of the associations reported some financial assistance from the employing corporation.

Membership in these societies, especially in the larger ones, was frequently conditioned on passing a physical examination, in which case the examination was given by a physician especially employed for this purpose, or the employee might choose one of several designated.

The management of the benefit associations was participated in largely by employees, except in those cases where the funds were financed entirely by the companies. Many of the associations were managed by the employees alone, while some stipulated that one or more of the offices should be held by company officials. In large plants with many departments it was usual to divide the representation among the different departments so that there would be equality of representation in the management of the association.

In 27 of the societies members were entitled to receive benefits as soon as their application for membership is approved, while 40 had a waiting period of four weeks, 5 of two months, 11 of three months, and 2 of six months. In the remaining 18 cases, the period varied from 3 to 15 days, or was fixed for the first day of the month following admission to membership. In a few cases, although there was a waiting period for sick benefits, employees were eligible for accident relief at once, and several associations required a longer period of membership before death benefits were paid, than for sick and accident benefits.

The necessity of guarding against the feigning of sickness or the making of slight illness an excuse to be absent from work is undoubtedly the reason why so large a proportion of the associations do not pay from the beginning of sickness. Many of the

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associations which provide for a waiting period in cases of sickness pay from the date of injury in accident cases, since the risk of malingering in cases of injury is generally not so great. Of 143 associations reporting on the number of days intervening between the beginning of the disability and the payment of benefits, 92 pay after six to eight days' disability; 6 pay from the first; 18 pay after the third day, 6 pay after four or five days, and only one waits as long as ten days, while a number pay from the first if the disability lasts a stated length of time.

The maximum time for which benefits are paid in any twelve months varies greatly. Twenty associations pay for ten weeks, 45 for three months, 34 for six months, 9 for one year, and 29 for various fractions of a year, while 7 pay for various periods according to length of service. Eight associations report that benefits are paid for more than one year; in 5 of these the length of time is unlimited.

### MEDICAL AND SURGICAL CARE

The report of the Bureau of Labor Statistics stated that "in addition to the cash benefits which are the principal features of the benefit funds, a number of the associations do constructive work in promoting healthful conditions among employees, and in furnishing medical and hospital care for them. These services include, in addition to medical and surgical care, treatment by specialists, including X-rays, and various necessary laboratory tests, and nursing service." However, the report from which the above extracts have been taken did not indicate how many of the 214 establishment funds provided medical or hospital benefit.

A study made in 1916 by Edgar Sydenstricker, an investigator connected with the United States Public Health Service, indicated that fifteen years ago the provision of medical, surgical and hospital care was not a benefit of more than a small proportion of the employee mutual benefit associations.<sup>1</sup> On the subject of medical benefit Mr. Sydenstricker's report said as follows:

<sup>1</sup> *Existing Agencies for Health Insurance in the United States*, by Edgar Sydenstricker, Report of Conference on Social Insurance held in Washington, December 1916. Bureau of Labor Statistics Bulletin No. 212, June 1917.

*Establishment Sick Benefit Funds.* Regular employment of physicians by the funds was rare. In only 64 out of 390 funds, or less than 17 per cent, were physicians regularly employed for all or part of their time. The employment of physicians was apparently more frequent in funds jointly supported or supported entirely by employers than in funds supported entirely by employees. Nearly 30 per cent of the former had regularly employed physicians as against less than 10 per cent of the latter. Twelve of the 64 funds having physicians were enabled to do so by the presence of 'company doctors' whose services to the fund constituted part or all of the employer's financial contribution, and 26 were funds which were jointly or entirely supported by employers. In some of the remaining 26 funds supported entirely by employees, the employer participated in the management. It appears safe to say that in the great majority of instances, fund physicians are regularly employed only where the employers have some part in the control and management of the fund.

"So far as present information indicates, the employment of physicians does not imply medical service in every instance. It appears to be true that the medical service of at least some of these physicians is limited. In only 6 of the 390 funds included in this preliminary survey was medical service specified as one of the benefits. The use of the company hospital was provided for in 13 funds, and provisions for other hospital care were made in 12 funds. Medical and surgical supplies were provided in 12 of the funds, which also provided hospital service. In 3 funds the services of physicians were provided to members at reduced rates.

"Medical or hospital service of any kind thus appears to be provided in only a small proportion of establishment funds. Defining medical and hospital service in terms of broadest latitude, the statement may be ventured that in less than a fourth of the establishment funds so far considered are there benefits of this kind, and that the great majority of funds supplying such service are among those partly or wholly supported and controlled by the employees."

