Report to the Colorado General Assembly:

HEALTH INSURANCE AND FRINGE BENEFITS FOR STATE EMPLOYEES

COLORADO LEGISLATIVE COUNCIL

RESEARCH PUBLICATION NO. 67

DECEMBER 1962

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OF THE

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Legislative Council

Report To The

Colorado General Assembly

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COLORADO GENERAL ASSEMBLY

LEGISLATIVE COUNCIL

ROOM 341, STATE CAPITOL
DENVER 2, COLORADO
ACOMA 2-9911 - EXTENSION 2285

December 3, 1962

To Members of the Forty-fourth Colorado General Assembly:

As directed by the terms of Senate Joint Resolution No. 7 (1962), the Legislative Council is submitting herewith its report and recommendations on health insurance coverage and certain fringe benefits for state employees.

The committee appointed by the Legislative Council to complete this study submitted its report November 30, 1962 at which time the report was accepted by the Legislative Council for transmission to the General Assembly.

Respectfully submitted,

James E. Donnelly
Chairman

COLORADO GENERAL ASSEMBLY

LEGISLATIVE COUNCIL

ROOM 341, STATE CAPITOL
DENVER 2, COLORADO
ACOMA 2-9911 - EXTENSION 2285

December 3, 1962

LETTER OF TRANSMITTAL

Senator James E. Donnelly, Chairman
Colorado Legislative Council
341 State Capitol
Denver 2, Colorado

Dear Senator Donnelly:

Transmitted herewith is the report of the Legislative Council Committee on Health Insurance and Fringe Benefits for State Employees, appointed pursuant to Senate Joint Resolution No. 7 (1962). This report covers the committee's study of the feasibility of establishing a contributory group health insurance program for state employees and its recommendations thereon. The report also contains the committee's study and recommendations concerning overtime and hours of work for state employees and perquisites received by certain state employees.

Respectfully submitted,

/s/ Representative John L. Kane
Chairman, Committee on Health
Insurance and Fringe Benefits
for State Employees

FOREWORD

This study was made under the provisions of Senate Joint Resolution No. 7, passed at the second session of the Forty-third General Assembly. This resolution directed the Legislative Council to appoint a special committee to review existing insurance and health programs for state employees and the costs thereof and to study the advisability and costs of establishing a contributory group health insurance program for state employees. The resolution also specified that the study was to include a review of the number of hours worked by state employees, the number of holidays, and procedures for retirement for age or disability. The committee making this study was directed by the resolution to present its findings and recommendations to the Forty-fourth General Assembly no later than December 15, 1962.

The Legislative Council Committee appointed to make this study included: Representative John L. Kane, Northglenn, Chairman; Representative Frank J. Burk, Denver, Vice Chairman; Senator Robert E. Allen, Denver; Senator Lee R. Blackwell, Canon City; Senator Frank L. Gill, For Morgan; Representative James A. Braden, Colorado Springs; Representative Allen Dines, Denver; Representative Bill Gossard, Steamboat Springs; Representative James T. O'Donnell, Denver; and Representative Ruth S. Stockton, Jefferson County. Harry C. Lawson, Legislative Council senior research analyst, had the primary responsibility for the staff work on this study.

Four meetings were held by the Legislative Council Committee on Health Insurance and Fringe Benefits for State Employees. In addition, the committee chairman and another committee member met with the controller, budget director, personnel director, and management analysis director to discuss problems relating to statutory provisions on overtime and perquisites for certain state employees.

The committee gave careful consideration to the many aspects of a group health insurance plan including: eligibility, benefits, costs, amount of state contribution, coverage for retired employees, and administration. Along with these matters, the committee concentrated its attention on hours of work, overtime payment and eligibility, and statutory provisions for the control of added benefits, such as housing, meals, and commissary privileges received by certain employees, primarily institutional supervisory personnel.

The committee wishes to express its appreciation to those representatives of commercial insurance carriers and Blue Cross-Blue Shield who provided extensive information, consultation, and advice during the study. The committee also extends its thanks for the assistance provided by the following state officials: E. G. Spurlin, Controller, Con Shea, Budget Director; William J. Hilty, Personnel Director; Robert Bronstein, Management Analysis Director; Glen Turner, Colorado State College; John Moreland, University of Colorado; and Harry Reese, Executive Secretary, Colorado State Civil Service Employees' Association.

December 3, 1962

Lyle C. Kyle
Director

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RECOMMENDATIONS AND FINDINGS

1) The Health Insurance and Fringe Benefits Committee recommends that a health insurance program be established for all state employees and elected and appointed officials. The content of this plan should follow generally the outline of the high level plan on page 18 of the research report. This plan would provide 120 days of basic hospitalization and medical benefits (similar to those provided in the Blue Cross Comprehensive-Blue Shield Preferred program) plus a major medical program (similar to the one now in effect for faculty and certain administrative staff members at the University of Colorado). The major medical benefits would apply under either one of the following two circumstances: 1) Basic benefits have been exhausted and the insuree has spent $100 for medical care; 2) The insuree has spent $100 for medical care not included in the basic plan, such as drugs and doctors' home and office calls. The major medical plan would provide 80 per cent of all additional medical expenses (with certain limitations) not to exceed $7,500 in any one year or $15,000 in a lifetime.

Findings. With the exception of health insurance, the fringe benefits given employees by the state of Colorado are generally equal to or greater than those provided by private employers and the federal government.[1] These fringe benefits and the prevailing wage scale method which has been adopted for determining salary levels have been an important factor in the recruitment and retention of state employees. Civil Service Commission staff studies indicate that the state is deficient in the important area of health insurance. The 1962 wage study conducted by the commission included 146 private employers. Of this number, 109 provided health insurance for their employees; 103 provided surgical insurance; and 74 provided a major medical plan. Approximately one-third of these employers paid the total cost of health insurance coverage, and the remaining two-thirds shared in the cost with their employees.

The Civil Service Commission personnel director reports that many inquiries concerning health insurance are received from prospective employees, most of whom had paid or partially paid plans at their place of previous employment. By and large, these questions have been asked by people discussing office, technical, and professional openings in state service. In his opinion, a health insurance program will certainly aid in the objectives of recruiting and retaining better qualified employees. The costs of medical and hospital care have been increasing at a rate of five to eight per cent annually, and there is no reason to believe that these increases will not continue in the future. For this reason, health insurance has become one of the most important fringe benefits which can be offered.

At the present time, approximately two-thirds of the employees in the classified service have Blue Cross-Blue Shield coverage, for which they pay the entire premium costs. Faculty and staff members of state universities and colleges are covered by a variety of basic and major medical plans or combinations of the two. The usual practice is for the institutions to pay $2.50 per month per employee toward the cost of this coverage. None of the plans provide benefits as extensive as those in the high level plan recommended by the committee.

1. See Table 1, page 11 of the research report.

2) The Health Insurance and Fringe Benefits Committee recommends that the state contribute $5 per month for each active employee toward the cost of the recommended health insurance program.

Findings. The provision of a health insurance program would be of extreme value to state employees even if the state did not contribute at all to the cost, because of the extensive benefits, in relation to premiums, which can be provided through a large group plan. All of the benefits provided by the plan recommended by the committee could not be purchased in an individual health insurance policy. If it were possible to obtain these benefits in an individual policy, insurance carriers estimate the cost in excess of $40 monthly for a person and his dependents, as compared with the estimated group premium cost for an employee and dependents of between $20 and $23 per month. In addition, a physical examination would be required.

State employees with dependents presently enrolled in the various health insurance programs are paying from $8.00 to $20.60 per month for coverage. Those without dependents are paying between $1.86 and $10.30. As indicated above, none of the plans currently in existence provide all of the benefits included in the plan proposed by the committee. The recommended $5 per month state contribution for each state employee under the proposed health insurance program would reduce monthly premium payments so that an employee with dependents would pay from $15 to $18 per month and single employees between $2 and $3 per month. While some employees would be paying more than they are at present, the substantial increase in benefits more than offsets this employee cost increase.

The recommended amount of premium contributions by the state would meet the requirements of most insurance carriers as to the proportion of total premium costs which should be paid by the employer. Because of the total potential membership of the group (estimated at 20,000), which would be the largest in the state, it is unlikely that any insurance carrier would object to the amount of state contribution proposed.

It is estimated that the total annual cost of providing a monthly state contribution of $5 for each active employee would be $1.1 million. During the first year of operation, perhaps only half as much would be needed. It is unlikely that specifications could be developed, bids reviewed, a carrier selected, and the plan placed in operation much before January 1, 1964. The proposed state contribution rate would increase the state's fringe benefit costs 1.32 per cent, bringing the total cost of fringe benefits to 19.9 per cent of the average state salary, as compared with 19.5 per cent in private industry and 22.6 per cent for the federal government.

