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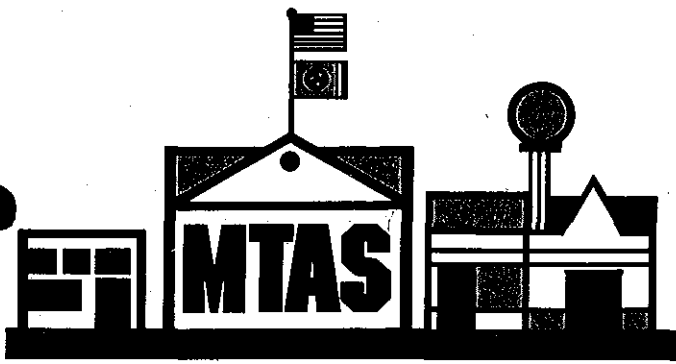
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TECHNICAL BULLETIN

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THE UNIVERSITY OF TENNESSEE
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CHANGES IN FEDERAL LAW WILL INCREASE THE COSTS OF HEALTH INSURANCE

By Harold Yungmeyer, MTAS Municipal Consultant

Recent changes in the Federal Social Security Act and in the Federal Age Discrimination in Employment Act of 1967 appear to guarantee an increase in group health insurance premiums for cities with any employees over 65 years of age.

Under the typical group health insurance plan, Medicare has been the primary insurer for an employee 65 years old or older. Medicare paid the bulk of claims for health care, and the group insurance was a supplemental insurer with the obligation to pay for only those items and services which were not covered by Medicare or for any actual charges which exceeded Medicare benefits. The result of this arrangement, despite a higher incidence of claims for persons over 65 as compared to those under 65, has been to reduce the dollar amount of claims paid by the group insurance carrier.

As of Jan. 1, 1982, Medicare will not pay for any item or service that is provided by a group health plan except where the payment, under the group plan, is less than the actual charge. If this is the case, Medicare will pay the remainder of the charge. In other words, the group health plan provides the primary insurance; Medicare is only a supplemental insurer. The obvious result will be an increase in the number and amount of claims paid by the group carrier which, in turn, will cause an increase in premiums.

Although the effective date is Jan. 1, you already may have been paying for this change if the anniversary date of your group policy occurred during the past three months. A number of group health insurance carriers already have increased their charges in anticipation of the effective date. Blue Cross and Blue Shield of Memphis recently filed a request with the State Insurance Department for a 35 percent increase in the premium for their Medicare Supplement insurance due to the changes in the law.

An amendment to the Age Discrimination Act provides that "any employer must provide that any employee aged 65 through 69 shall be entitled to coverage under any group health plan offered to such employees under the same conditions as any employee under age 65." This means that as an employer, you cannot provide one kind of health plan to employees who are under 65 and a different plan to those who are over 65.

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If, due to the changes in the Social Security Act, you should determine that the cost of providing group health insurance to employees over 65 is excessive, Age Discrimination amendment would prohibit you from excluding these employees from coverage. You might choose not to provide health care insurance to any of your employees, but you could not omit just those employees over 65.

If you have a group health insurance plan and if you have any employees over 65, you may already have been contacted by your group carrier in regard to an increase in premium caused by these changes. If you have not been contacted, you may want to inquire about possible increases and the effective date of such increases.

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