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### MUTUAL RELIEF ASSOCIATIONS AMONG GOVERNMENT EMPLOYEES IN WASHINGTON, D. C.

Associations organized for the purpose of paying cash benefits in case of sickness and death have existed in various federal government departments in Washington for many years. The Bureau of Labor Statistics made a survey of these mutual relief associations in 1920, and published its findings as *Bulletin No. 282* (February 1921, Washington, D. C.). Eighty associations, with a total membership of 23,171 employees, were found, distributed among 16 departments or branches of the government service as follows: the Navy Yard, 28 associations; the Government Printing Office, 23; the Bureau of Engraving, 11; the city Post Office, 16; the remaining 12 associations were scattered among 12 other departments.

Fifty of the associations paid sick benefit only, 14 paid death benefit only, and 16 paid both.

The associations paying sick benefits only were the first to be organized, the earliest of these dating back to 1883.

Benefits consisted of a certain amount, ranging from \$10 to \$30 paid weekly for a fixed period (6 to 10 weeks) to members disabled by accident or sickness. In a few of the associations, if the disabled member was entitled to compensation under the Federal employees workmen's compensation act of 1916, no benefit was paid until payments under the act ceased.

Members who drew no sick benefit during the fiscal year of the association, received a dividend pro rated from surplus funds at the close of the year.

The membership dues in a majority of the 50 sick benefit associations were \$1 per month. In a few instances, where there was more than one class of membership, the dues ranged from \$1 to \$3. All associations required the payment of an initiation fee, usually of \$1.

Membership was limited generally as to color, age, sex, occupation, and length of service. The total membership of the 50

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associations (7,949 on November 30, 1919) was made up very largely of white males.

Forty-six of the 50 associations made complete reports as to receipts, benefits paid, and amount available as dividends, for the fiscal year ending November 30, 1919. The total receipts of these 46 for the year were \$100,296.16. Of this amount, 46 per cent (\$46,289) was paid out as sick benefits, 50 per cent (\$50,129.93) as dividends. The remaining 4 per cent (\$3,876.61) was used for salaries, rent, printing and other expenses.

The 16 organizations which paid both sick and death benefits differed very little in general features from those paying sick benefits only. These 16 associations reported for the year studied (ending November 30, 1919) a total membership of 6,726 persons. Monthly dues ranged from 25 cents to \$2 per month (usually \$1); initiation fees, from 50 cents to \$2. Fourteen of these societies used the assessment method of accumulating the fund from which death benefits were paid. All 16 of these societies submitted figures for the year studied. The total receipts were \$79,248.46; expended on sick benefits, \$32,286.65; on death benefits, \$10,452.78. The amount available for distribution as dividends (12 associations reporting) was \$17,895.

Inquiry of the Bureau of Labor Statistics brings the reply that no revision has been made of Bulletin 282, the material not having been brought up to date.

"The Government Employees' Mutual Relief Association" deserves special mention, because it differed in various ways from the other government employees' societies. This association was organized in 1905 especially to take care of field men in the Reclamation Service, the Geological Survey, and the Forest Service. Later, the Coast and Geodetic Survey, General Land Office, Indian Service, Bureau of Mines, and other similar Bureaus were added.

Funds were accumulated by means of initiation fees (\$1), and dues of \$12 per year. A reserve fund of \$5000 was always maintained.



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Benefits paid were divided into three classes, as follows: (1) Loss of time, \$14 per week, maximum \$150 in any 12 months. (2) Medical attention: doctors' fees up to \$28 per week, or surgical treatment on a fixed schedule basis; medicine, up to \$5 per week; hire of nurse, \$25 per week; hospital expense, up to \$15 per week; further amounts up to \$50 at discretion of governing board; total payment in any 12 months, \$300. (3) Death benefits, \$200, plus actual cost of transportation of body, not exceeding \$100.

A Director of the National Bureau, Dr. Elwood Mead, Commissioner of the Bureau of Reclamation of the Department of the Interior, has kindly given the following account of the "Government Employees' Mutual Relief Association," so far as the field employees of his Bureau were concerned. Dr. Mead writes:

"For many years the Bureau of Reclamation carried on a plan of fixed payment for medical and surgical services for its field employees. This was almost a necessity in the early stages of the work of the Bureau because construction was, as a rule, carried on in remote and more or less inaccessible regions of the country, many miles distant from towns and not within easy access of physicians or hospitals. In these early days it was the practice of the Bureau to take a dollar a month from the pay of each employee to cover the cost of a small hospital and the services of either contract or civil service physicians. Later, as the projects developed and towns and cities grew up on or adjacent to the irrigated land, it became the policy of the Bureau to discontinue the services of both civil service and contract physicians and to utilize the services of local physicians and surgeons.