Minority View. Three committee members recommended that the state pay the entire premium cost for employees' coverage, with a top limit of $10 a month. The employee would then pay the cost of covering his dependents. The cost to the state for active employees under this proposal would be between $1.5 million and $2.2 million, depending on the premium rates negotiated with the insurance carrier awarded the contract. Any future increase in employee premium rates would automatically be reflected in increased costs to the state, unless and until such premium rates exceeded the $10 per month maximum. This

proposal was opposed by a majority of committee members present at the last meeting for two reasons: a) the initial and possible future costs; and b) the difficulty in budgeting in advance for amount of the state's contribution, because of the sliding scale contained in the proposal.

3) The Health Insurance and Fringe Benefits Committee recommends that all employees who retire after the plan goes into effect should receive the same level of benefits as active employees. All employees presently retired would be covered, but would receive reduced benefits, as outlined on page 19 of the research report. The committee recommends further that the amount of the state's contribution for health insurance coverage for retired employees (already retired, as well as those retiring in the future) should be based on the years of service before retirement, but should not exceed the monthly contribution for active employees. Employees over the age of 65 who leave state employment with less than five years service would receive no contribution. Those who retire with five years service would receive a contribution of one-fourth of the amount given active employees. This proportion would increase in amounts of five per cent for each additional year of service to a maximum of 20 years. Any retired employee with 20 years of service or more would receive a state contribution equal to that provided for active employees. The committee also recommends that the premium costs of the various components of the program (active employees, previously retired employees, and future retired employees) be kept separate.

Minority Views. The committee recommendations enumerated above were not unanimous. Two other viewpoints were also expressed: a) No coverage at all should be provided for employees already retired. b) Employees already retired should receive the same benefits as active employees. The findings below cover the matters to be considered and the supporting material for these viewpoints in addition to the majority recommendations.

Findings. A major purpose in providing a health insurance program for state employees is to attract and retain qualified employees. Retention of employees until retirement age is considered more likely if adequate health insurance benefits are provided for employees who are no longer active. Colorado has no mandatory retirement age for employees in the classified service, and often employees continue to work because of the reduced income that would result, when retirement would be beneficial to them and the state. The need for hospital and medical services increases with age, especially after age 65. The provision of the same health insurance benefits for future retirees that they had as active employees would remove one of the disadvantages of retirement.

The retirement benefits presently received by state employees are not only proportionate to their salaries but also to their length of service. Length of service should also be taken into consideration in determining the amount of state contributions toward the cost of health insurance for retired employees. The proportionate health insurance contribution rates recommended are similar to the proportion of maximum retirement benefits an employee would receive for each year of service less than 20 years.

The state has a humane concern in the well-being of employees already retired, most of them on fixed incomes, the value of which has been eroded by inflation since the time of their retirement. Provision of health insurance for these employees would be a recognition of service already performed, even though the state has no such obligation to these employees, as health insurance was not a fringe benefit which was available or promised during their period of active employment. The recommendation that those employees already retired be eligible for reduced benefits and that the state contribute in the same way as for future retired employees is very similar to the way in which the federal government met this problem when it established its employee health insurance program two years ago.

There are several reasons why the costs of the various components of the program should not be merged. The merging of costs would impose a greater financial burden on active employees, whose premium rates would be increased initially from $12 to $15 per year if this were done. This increase is based on the inclusion of the 1,700 presently retired employees at reduced benefits. If presently retired employees were included at the same benefit level as active employees, the increased initial annual premium cost to active employees might be $17 to $25, the latter amount applicable to employees with dependents. These added costs would increase as the proportion of retired employees to active employees increased. At the present time, retired employees comprise approximately nine per cent of the total group eligible for health insurance coverage (both active and retired). It is anticipated actuarily that the retired group will increase until it comprises at least 12 to 15 per cent of the total. Because of greater utilization by older people, under a merged cost system, active employees could expect to pay additional premiums, considerably in excess of the amounts indicated above. Another reason for not merging costs is that more effective controls over the program could be exercised if costs were kept separate. Further, cost increases for active employees would only reflect their own utilization experience, and they would not be penalized for utilization by retirees.

If the state were to provide limited health insurance benefits for those employees already retired and contribute to the cost of the program in accordance with the majority recommendation, it would require an estimated expenditure of $75,000 per year. This would bring the total state contribution cost to $1.2 million annually.

The minority view that no coverage at all should be provided for employees already retired is based on the following: a) The provision of health insurance for already retired employees is not compatible with the major purpose of establishing a health insurance program--the recruitment and retention of qualified employees; therefore, the expenditure is not justified. b) The state has no obligation to provide health insurance for those employees already retired, because there was no insurance program in force or promised during the time they were employed.

The minority view that state employees already retired should be entitled to the same benefits as future retirees is based on the following: a) These employees served the state loyally and should not be penalized because the state did not provide health insurance as a fringe benefit during the period of their employment. b) If these

employees were to be given reduced benefits, they would not be treated equitably in comparison with active employees and future retirees. c) In a few years the number of future retirees will be as great if not greater than the number already retired, and the present retired group will become smaller as its members advance in age. Consequently, while there may be additional initial expense to provide maximum benefits for those already retired, this additional cost will decrease in the coming years.

The view that present retired employees should receive the same benefits as active employees and future retirees was coupled with the recommendation that the employee's (or retiree's) premium costs be paid entirely by the state (either with or without a $10 monthly limit). It was pointed out that if costs were not merged, each retiree would have a premium cost of from $14 to $20 a month, depending on the level of benefits provided, and an additional premium cost of the same amount would be required if he has a dependent. A $5 per month state contribution would do little to offset this high cost and would place an unfair burden upon retirees, who are and would be living on reduced and fixed incomes. Under this proposal, the annual cost to the state of providing coverage for employees already retired is estimated at $250,000 as compared with the $75,000 estimate based on the majority recommendation of reduced coverage and a maximum state monthly contribution of $5.

4) The Committee on Health Insurance and Fringe Benefits recommends that a seven-member committee be designated as the administering and policy-making body for the proposed health insurance plan. This committee should be composed of the following: the controller (who would serve as chairman), the attorney general, the state purchasing agent, the manager of the workmen's compensation fund, the state personnel director, one representative of employees in the classified service, and one representative from the state institutions of higher learning. The method of selecting the employee and institutions of higher learning representatives would be determined by the five members of the committee named above.

This committee would be charged with the following duties and responsibilities:

a) development of detailed plan specifications to be given to insurance carriers submitting bids to underwrite the plan;

b) selection of an insurance carrier to underwrite the program;

c) determination of the method of claims administration;

d) determination of employee eligibility;

e) promulgation of rules and regulations in accordance with its authority and responsibilities as provided by law;

f) function as an appeals body for grievances by employees on claims payments and service, coverage, eligibility, and related matters; and

g) custody of the state dividend fund, which would be set up as a special fund by statute.

The committee recommends further that the state administrative work involved in the program, such as payroll deductions, handling of claims, etc., be the responsibility of the controller and be handled through the controller's office.

Findings. Most states with health insurance programs for state employees have established policy-making committees, usually composed of state officials and employee representatives, to supervise the program. The members of the committee recommended above, with the exception of the last two representatives named, were selected because of their regular state responsibilities and duties. The last two were named to give representation to the two largest groups to be covered under the proposed program. The commissioner of insurance was not recommended as a member of this committee for two reasons: First, it would place him in a difficult position to assist in a selection of an insurance carrier, when he exercises regulatory control over all carriers. Second, he will undoubtedly become involved in the program, whether or not he is named as a member of the policy-making committee.

The policy-making committee's proposed duties and responsibilities are similar to those given like committees in other states. This committee has to be given considerable discretionary authority, because it is virtually impossible as well as undesirable to spell out by statute all the details connected with the administration of a health insurance plan. Statutory provisions should be detailed only to the extent necessary to establish adequate guidelines for the program and to convey legislative intent.

The responsibility for administrative functions has been placed in the controller's office, because it appears to be the most appropriate state agency to handle these functions. Further, placing these functions in the office of the controller would obviate the necessity of creating a new state agency for this purpose.

Each year the state will receive, as a dividend, a certain proportion of the premiums paid. This proportion represents the remainder of the paid premiums after claims expense and the amount retained by the insurance carrier is subtracted. The amount retained by the carrier covers tax payments, commissions, the company's administrative costs, and the insurees' contributions toward the company's contingencies. Unless a special fund is established for these dividends, they would revert to the general fund. At the rate of state contribution recommended by the committee, approximately 75 per cent of these dividends would represent employees' contributions. It is recommended that a special fund be established similar to the P.E.R.A. fund, and that the health insurance policy-making committee be given the authority to invest these funds as provided by law. The special dividend fund could be expended for two purposes: to cover future rate increases and to cover the state's costs of administering the program. It is the estimate of several insurance carriers that the cost of administration, depending on how claims are handled, should not exceed $50,000 to $60,000 per year.

5) The Committee on Health Insurance and Fringe Benefits recommends all future employees be automatically enrolled in the program, either with or without a 30-day waiting period. All state employees not enrolled in health insurance groups to which the employer is making

a contribution on the date that the program is established should be given 30 days to elect to stay out of the plan. All employees failing to signify their wishes not to be covered during this 30-day period will automatically be considered as members. Employees in groups to which the employer is making contributions (limited to the institutions of higher learning) would decide during the 30-day period by majority vote of each group whether or not to come into the state plan. All present and future elected and appointed state officials would have the option of being covered or remaining out of the program. The committee recommends further that after a plan is adopted, no payroll deductions shall be made for any employee's health insurance coverage to which the employer does not contribute.

Findings. All new employees can be required to become members of the plan, but it is doubtful if this obligation could be imposed upon those employed prior to the establishment of a health insurance program, because such participation was not a condition of employment at the time they were hired.

There are three approaches which might be taken to try to assure that at least a major portion of present employees would participate in the program:

a) An all-out drive could be made to enlist all present employees in the plan. This approach has several drawbacks, not the least of which is the cost. In the state of Michigan, for example, such a drive required the services of 50 to 60 agents of the company which was awarded the contract. The use of a large number of people and large amounts of promotional literature imposed a substantial initial obligation upon the program.

Many state employees already have some kind of group coverage; it is to be expected that any carrier with an existing contract, should it not be awarded the contract for a new state plan, would try to hold the coverage it already has. Employees would therefore be subject to conflicting pressures, the result of which may be the continuation of a number of group programs, some of which would be quite small, so that costs would be higher and administration difficult. Further, it is not unlikely that pressure would be brought by employees who keep their present coverage to have the state subsidize these plans to the same extent as the state plan, although such coverage may be inferior.

The problem of adverse selection also is involved in this approach. If the state plan is more comprehensive than existing plans, an employee may choose to come into the state plan only because of greater medical needs. It is also reasonable to assume that among employees with no coverage, a significant proportion of those who elect to come into the state plan may be in the high use group.

b) All present employees could be given 30 days by statute to elect to come into the program; otherwise they would be considered as non-members and could be eligible for enrollment only at a certain specified future time and after a physical examination, and/or other more rigid requirements were satisfied.

This approach is more definitive than the one discussed above, in that a time period is set for affirmative action, and future entry into the plan (if not chosen during the 30-day period) is made much more difficult. For this method to be successful, it would also require considerable promotional effort and would probably involve many of the problems enumerated above, such as adverse selection and concentrated effort on the part of other group carriers covering state employees.

c) The third way (recommended by the committee) in which enrollment of present employees might be handled would be to provide by statute that all present employees are presumed to be participants in the plan unless they elect not to have coverage within 30 days after the plan is adopted. This approach would satisfy statutory requirements, according to an opinion of the attorney general. Employees would not be compelled to belong, but it would require affirmative action on their part not to do so, as contrasted with the approach outlined above which would require affirmative action to participate.

It can reasonably be assumed that this method would assure that most employees would participate, especially if the plan offered provides more comprehensive coverage than existing plans. Promotional costs should be considerably less, and there would be less likelihood of fragmented coverage with a number of plans in effect. It appears desirable to make a special provision for employees already participating in a group plan, if a portion of the cost is paid by the employer (e.g., Colorado University, School of Mines, C.S.C., etc.). The requirement might be imposed that if a majority of employees in such a plan elect not to be covered in the state plan, all members of the group shall be presumed not to be members. Further, in instances where the employees of an existing group desire to retain their present coverage, it could be provided that the difference between the present employer contribution and the amount of the employer contribution to the state plan (should the latter be larger) shall not be paid.

There are several advantages to handling existing group plans to which the employer contributes in this way:

a) Administration would be simplified. There would not be payroll deductions of different amounts, two methods of processing claims, and two levels of benefits.

b) Existing groups could remain intact if they so choose, thereby keeping their costs and benefits at the same level as at present.

c) The state plan would not suffer from adverse selection as far as members of these groups are concerned, assuming that the state plan offered more comprehensive coverage.

At the present time those employees who have Blue Cross-Blue Shield coverage pay their monthly premiums by payroll deductions. In the interest of administrative simplicity, consideration might be given to requiring that employees who choose not to be covered under a state plan and who retain their present Blue Cross-Blue Shield coverage should pay their premiums directly rather than through payroll deduction.

6) The Committee on Health Insurance and Fringe Benefits recommends that legislation be adopted which would clearly place the responsibility with the controller for determining the value and the charges to be made for certain added benefits received by some state employees, especially those on the top management level. These benefits include such items as living quarters, meals, commissary privileges, laundry and cleaning services, personnel services performed by inmates, gasoline and other motor pool supplies, and personnel charge accounts. The committee recommends further that the present statutory requirements (applicable only to three institutions) that superintendents live on the institutional grounds be repealed.

Findings. Some of the added benefits or perquisites enumerated above originated as salary supplements to attract qualified personnel. Others were granted because of statutory requirements that certain institutional superintendents or directors live on the institutional grounds. The origin of some of these added benefits cannot be ascertained.

During the past few months, the Management Analysis Office has conducted a study of existing practices at state institutions concerning perquisites for employees. This study was made to provide the information necessary for the promulgation of a fiscal rule by the controller covering such perquisites. On several occasions, the controller and the director of the Management Analysis Office have discussed with the committee the problems and conflicts arising from the present statute covering perquisites. These include:

a) At present there is no assigned responsibility for the determination of permissible perquisites. In the absence of defined responsibility, institution heads take it upon themselves to decide whether or not a perquisite should be given. Thus, there are such anomalies among the institutions as state-furnished personal charge accounts, commissary privileges, government gasoline for personal vehicles, etc., for a few employees, the origin of which on one can explain.

b) In 26-2-3 (13) the Civil Service Commission is given responsibility among other things for determination of the "benefits" given to employees. The Civil Service Commission is the responsible agency for the conduct of the annual wage survey. Controller financial authority to rule on perquisites for certain groups of employees ought, therefore, to be coordinated closely with the Civil Service Commission's duty.

c) The present statute requires that the value of benefits "shall be deducted from established salaries." Some of the sporadic transactions, however -- drugs, surplus commodities, etc. -- would be better handled by cash payments. The controller should have the flexibility to determine which transactions should be deducted and which paid for in cash.

d) The statute makes provision only for full waiver of charges if a person is "required to live at a state facility." There should be sufficient flexibility to permit partial waivers and also waivers for some persons who do not live on the grounds -- e.g., perhaps partial waiver for teachers of the blind on duty and eating meals with their charges.

e) At present, perquisites are not available to all institutional employees, nor are charges uniform at all institutions, resulting in disparities and inequities among employees. Consequently, there should be a requirement that "uniform and equitable rules" be promulgated by the controller.

f) Some benefits are presently given to employees without charge, hence, the need for emphasis on payment to the state for all benefits, unless otherwise provided by statute or controller's rule.

g) Many of the rates presently in effect at the institutions have remained unchanged since 1947, demonstrating the need for a requirement for periodic review of all prescribed rates.

Employees of other departments, such as Fish and Game and Highways, and the presidents and some employees of state universities and colleges also receive perquisites similar to those received by institutional officials and employees. The statutes and the rules promulgated thereunder should apply uniformly to all departments and institutions.

There are only three institutions which still have a statutory requirement that the superintendent of the institution live on the grounds. These institutions are the two training schools at Ridge and Grand Junction and the school for the deaf and blind at Colorado Springs. This statutory requirement has been repealed for all other institutions which had it initially; the last two to be eliminated were the Golden Age Center in 1958 and the state hospital in 1961. It is recommended that any requirements for living on institutional grounds be established by the controller.

7) The Committee on Health Insurance and Fringe Benefits recommends that legislation be adopted to eliminate the conflicts and inconsistencies presently contained in several statutes covering the definition, determination, and payment of overtime to state employees. This legislation would cover the following:

a) definition of work week, work day, overtime, and eligible and ineligible employees;

b) circumstances under which overtime would be allowed and the method of payment;

c) special situations applicable to certain agencies with regular long and short work weeks;

d) grievances arising out of the payment or non-payment of overtime; and

e) responsibility and rule making authority of the controller in carrying out the provisions of the act.

Findings. There are a number of statutory conflicts regarding the payment of overtime and the eligibility for such payments. A complete presentation of these conflicts will be found on pages 50-54 of the research report.

HEALTH INSURANCE

Types of Health Insurance

There are a number of different types of health insurance plans; however, they generally fall within five major categories, and all plans usually provide for hospitalization, medical and surgical care while hospitalized, and for a limited amount of emergency outpatient care.

Basic Hospital and Medical Coverage

Basic plans usually provide for hospitalization for a specified number of days, followed by a waiting period before benefits for this purpose may be used again. Basic plans also usually provide for medical and surgical care during hospitalization (although there may be maximum limits) and for a limited amount of emergency outpatient treatment. Benefits are usually limited to the treatment of illness and do not cover diagnostic services, whether in or out of the hospital, unless such diagnostic services are needed in the treatment of illness.

Hospitalization usually includes room and board (daily dollar limits may apply), other hospital services, and drugs. Blood may not be covered, to encourage blood bank repayment in kind. Hospital benefits are provided in one of two ways, either on a service basis or on an indemnity basis.