"In 1920 it was found necessary to increase the deduction from the pay of the employees to the rate of \$1.50 a month and this rate was continued until December 31, 1925, when the hospital fund was discontinued owing to an adverse ruling by the Comptroller General. Under the arrangements adopted by the Bureau, medical, surgical and hospital treatment was provided for field employees in all cases of sickness except chronic or venereal dis-

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eases or those resulting from alcoholism, and for the treatment of injuries whether received on the work or not, except such as were the result of neglect, misconduct, or alcoholism, and such as did not come within the provisions of the Employees' Compensation Act of September 7, 1916, which, in general, covers only accidents received on the work. A large degree of latitude was given employees in the choice of physicians, but it was the policy that, other things being equal, the Service should, as in the purchase of any other service or commodity, take advantage of the lowest rates offered by reputable physicians. In other words, in localities where there was a fixed scale of charges by all reputable physicians, the employees were given free choice of physicians. In localities where the charges of certain physicians were much higher than those of others whose services would be entirely satisfactory, the choice was limited to the latter. The regulations provided for furnishing an artificial limb or limbs at a cost not to exceed \$250 per limb, without, however, the right of renewal. Similarly, an artificial eye might be furnished an injured employee at a cost not to exceed \$15. Trusses were furnished for slight cases of hernia where the employee did not feel the need for a radical operation. Burial expenses in the locality, including the cost of a local burial lot, embalming, casket, and other actual and necessary expenses, were limited to a total sum of \$200.

"One of the interesting features of the operation of the hospital fund was the inoculation of 4,000 employees with typhoid prophylactic, this treatment being furnished free of charge to all employees paying hospital fees."

#### MEDICAL CARE RARELY PROVIDED BY EMPLOYEE ASSOCIATIONS

In the hope of learning whether there had been any increase in the proportion of industrial establishment sick benefit funds and associations providing medical and hospital treatment to members, the National Bureau made an inquiry of its own. Not having the names of the 214 establishment funds and associations covered by the report of the Bureau of Labor Statistics (Bulletin

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491), a selection was made of 986 leading corporations in various industries, and letters were addressed to them asking for information. The following table shows that out of 353 corporations replying, 164 had no employee mutual benefit associations. Of the 189 mutual benefit associations, 43 either paid for or provided some kind of medical service.<sup>2</sup>

INDUSTRY	Total No. of Corporations Reporting	Corporations Reporting No Sick Benefit Fund	Corporations Reporting Sick Benefit Fund		
			Total	Paying Cash Benefits for Loss of Earnings Only	Providing or Paying for Medical Care
Manufacturing . . . . .	248	113	135	110	25
Retail Trade . . . . .	49	17	32	26	6
Public Utilities . . . . .	37	16	21	10	11 <sup>a</sup>
Insurance . . . . .	19	18	1	..	1
Total . . . . .	353	164	189	146	43

<sup>a</sup> The Employee Mutual Benefit Association of Milwaukee, calling itself "an industrial fraternal union, embracing all crafts and open to all physically capable workers," provides medical treatment to members as a membership benefit, but is not included in this number. This organization has exclusive labor contracts with the Milwaukee Electric Railway and Light Company, the Wisconsin Gas and Electric Company, and the Wisconsin Michigan Power Company. A description of medical benefits provided by this Association is given in Chapter XIII (Trade Unions).

At first glance the proportion of sick benefit funds providing some kind of medical or hospital benefit in addition to regular cash disability benefits may appear relatively high. Because of the small size of the sample, no such generalization is justified, and the data submitted should be taken only as illustration of the

<sup>2</sup> Public Health Reports (U. S. Public Health Service, Washington) for September 4, 1931, has an article entitled *A Survey of the Work of Employees' Mutual Benefit Associations*. The National Conference on Mutual Benefit Associations sent out a questionnaire to 1,500 companies in the United States thought to have employees' organizations for sickness insurance. Out of 602 companies that replied up to April 1, 1931, 223 reported no form of mutual benefit association. Twenty-seven others reported that the association had been discontinued. Twenty-three other companies had never had a sick-benefit society, but were purchasing sickness insurance for their employees from life insurance companies. Fourteen companies had relief plans financed entirely by the corporation. The remaining 315 had employee sick benefit associations of the type considered in this chapter.

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scope of medical benefits provided by a small number of establishment sick benefit funds.