Service Basis. The provision of hospital benefits on a service basis is usually possible only under Blue Cross. Blue Cross benefits cover all hospital services (except blood), regardless of cost, as long as the maximum number of days of hospitalization has not been exhausted. Under comprehensive Blue Cross plans, the patient is covered for the use of a semi-private room, regardless of room rate. Other Blue Cross plans have limits on the maximum daily room allowance. The patient must pay for any difference between the maximum room allowance in his contract and the room rate charged.

Indemnity Basis. Indemnity benefits are provided under plans negotiated with commercial insurance carriers. Usually there is a dollar limit on the hospital services, drugs, etc., which can be covered in any benefit period. There may be a dollar limit on daily room rate benefits or a semi-private room may be covered (regardless of rate). With an indemnity benefit plan, payments are based on hospital charges to the patient. This is not the case with most Blue Cross plans. Blue Cross reimburses the hospital directly on the basis of actual hospital costs, rather than on hospital charges. In Colorado, each participating hospital's books are audited every six months by a licensed auditing firm. From these audits Blue Cross determines the actual per patient day cost to operate the hospital and reimburses the hospital on this basis for the number of Blue Cross patient days. Under indemnity benefit plans, the hospital usually bills the patient, who is reimbursed by the insurance carrier.

Medical benefits in basic plans are usually limited to doctors' visits while the patient is hospitalized. Under indemnity

benefit plans, there may be a dollar limit on these benefits. Surgery benefits usually apply whether surgery is performed in the hospital or in the doctor's office. These benefits are usually on an indemnity basis, although they may differ in application, depending on the insurance carrier. Blue Shield surgical benefits are usually provided in conjunction with Blue Cross. Blue Shield has an established fee schedule for each of the many surgical procedures. This fee is related to the income of the patient. If a patient's income is above the maximum stated in the plan, the doctor is free to charge him an additional fee if he so desires; however, Blue Shield benefits may be considered to be on a service rather than indemnity basis for those policy holders whose incomes are below the maximum, thus guaranteeing that the doctor will not make an additional charge.

Most commercial insurance plans providing surgical benefits also have fee schedules; usually these fees are not related to income and the doctor may make additional charges to the patient, regardless of income.

Major Medical Coverage

In addition to hospital and surgical bills, major medical policies generally cover physicians' fees for services in or out of the hospital including home and office visits, diagnostic services, after hospital care, private duty nursing in or out of hospitals, drugs, prosthetic devices, psychiatric treatment, and sometimes other costs as well. While the scope of major medical policies is broad, benefits within the scope are not complete. These plans usually have a deductible feature; the patient must pay the first part of the cost ($25, $50, $100) before he can receive reimbursement from the insurance carrier. After the deductible amount has been paid, additional expenditures are usually covered on a coinsurance basis. The policy holder pays 20 or 25 per cent of the remaining cost, and the insurance carrier covers the rest. Benefit periods under a major medical plan may be as little as six months but are usually a year. In other words, the policy holder must pay the deductible amount each year before he can take advantage of the coinsurance coverage. Usually there is a maximum dollar limit on the benefits which can be received in any one benefit period (i.e., $7,500), as well as a maximum dollar limit on the benefits which can be received during the lifetime of the policy holder (i.e., $15,000).

Major medical plans have gained acceptance primarily for two reasons: 1) Basic plans generally do not provide adequate coverage for long-term illnesses or extensive and complicated surgical procedures. 2) Basic plans do not cover many items of major medical expense, such as home and office calls, drugs outside of the hospital, and diagnostic services. The deductible and coinsurance features of major medical plans are designed to discourage abuse.

Supplemental Major Medical Plans

These plans are designed for beneficiaries who have basic plan coverage. Coverage and application of supplemental major medical plans vary a great deal. Coverage may be limited only to the types of benefits provided in the basic plan. In this instance, the applicability

of the supplemental plan would be limited only to costly, catastrophic illnesses. Usually, benefits under the supplemental plan would not apply until the benefits under the basic plan have expired and the policy holder has paid an amount such as $50 or $100. This payment is very similar to the deductible feature in major medical plans; however, it is referred to as a corridor payment, the amount to be paid representing the corridor between application of the basic and supplemental plans. Generally, the coinsurance feature found in major medical plans also applies to supplemental programs.

Supplemental plans may also cover benefits as extensive as those provided in major medical plans. The benefits provided under the supplemental plan in this instance would apply under either or both of two conditions: 1) benefits have been exhausted under the basic plan and the corridor payment is made; 2) the policy holder has had considerable medical expense for services not covered in the basic plan and has paid the required deductible amount. Again the coinsurance feature usually applies in the payment of benefits.

Self-Insurance Plans

Self-insurance plans may cover any and all of the benefits already described. These benefits may be provided on either a service or an indemnity basis or by a combination of the two. Self-insurance plans may also be established in conjunction with a program provided by Blue Cross-Blue Shield or a commercial carrier. Benefits provided by one could be augmented or extended by the other. For example, the self-insurance program could be limited to a basic plan, with supplemental benefits provided by an outside carrier, or vice versa. Such a combination, however, might be extremely difficult to administer.

Prepaid Group Practice Plans

These plans appear to be illegal in Colorado under the provisions of the Medical Practice Act[1] and are mentioned here for general information only. These plans are based on the premise that the problems of medical care can best be solved by a basic reorganization of the pattern of medical practice, rather than by superimposing an insurance or prepayment plan on the existing pattern. Among the larger and better-known pre-paid group practice plans are these:

1) Health Insurance Plan of Greater New York;
2) Group Health Association, Inc., Washington, D.C.;
3) Kaiser Foundation Health Plan, Inc., Los Angeles, San Francisco, Portland, and Honolulu;
4) Group Health Cooperative of Puget Sound, Seattle; and
5) Community Health Association, Detroit.

While such plans vary considerably in detail, most of them have several features in common.

1. 91-1-17 (13) C.R.S. 1953.

Physicians in the plan are not paid on a fee basis. Sometimes (as in Group Health of Washington) physicians are employed on a salary; sometimes (as in HIP of New York) they receive a per capita annual fee based on the number of patients in their care, regardless of the amount of service rendered each patient. No patient can be overcharged for a service, because no fees are charged, and the income of the physician does not increase or decrease regardless of the amount of service performed for any one patient.

The physicians in a plan practice as a group -- usually the group consists of several general practitioners or internists , plus an assortment of specialists. Admission to the group is governed both by specified criteria of training and experience and by the judgment of the other member physicians. The patient has at his disposal a "medical team" composed of the general practitioner or internist and an array of specialists.

Enrollees under the plan use only the physicians in the group, unless they are prepared to pay their own bills from nongroup physicians. The enrollee's "free choice of physicians" is thus curtailed. Each enrollee, however, retains free choice of any general practitioner or internist within the group as his personal physician, and (as in New York HIP) he may have a choice of medical groups within the plan.

Physicians' services rendered generally include medical and surgical services -- both in and out of hospital -- including diagnostic workups. The coverage is thus broader than in most Blue Shield or insurance company indemnity plans.

Preventive medicine is likely to be stressed -- periodic checkups, immunization procedures, early diagnosis and treatment, educational programs addressed to plan members, etc.

The enrollee (or an employee benefit plan on his behalf) pays a fixed annual sum for the plan's services, regardless of how much service is rendered.

Present Health Insurance Coverage for State Employees

Outside the universities and colleges, there is no health insurance plan for state employees to which the state contributes. Approximately two-thirds of the state's employees are enrolled in Blue Cross-Blue Shield, and pay the entire premium. Most of these employees have comprehensive Blue Cross and preferred Blue Shield coverage. This coverage provides 120 days of hospital benefits annually, including semi-private room, all hospital services except blood, and doctors' visits while hospitalized. Blue Shield preferred coverage applies to surgery both in the hospital and in the doctor's office. The doctor may not make any additional charges as long as the covered patient's income is less than $6,000.

Group Plans at Colleges and Universities

Information has been gathered on some of the group health insurance plans at the colleges and universities including: University of Colorado, Colorado School of Mines, and Colorado State College. The benefits provided in these plans are outlined below.

University of Colorado. The University of Colorado has three group health insurance plans: one plan covers faculty members and unclassified administrative employees on the Boulder campus; another plan covers all other employees on the Boulder campus; and the third covers all employees at the University of Colorado Medical Center in Denver.

The plan covering faculty and unclassified administrative employees on the Boulder campus provides major medical benefits only. After the first $50 in a calendar year has been paid by the insured, further medical expense is covered on a coinsurance basis, 20 per cent by the insured and 80 per cent by the insurance company. the maximum benefit which may be received in any one year is $7,500 and the lifetime limit is $15,000.

The other employees on the Boulder campus are covered by a basic plan only. This plan provides the following benefits:

Hospital Room and Board: 31 days with a daily maximum of $15.

Hospital Services: $200 plus 75 per cent of the next $1,000.

Surgery: Maximum of $250.

In-Hospital Physician's Attendance: Daily benefit of $3, with a maximum of $93.

Maternity: Normal delivery, $150; Ceasarean, $225; Miscarriage, $75.

The plan covering the University of Colorado Medical Center employees is very similar to the basic plan outlined above. The following benefits are provided:

Hospital Room and Board:[2] 31 days with a daily maximum of $16.

Hospital Services:[3] $160 plus 75 per cent of the next $1000.

Surgery: Scheduled, Maximum of $200.

In-Hospital Physician's Attendance: Daily benefit of $3, with a maximum of $93.

Maternity: Ten times the daily hospital benefits plus $50 surgical fee for normal delivery.

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2. Hospitalization for dependents is limited to $8 per day instead of $16.
3. Hospital services for dependents: $120 plus 75 per cent of the next $1,000.

The university pays $2.50 per month toward the total premium cost for each employee enrolled in one of the three plans. The major medical plan has an enrollment of 528 out of 650 who are eligible; the total monthly premium cost is $4.36 for an employee and $13.83 for an employee with dependents. The basic plan on the Boulder campus has an enrollment of 953 out of 1,400 who are eligible; the monthly premium is $4.12 for an employee and $11.02 for an employee with dependents. The university medical center basic plan has an enrollment of 904 out of 1,600 who are eligible, and the premium rates are the same as for the Boulder campus basic plan.

Colorado School of Mines. All employees at the School of Mines are covered except those under civil service. Coverage includes both a basic plan and a supplemental major medical with benefits as listed below.

Basic Plan

Hospital Room and Board: 120 days, with a daily maximum of $17

Hospital Services: $340

Surgery: Scheduled, maximum of $300

In-Hospital Physician's Attendance: Daily benefit of $5, with a maximum of $600

X Ray and Lab Exams: $50 maximum per year

Supplemental Accident Expense: $300

Supplemental Major Medical

Deductible: $300 or basic plan benefits, whichever is greater

Coinsurance: 75%/25%

Medical Expense Period: Three months

Maximum Benefit per Case: $5,000

One hundred and twenty employees are covered under the School of Mines plan. The school pays half of the premium cost for both employees and dependents. The total monthly premium cost for an employee without dependents is six dollars, with dependents, $14.83, of which the school pays three dollars and $7.42 respectively.

Colorado State College. The plan in effect at Colorado State College covers all employees (faculty and staff) and provides basic benefits only.

Hospital Room and Board:[4] 70 days, with a daily maximum of $12

4. Daily maximum for dependents is $10.

Hospital Services: $240 plus 75 per cent of the next $1,500

Surgery: Scheduled, with maximum of $450

In-Hospital Physician's Attendance: Daily benefit of $5 with a maximum of $350

Radiation Therapy: Maximum of $200

Poliomyelitis: $5,000

Maternity: $175

The monthly premium cost for the Colorado State College group plan is $7.90 for employees alone and $15.80 for employees with dependents. The College pays one-half of the premium cost for faculty members and their dependents. Other employees pay the entire premium.

Value of a Health Insurance Plan for All Employees

Comments of State Personnel Director

The Civil Service Commission was asked by the Legislative Council Committee on Health Insurance and Fringe Benefits for State Employees to comment on the advantages to the state as an employer in providing a group health insurance program for employees, to which the state would contribute. In response to the committee's request, William J. Hilty, personnel director for the commission, submitted the statement below covering fringe benefits generally, as well as health insurance specifically.[5]

> "Any discussion of the value of fringe benefits in State service must be prefaced with an understanding of the philosophy of fringe benefits, their purpose and an exacting definition of what constitutes a fringe benefit. The 1959 "Personnel Policies and Practices Report" by Prentice-Hall, Inc., sets forth the following philosophy which should be that of the State of Colorado.
>
> > 'The company that provides employee benefits is no longer the progressive crusader; it is merely following intelligently the established trend. Employee benefits are neither a passing fancy nor a panacea for industrial ills.

5. Value of Fringe Benefits in State Service, William J. Hilty, Personnel Director, Colorado Civil Service Commission, October 2, 1962.

> In the relatively short period of their development, they have become an accepted industrial relations technique, essential to the successful operation of a business. Employees tend to gravitate toward the firm with the most complete program of benefits simply because the existence of a benefits program makes the firm a better place to work.
>
> 'Employers today look upon benefits as the embodiment of certain rights to which the worker is entitled. The question is no longer one of whether or not benefits will be provided; rather, it is one of which benefits can be installed at a given time.'

"It should be understood that wages and salaries do not serve the same purposes as fringe benefits, and under no circumstances should a fringe benefit be substituted for a proper remuneration for work performed, nor should an excessive wage be used in lieu of essential fringe benefits. Under the prevailing wage legislation under which the state operates, the pay for work performed in state service should be comparable to pay for like work in private industry. Additionally, the general fringe benefits enjoyed by employees in private industry should likewise be available to State employees on a comparable basis.

"Briefly defined, pay is financial remuneration for performance of work; fringe benefits are those programs <u>other than working conditions</u> which seek to increase the morale and productivity of workers.

"The betterment of work conditions cannot be considered a valid fringe benefit, as this is a basic management responsibility in establishing jobs. The true fringe benefit seeks to solve a vast number of psychological and social problems which have both direct and indirect effect upon employee attitudes, which in turn have both direct and indirect effect upon qualitative and quantitative production, job interest, loyalty to the State service, and the recruitment and retention of employees.

"No common measure can be used in determining the actual cost or value of any fringe benefit. Even the most obvious -- vacation, sick leave, retirement -- will be evaluated differently

by various individuals. The benefit which satisfies a psychological or social need for one group may be of no interest or even unsatisfactory for another group; for example, the proposed retirement plan problems in the City and County of Denver. Therefore, enlightened management uses fringe benefits to help achieve its goals of attracting and holding qualified employees and promoting an atmosphere conducive to a productive work force. To reach these goals, management has to provide benefits which are of value to employees over and above salaries, and incidentally not necessarily equally attractive to each employee.

"Civil Service Commission staff studies indicate that the State of Colorado is deficient in the important area of health insurance.

"Private industry and the Federal government believe that part or full paid health plans have a great value. Our 1962 survey covered 146 employers. Of this number, 109 firms provided hospital insurance for their employees; 36 firms paid the total bill; 73 paid jointly with employees; 103 firms provided surgical insurance with the same ratio for payment, and in addition 74 firms provided a major medical plan with 23 firms paying all costs, and 51 sharing the cost with employees.

"Unfortunately, there are no statistics to substantiate any claims for increased work productivity, higher retention of present employees, better recruiting results, or any of the other many intangibles which common sense tells us will result. Additionally, any employee has certain social obligations which must be met, and the value to the general public of relieving them of these social problems is another intangible.

"Generally speaking, a fringe benefit program appeals to the more intelligent and socially-oriented employee -- the one who looks upon job satisfaction and community responsibilities as being as important as the dollar. Fringe benefits attract and hold the career employee rather than the drifter. Alleviation of fear from the worries of possible hospitalization and sickness, or old age have a definite effect upon productivity.

"I should hasten to say that interest in such a benefit as a paid insurance program is not limited to a particular social or economic group. For example, look at the fringe benefits including health insurance in negotiated labor contracts.

"Many of the people coming to the Civil Service Commission offices frequently inquire about the fringe benefits offered by the State. Most of the inquiries come from people who had paid or partially paid insurance plans where they had previously worked. By and large these questions come from people discussing office, or technical and professional openings in the State service.

"Health insurance is increasingly regarded as a must because of the cost of hospitalization and surgery. When a person carries it for himself, it is an out-of-pocket expense -- so that if a person has it provided for him, in whole or part, he figures his take-home pay is higher, and makes this comparison in looking at State salaries.

"A health insurance program will certainly aid in the objectives of recruiting and holding better qualified employees, of relieving them of fear and worries about health, and in meeting the social obligations charged to public employees."

Other Considerations

Hospitalization costs are increasing at a rate of five to eight per cent a year. The present average daily cost for hospitalization in Colorado is $33.18. The cost of all medical care (hospitalization, drugs, physicians', and surgeon's services, etc.) increased 22 per cent between 1955 and 1960, and hospital room rates increased 36 per cent during the same period. These rising costs have been a continued concern of low and middle income families, and for this reason, group health insurance has become a very desirable fringe benefit.

There are certain advantages to providing one plan for all state employees rather than having a variety of plans in effect, as at present. First, a single plan would assure a group sufficiently large to provide the most comprehensive benefits at the lowest possible costs. Second, the costs of administration would be substantially reduced. Third, insurance carriers would be far more willing to tailor a plan to the exact needs of a large group (one of 10,000 or more) than they are for groups of 1,000 or less.

For these reasons, the administrators and participants in the group plans at the universities and colleges are very interested in a state-wide program, even though the adoption of such a plan would probably eliminate the present plans. While two-thirds of the members of the Colorado State Civil Service Employees Association have Blue Cross-Blue Shield coverage in the state employees' group, the association has gone on record as endorsing a state-wide program, not only to reduce employee premium costs through state contributions, but also to provide greater benefits and more extensive coverage than is now available.