### NATURE OF MEDICAL BENEFITS PROVIDED

Of the 43 establishment sick benefit associations or funds providing a medical or hospital benefit in addition to regular cash benefits, 28 provided a monetary benefit to help the member defray expense actually incurred by him for medical or hospital care, and 15 actually provided some form of medical or hospital treatment "in kind." Of the 28 associations providing a monetary medical benefit, 12 reimbursed the member for the expense of both doctor's services and hospital care; 14 reimbursed him for hospital expense only; 2 reimbursed him for doctor's fees only. In a few instances, the employee benefit association designated the physicians who were to provide service, and the hospitals to which the member was to go for care. Generally, however, these employee associations left the member complete freedom of choice as to physician, surgeon or hospital. On the other hand, the benefit association usually limited definitely the amount of its financial obligation to the member for medical, surgical or hospital expense incurred by him.

In most instances, this limitation of liability on the part of the sick benefit fund is fixed by establishing a maximum amount payable for physicians' and surgeons' fees. In the case of hospital benefit, the limit may be a fixed amount of money, a fixed hospital rate per diem or per week, or a certain number of days' care in the hospital. The following typical definitions of financial liability for hospital benefit will illustrate: "Maximum, 3 weeks, or \$63"; "\$24.50 per week"; "maximum, \$147"; "\$25 per week, maximum \$150"; "eight weeks at ward rate"; "\$2.50 per day, maximum \$100"; "maximum \$375 for both medical and hospital service"; "ward rate"; "\$3 per day, maximum \$30"; "maximum \$50"; "semi-private room"; "fifty per cent of hospital fee, not over \$25 per week." In one sick benefit fund, the medical benefit applied only in case of a non-compensable accident, not in case of

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sickness. Another fund provided a monetary benefit for dental treatment (maximum, \$25 in any one year) and one for optical treatment (maximum, \$7.50 in any one year).

Of the 15 establishment sick benefit associations which assumed direct responsibility for providing medical, surgical or hospital care, one offered complete medical, surgical and hospital treatment through a salaried medical staff, in a hospital owned by the corporation with which the benefit association was connected. Another sick benefit association, connected with a public utility company in Texas, reported that it had a contract with a local private group clinic to provide members with such medical, surgical and hospital care as the clinic would ordinarily offer to individual patients. Out of the association fund created by the dues of the members, the clinic received a fixed amount per member per month. An employees' beneficial association connected with a lumber company in Washington State has a contract with an incorporated hospital association to provide complete medical, surgical and hospital care to members, in return for a fixed amount per member per month, deducted from wages by the employer and paid over to the association.

An example of a comprehensive medical service plan fostered by an employee group is the Stanocola Employees' Medical and Hospital Association, (employees of the Standard Oil Company of Louisiana, at Baton Rouge). The Association owns a completely equipped clinic, and employs seven full-time practitioners who render complete medical service to 2,700 members and their families. The service includes professional treatment at the clinic, house calls, and hospital care in local non-profit hospitals in Baton Rouge. All types of illness and injury are covered. Those coming under the provisions of the Louisiana Workmen's Compensation Law are of course paid for by the employer. For non-compensable cases a maximum expenditure of \$250 for hospital or special nursing care in any one case is allowed. Hospital care for maternity cases is paid for only when specially ordered by the attending physician. The dues are \$3 per month for each employee member, this amount being deducted from wages by the

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company at the request of the employee, and turned over to the Association. Membership is voluntary, and approximately 75 per cent of the white employees belong. Recently, groups of employees of other industries in the community have requested permission to join the Association, but this privilege has not so far been extended. However, outside persons may avail themselves of the services of the physicians of the clinic as private patients on a regular fee basis.

The remaining 11 sick benefit funds did not concern themselves with providing hospital care to members, undertaking only to provide ordinary medical treatment, through physicians engaged by the association either on a salary, or a fixed fee basis. As far as can be judged from the data received, the medical service offered by these 11 establishment funds was only such as a general practitioner could give in his office or at the home of the member. In a few instances, the physician engaged by the employee association was also the plant physician engaged to provide medical and surgical care to employees injured in the course of employment and entitled to medical aid and compensation under the workmen's compensation law.

From available data it is not feasible to make any estimate of the approximate number of wage earners in the United States enrolled as members of establishment sick benefit funds or associations. It follows that no estimate can be attempted of the number of industrial employees entitled to some kind of medical, surgical or hospital care by virtue of their membership in such funds or associations. The conclusion appears to be justified, however, that employee sick benefit funds play a relatively unimportant rôle in providing medical care to the people of the United States on an insurance basis.