Comparison of Fringe Benefits. Health insurance, as indicated by Mr. Hilty in his comments above, is just one of a number of fringe benefits, such as retirement plans, vacation time, holidays, and sick leave. Consequently, it should be examined within the context of all such benefits. A comparison of the value of fringe benefits provided by private employers, the state, and the federal government has been made by the Civil Service Commission. The value of each fringe benefit was computed as a per cent of the average salary, which, for state employees, is $380 per month. This comparison is shown in Table I.

Table I

STATE, FEDERAL AND PRIVATE EMPLOYEES, VALUE OF FRINGE BENEFITS BASED ON AVERAGE SALARY

Fringe Benefits	Company Cost Average Industry Employee	State Cost Average State Employee	Federal Average Employee
a. Social Security	3.1%	0%	0%
b. Holidays	2.7	4.2	3.1
c. Vacation	3.8	5.7	7.7
d. Sick Leave	2.7	2.7	2.7
e. Unemployment Insurance	.4	0	0
f. Pension	3.3	6.0	6.5
g. Life Insurance	.8	0	1.3
h. Hospital/Medical	2.7	0	1.3
i. Bonus, profit share, etc.	Not collected	0	0
TOTAL	19.5%	18.6%	22.6%

This table shows that the state is a little below private employers and considerably below the federal government in the provision of fringe benefits. The state exceeds private employers in its provision of holidays and vacations; in fact, these two benefits account for 53 per cent of the value of all fringe benefits provided by the state as compared with 33 per cent by private employers and 46 per cent by the federal government. The value of sick leave is the same for both the state and private industry, and private industry is only slightly ahead of the state in retirement benefits (social security plus pension), 6.4 per cent as compared with six per cent for the state.

Private employers' contributions to health insurance and group life insurance are valued at 2.7 per cent and 1.8 per cent of the average employee's salary. The state, of course, does not provide either.

The state exceeds the federal government only in the provision of holidays; the value of sick leave benefits is the same, and the value of other fringe benefits provided by the federal government is higher.

Private Industry Group Insurance Programs

Copies of the group insurance programs of several large private employers in Colorado were obtained with the assistance of the Civil Service Commission and the Colorado State Civil Service Employees Association. The firms from which information was obtained were: Coors, Gardner-Denver, Colorado Fuel and Iron, Dow Chemical, Martin Marietta, Stearns-Rogers, Climax Molybdenum, Shwayder Brothers, Public Service, Mountain States Telephone and Telegraph, and Gates.

Types of Health Insurance Provided

The health insurance programs provided by these 11 firms fall generally into five categories.

Basic Plan Plus Major Medical: Coors, Martin Marietta (supplemental major medical actually is major medical catastrophe insurance and applies only when employee or dependent is totally disabled), Mountain States Telephone and Telegraph

Major Medical Only: Dow Chemical (salaried employees), Stearns-Rogers (salaried employees)

Basic Plan Only: Gardner-Denver, Colorado Fuel and Iron, Dow Chemical (hourly employees), Shwayder Brothers

Basic Plan Plus Special Services:[6] Climax Molybdenum, Public Service Company

Special Services: Gates

Table II shows in some detail the benefits provided under the plans in effect for 10 of the 11 employers (Gates is excluded). As can be seen from Table II and the accompanying footnotes, there is a variety of ways in which health insurance benefits can be provided, and the larger the number of participants in the program, the easier it is to have the program tailored to meet the special needs of an employer and his employees. Several of the firms differentiate between hourly and salaried employees and have separate programs for each group. These programs, however, are usually underwritten by the same companies.

6. The organization and provision of these special medical services are discussed in some detail below.

Special Services. Three companies provide benefits which differ considerably from usual health insurance programs. Two of these companies (Climax Molybdenum and Gates) are able to do so because they have their own hospitals and employ their own doctors and other medical personnel. Climax provides medical, surgical, nursing services, and drugs through its hospital free to employees and at low cost to dependents. These benefits are in addition to Blue Cross-Blue Shield coverage.

Gates employees have established a Mutual Benefit Club to take advantage of the company's medical facilities and staff. A staff of more than 70 is on hand to serve employees and members of their families. These include: 28 doctors, five dentists, three pharmacists, two laboratory technicians, a physical therapist, and 15 nurses and aides. Among the benefits are: complete medical service, hospitalization, dental service, prescriptions, and optical service. Benefits for dependents are somewhat more limited than those for employees.

The provision of benefits through an employees' association set up for this purpose is also part of the Public Service Company's program, even though the company does not have its own hospital or staff. Hospitalization for members of the Public Service Employees Mutual Aid Association is provided through comprehensive Blue Cross coverage. Medical and surgical care, laboratory examinations, and hospitalization in excess of that provided under comprehensive Blue Cross (if authorized by an association-designated physician) is paid for by the association up to a maximum of $300 in any continuous 12-month period. Seventy-five per cent of the cost in excess of $300 during a continuous 12-month period is paid by the association, with a limit of $5,000 ($10,000 lifetime limit).

No charges are made against these limits for prescriptions that cost less than $5.00 or for ordinary house or office calls by association designated physicians. The association also pays up to $10 for eye examinations for glasses, after membership in the association for at least 12 months.

Coverage for Retired Employees

Generally, although there are some exceptions, these firms provide some kind of health insurance coverage for retired employees. No information was available on Gates and Climax. Coverage for Martin employees and Gardner-Denver hourly employees terminates upon retirement. Coverage is also terminated for all C.F. and I. employees, but they have the option of converting to individual coverage at their own expense.

Coverage is continued for retired employees at Coors, but the benefits are reduced. Retired salaried employees at Gardner-Denver continue to be covered, but there is an increase in the premium payment made by the retired. Limited coverage is provided for all retired employees of Dow Chemical. For salaried employees, Type B major medical benefits are eliminated and Type A benefits limited. Similar limitations apply to hourly workers.

Table II

COMPARISON OF HEALTH INSURANCE BENEFITS, SELECTED COLORADO PRIVATE EMPLOYERS

SP -- Semi Private Room
PBS -- Preferred Blue Shield

Company	Hospital Benefits: Room & Board $	Hospital Benefits: Room & Board Days	Hospital Benefits: Other	Surgical Fees	Medical Expense: House Calls	Medical Expense: Office Calls	Medical Expense: Hospital Calls	Medical Expense: Other	Diagnostic Benefits	Major Medical Benefits: Amount	Major Medical Benefits: Co-Insurance	Major Medical Benefits: Deduct.	Major Medical Benefits: Coverage	Other Benefits: Polio	Other Benefits: Radium, X-Ray Therapy	Other Benefits: Psychiatric
Coors																
Salaried Employees	$14	70	$1,000	$300	$5[a]	$3[a]	b	c	$50	$ 5,000[d]	80/20	e	f	$5,000		g
Hourly Employees	16	70	1,000	300	5[a]	3[a]	b	c	50	5,000[d]	80/20	e	f	5,000		g
Gardner-Denver																
Salaried Employees	SP	120	All	250			h		70						$150[a]	
Hourly Employees	15	31	300	300			$3[i]		50							
Colorado Fuel & Iron																
Empl.Covered by Union Agreement	SP	120	All	300					75						j	
Other Employees	SP	120	All	300			k		75						j	
Dow Chemical																
Salaried Employees	1	120	1	1	1	1	1		1	7,500[m]	1	1	1		1	n
Hourly Employees	SP[o]	120	2,000[p]	300			5[q]		25[r]							
Martin Marietta																
Salaried Employees	18	70	400	400						10,000[s]	80/20	t	Med.,Surg., Hosp.Nurse, Supplies			
Hourly Employees																
Stearns-Rogers																
Salaried Employees	u	u	u	u	u	u	u		u	10,000[v]	80/20	w			u	x
Shwayder Brothers																
All Employees	SP	120	All	PBS			PBS									
Climax Molybdenum																
Hourly Employees	y	y	y	y	y	y	y		y							
Public Service Company																
All Employees	SP	120	All	PBS			PBS		z	z						
Mountain States Tel. & Tel.																
All Employees	SP	120	All	PBS[u]	u	u	PBS		u	15,000[v]	80/20	aa	bb		u	cc

a. Employee only, does not include dependents.
b. $150 or $3 times the number of days of confinement, whichever is less.
c. $250 maximum in any calendar year for all medical expense benefits.
d. Maximum of $5,000 with respect to any one individual for expenses incurred as the result of the same or related causes; if covered expenses are incurred as a result of different causes, deductible again applies as does new maximum.
e. The deductible amount is the sum of a cash deductible of $300 or the amount paid under the basic plan, whichever is greater, and the benefits provided with respect to covered expenses under any other group plan or plans.
f. Hospital room and board and other services with $25 daily limit on room; diagnosis, treatment, and surgery by a physician; private duty nursing service, local ambulance service, equipment, medication, appliances, X-ray services, lab tests, radium, and radioactive isotopes; oxygen, iron lung, physiotherapy and similar services.
g. Covered under major medical - 50 per cent of professional treatment when not hospitalized, with a maximum of $10 per visit and $500 in any one period of 12 consecutive months.

h. $5 per day - first two days, $3 per day for next 118 days.
i. $3 per day - maximum of $93.
j. $10 per treatment up to schedule fee maximum.
k. $15 first day - $7.50 per call; $10 each next 2 days -- $5 per call; $4 each next 8 days and $3 each next 109 days.
l. Covered by Major Medical Plan as follows: Benefits for a covered individual are payable on account of the Type A expenses described below which during any one calendar year are in excess of an initial amount of $25 for such individual. Benefits will be 100% of the next $300 of such expenses and 75% of any additional expenses, subject to the $7,500 and $15,000 maximum amounts: (1) Expenses incurred for room and board accommodations in a legally constituted hospital up to the hospital's semi-private room rate. Charges for private room and board will be considered Covered Medical Expenses to extent of the hospital's most common semi-private room rate. (2) Expenses charged for by the hospital for Special Hospital Services (some of which are listed below) received during confinement of at least 18 hours and if administered by the staff or employees of the hospital and required for medical care or treatment. However, if because of an accident, emergency care is received in a hospital not later than the day following the injury, or if an operation is performed in a hospital, benefits on account of these Special Hospital Services are payable even if the period of confinement is less than 18 hours. Operating room; Drugs, medicines, and dressings; Oxygen and administration thereof; Blood transfusions, including cost of blood and blood plasma; X-rays and other diagnostic laboratory procedures; X-ray or radium treatments. (3) Anesthetics and the administration thereof -- in a hospital or elsewhere. (4) Surgery performed by surgeons and assistant surgeons. (5) Local professional ambulance service. Benefits for a covered individual are payable on account of the Type B expenses described below which, during any one calendar year, are in excess of an initial amount of $50 for such individual. Benefits will be 75% of all such expenses in excess of the deductible amount subject to the maximum limits specified: (1) Services of physicians including specialists other than for surgery. (2) The following when not covered under Type A Expenses -- X-rays and other diagnostic laboratory procedures, X-ray or radium treatments, oxygen and administration thereof, blood transfusions, including cost of blood or blood plasma, drugs and medicines requiring a physician's prescription and dispensed by a licensed pharmacist. (3) Services of registered graduate nurses -- other than a nurse who ordinarily resides in the employee's home or who is a member of the employee's immediate family. (4) Rental of iron lung or other durable equipment required for therapeutic use. (5) Artificial limbs or other prosthetic appliances, except their replacement.
m. In any one calendar year. lifetime maximum, $15,000.
n. Type B Benefit, except that 50 per cent instead of 75 per cent applies.
o. Daily maximum of $25.
p. First $200 in full plus 75 per cent of next $2,400.
q. $600 maximum; applies to employee only -- dependent's benefit is $4 per day, with a maximum of $480.
r. Diagnostic X-ray for accidents only.
s. Medical catastrophe insurance rather than major medical, applies only in case of total disability. Limit applies to disability period, which begins with the start of total disability and continues until employee has completely recovered or has completed six months of full-time work. For dependents, period ends on the day of complete recovery.
t. Payments made under basic plan plus one per cent of annual earnings, but not less than $100 nor more than $400.
u. Covered by major medical on an 80/20 coinsurance basis after deductible is paid.
v. Lifetime maximum.
w. $50 for hospital expenses, surgery, and in-hospital medical expenses; $100 for all other covered expenses.
x. Appears to be covered: "diagnosis, treatment, and surgery by a physician legally licensed to practice medicine and surgery."
y. Blue Cross-Blue Shield coverage, type of plan not indicated; hospitalization, medical care, nursing service, drugs provided at company hospital by company employed staff, free to employee, low cost to dependents.
z. See text for discussion of how these benefits are provided for Public Service Company employees.
aa. Benefits provided under basic plan plus an amount equal to 4 per cent of base annual pay, minimum of $100 and maximum of $500.
bb. Generally the same as Coors' coverage, but there is no hospital daily room rate limit.
cc. 50 per cent instead of 80 per cent for non-institutionalized psychiatric treatment.

Retired employees of both Stearns-Rogers and Mountain States Telephone and Telegraph continue to receive major medical benefits, but these are limited to a total of $2,500. Shwayder Brothers provides cost-free comprehensive Blue Cross - preferred Blue Shield benefits for retired employees. Retired Public Service Company employees may continue association membership and receive benefits and may also continue Blue Cross coverage.

Costs Paid by Employer

All health insurance costs are paid by Coors, Colorado Fuel and Iron, and Shwayder Brothers. Stearns-Rogers and Climax pay all costs for employee coverage plus a portion of dependents' coverage. Mountain States Telephone and Telegraph pays the total cost of the supplemental major medical program (no information regarding the basic plan). Total costs (employee and dependents) are shared at Gardner-Denver, Dow, and Martin. No information was provided as to the amount, if any, contributed by the Public Service Company -- either for Blue Cross or the association program.

Health Insurance Plan Coverage and Costs

A number of health insurance carriers, prior to the June 8 committee meeting, had submitted health insurance plan proposals with approximate costs. This information was helpful but its value was limited because no two proposals were exactly alike, nor were the same assumptions made about the number of employees to be covered. Further, with the exception of two companies, no data was provided on costs and coverage for retired employees. Consequently, the staff was directed by the committee to develop uniform plan specifications to be sent to a representative selection of group insurance carriers. In addition to premium information, the staff was directed to make inquiries concerning administration, retention rates, and related matters. Coverage for retired employees was to be included along with a request for separate and combined cost estimates.

The specifications and additional questions were mailed to approximately 20 carriers. Cost information was requested for two plans, each providing a different level of benefits, so that the committee could see the contrast between estimated costs and levels of benefits. In addition, two plans were prepared for health insurance coverage for retired employees. These plans were more limited in benefits than those provided for active employees. Cost estimates for retiree coverage were requested on two bases: 1) assume that the costs for active and retired employees are merged; and 2) assume that the cost for active and retired employees are kept separate. Employees' census data was provided covering 18,000 active employees and 1,700 retirees.

Plan Comparison

The table on pages 18 and 19 gives a comparison of the high level benefit and low level benefit plans as specified to the group carriers.

Dependents and Coverage

Dependents and coverage were explained as follows:

Dependents. For the purpose of these estimates, dependents shall be defined as follows:

1) an employee's spouse;

2) any unmarried child over 14 days and under 19 years of age of a male employee, of a widowed employee, or of a female employee whose husband is not an employee; and

3) any unmarried child (as defined above) over the age of 19 and under the age of 23 who is attending an educational institution.

Dependents do not include:

1) any person who is eligible for insurance as an employee;

2) any person residing outside the United States and Canada; and

3) any person serving in the armed forces of any country.

Coverage. It is to be assumed that coverage will be mandatory for all employees, except that: 1) an employee whose spouse or parents participate in a group insurance plan elsewhere and include such employee as a dependent shall not be eligible; and 2) appointed or elected officials shall have the option of participating or not participating. [In the latter group are included: governor, lieutenant governor, members of the general assembly, supreme court justices, district court judges, state auditor, state treasurer, secretary of state, and elected and appointed members of boards and commissions such as the industrial commission, state land board, civil service commission, state board of education, board of regents of the university, state board of agriculture, etc. (probably about 300 to 400 officials involved).]

Administration and Other Matters

The carriers were asked to explain how claims administration would be handled and to provide an explanation of the methods and procedures which they recommended. They were also requested to show the distribution of premiums, the amount to be retained by the carrier and the ways in which this amount would be allocated. Carriers were asked to prepare this data assuming both an 80 per cent and an 85 per cent loss ratio, i.e., the percentage of annual premiums which would be used to pay claims.

COMPARISON OF HIGH AND LOW LEVEL HEALTH INSURANCE PLANS AS SPECIFIED FOR ACTIVE EMPLOYEES

ITEM	HIGH LEVEL PLAN	LOW LEVEL PLAN
Hospital Room and Board	120 days (semi-private room)	70 days ($20 per day)
Other Hospital Expenses	Unlimited for 120 days	$300 maximum
Maternity Benefits	$300 maximum	$150 maximum
Surgical Expense	Calif. Relative Value Schedule or Equivalent	Scheduled amounts - $300 maximum
Doctor's Visits in Hospital	$5 per day for 120 days	$4 per day for 70 days
X-ray and Laboratory	$50 per accident, $50 per year other examinations	$25 per accident, $25 per year other examinations
Major Medical[a]		
Covered Medical Expenses should include the following: Any reasonable, necessary and customary charges for the following medical services performed or prescribed by a licensed physician or surgeon: hospital room and board up to average semi-private room rate per day; hospital services, other than room and board, required for medical or surgical care or treatment; services of physicians and surgeons, including specialists; services of registered graduate nurses, except nurse residing in employee's home or one is a member of the immediate family; local professional ambulance service; oxygen and anesthetics and their administration, and X-ray and other diagnostic laboratory procedures.X-ray or radium treatments. Blood transfusions, including cost of blood. Drugs and medicines dispensed by a licensed pharmacist. Rental of iron lung or other durable equipment for therapeutic use. Artificial limbs or other prosthetic applicances, except replacement.	$15,000 lifetime maximum, reinstatable; $7,500 annual maximum, 80/20 coinsurance except that psychiatric care outside hospital confinement shall be on a 50/50 basis with a maximum benefit of $10 per visit and a maximum total benefit of $500 during any 12 consecutive months. Major medical benefits shall apply to covered medical expenses for each calendar year after the following deductions: 1) the total amount payable under the basic group plan and any prepayment plan or other group insurance plan; and 2) $100. Any part, or all, of the initial expenses for a calendar year arising from covered medical expenses during the last three months of that year will be used to reduce the initial amount for the next calendar year.	$10,000 lifetime maximum, reinstatable; $5,000 annual maximum, 75/25 coinsurance. Same deductible features as in high level plan and same provisions for psychiatric service.

COMPARISON OF HIGH AND LOW LEVEL HEALTH INSURANCE PLANS AS SPECIFIED FOR RETIRED EMPLOYEES

ITEM	HIGH LEVEL PLAN	LOW LEVEL PLAN
Hospital Room and Board	31 days, $25 per day maximum	31 days, $15 per day maximum
Other Hospital Expenses	$400 maximum	$300 maximum
Surgical Expense	Calif. Relative Value Schedule or Equivalent	Scheduled amounts -- $300 maximum
Doctor's Visits in Hospital	$5 per day for 31 days	$4 per day for 31 days
Major Medical Expense		
Same coverage and exemptions as in plans for active employees	$2,500 maximum, 80/20 coinsurance. Same deductible features as in plans for active employees	Same as high level plan for retired employees

a. Medical Expenses Not Covered Include: Dental service except: a) Expenses necessary to correct damage caused by accidental injury sustained while insured; and b) Hospital expenses for room and board and hospital special services while a registered bed patient. Surgery or treatment for cosmetic purposes except where necessary to correct damage caused by accidental injury sustained while insured. Eye glasses, hearing aids and examinations for prescription or fitting. Routine health check-ups. Expenses from injury or sickness caused by an act of war. Services which are or may be received without cost in accordance with laws or regulations of any government. If a charge is made which the person is legally required to pay, any benefits under the Plan's provisions will take into account only such charge. "Any government" includes the Federal, State, Provincial or local government, or any political sub-division, of the United States or Canada. Services for which the person receiving them is not required to make payment, or where payment is received as the result of legal action or settlement. Also, expenses incurred before the effective date of the individual's insurance. Maternity -- Expenses incurred because of pregnancy (resulting childbirth, miscarriage, Caesarean section, prenatal or postnatal care) are not covered. However, any additional medical expenses incurred because of severe complications will not be excluded if they otherwise qualify as covered medical expenses.

Insurance Company Responses

Information which could be used for the purposes of cost comparison was received from six carriers within the time limit necessary for inclusion in this report. Three companies stated that they were not able or were unwilling to provide cost estimates at this time; another company submitted information on a plan of its own instead of following the specifications. One carrier submitted information too late for inclusion in this report, and several failed to reply.

Cost Information

Premium cost estimates from the six carriers are shown in Table III. These costs are shown for both high level and low level

Table III

PREMIUM COST ESTIMATES, SIX CARRIERS
High and Low Level Proposed Health Insurance Plans

High Level Plan	Carriers						
	A	B	C	D	E	F	Median
Costs Separate:							
Active Employee	$ 6.27	$ 7.44	$11.50	$ 6.90	$12.14	$ 6.00	$ 7.17
Dependents	11.39	14.48	11.50	14.31	12.54	13.50	13.02
Total	$17.66	$21.92	$23.00	$21.21	$24.68	$19.50	$21.57
Retired Employee	$17.32	$17.40	$16.75	$14.04	$ N.A.	$15.40	$16.75
Dependent	17.32	17.99	16.75	14.04	N.A.	15.40	16.75
Total	$34.64	$35.39	$33.50	$28.08	$ N.A.	$30.80	$33.50
Costs Merged:							
All Employees[a]	$ 7.41	$ 8.72	$11.90	$ 7.52[b]	$12.68	$ 7.00	$ 8.12
Dependents	12.00	14.91	11.90	14.30[b]	13.16	13.65	13.41
Total	$19.41	$23.63	$23.80	$21.82	$25.84	$20.65	$22.72

Low Level Plan	A	B	C	D	E	F	Median
Costs Separate:							
Active Employee	$ 5.82	$ 6.33	$ 9.55	$ 5.87	$ N.A.	$ N.A.	$ 6.10
Dependents	10.74	12.06	9.55	$11.38	N.A.	N.A.	11.06
Total	$16.56	$18.39	$19.10	$17.25	$ N.A.	$ N.A.	$17.82
Retired Employee	$15.16	$13.79	$14.45	$12.63	$ N.A.	$ N.A.	$14.12
Dependent	15.16	14.22	14.45	12.63	N.A.	N.A.	14.33
Total	$30.32	$28.01	$28.90	$25.26	$ N.A.	$ N.A.	$28.45
Costs Merged:							
All Employees[a]	$ 6.78	$ 7.29	$ 9.90	$ 6.46[b]	$ N.A.	$ N.A.	$ 7.03
Dependents	11.19	12.33	9.90	11.47[b]	N.A.	N.A.	11.33
Total	$17.97	$19.62	$19.80	$17.93	$ N.A.	$ N.A.	$18.79

a. Active and retired.
b. Approximate
N.A. Not Available

plans for employees and dependents separately according to whether or not the cost of coverage for retired employees is spread among all employees (active and retired) and are based on a group composed of 18,000 active and 1,700 retired employees.

Separate Costs. The estimated high level plan monthly premium costs for an active employee range from $6.00 to $12.14, with a median of $7.17. For an active employee with dependents, the estimated monthly premium costs for the high level plan range from $17.66 to $24.68, with a median of $21.57.

For the low level plan, the estimated monthly premium costs for an active employee range from $5.82 to $9.55, with a median of $6.10 (or 18 per cent less than the high level plan). The estimated monthly premium for the low level plan for an active employee plus dependents ranges from $16.56 to $19.10, with a median of $17.82 (or almost 19 per cent less than the high level plan).

As can be seen in Table III, the premium rate for retired employees is quite substantial if the costs are not spread, even though retirees would receive reduced benefits. The premium range on the high level plan is $14.04 to $17.40, with a median of $16.75 for retirees. The cost for a retired employee's dependent would be the same. For the low level plan, the estimated monthly premium for retired employees ranges from $12.63 to $15.16, with a median of $14.12 (or 17 per cent less than the high level plan). The estimated premium for each dependent ranges from $12.63 to $15.16, with a median of $14.33 (or 16 per cent less than the high level plan).

Merged Costs. If the high level plan costs for both active and retired employees are merged, it would result in an estimated 13 to 15 per cent premium rate increase for active employees without dependents, or approximately $1.00 per month. An active employee with dependents under the same circumstances would find his monthly premium rate increased an estimated five to seven per cent, or approximately $1.25 to $1.50 per month. The effect on premium costs for retired employees would be extremely pronounced, but in the opposite way. A single retired employee would pay a monthly premium only about 40-45 per cent as large as it would be if costs were separated. If he had a dependent, that dependent's monthly premium rate would be reduced by one-third. In dollar amounts: the single retiree would pay approximately $8.50 less per month; the retiree with dependents would pay approximately $11.00 less per month.

A similar shift in the burden of premium payments would take place in the low level plan if costs were merged. An active employee would pay approximately $ .90 to $1.00 a month more in premiums, or an estimated increase of 15 per cent. An active employee with dependents would pay approximately $1.00 to $1.25 more per month, or an estimated increase of 11 or 12 per cent. Single retired employees would have a premium reduction of approximately $7.10, or slightly more than 50 per cent. Retired employees with one dependent would have a premium reduction of approximately $9.50 per month, or one-third less.

Other Cost Considerations. These estimated premium rates apply to the first year the plan is in operation. While there might not be an immediate premium increase after the first 12 months, it would be realistic to assume that sooner or later there would probably be an upward revision in premium rates. There are three factors which could contribute to a premium rate increase: 1) a substantial increase in utilization which would cause the percentage of premiums paid out in claims to exceed considerably the estimated 85 per cent; 2) the continuing increase in the costs of hospitalization and medical services; and 3) the expected increase in the proportion of retirees to active employees.

This last factor would apply only if the premium costs were merged and the magnitude of the premium increase would depend to a large extent on the kind of coverage provided for retired employees.[7] At present retired employees constitute only nine per cent of the total group. This proportion should increase eventually to 12 to 15 per cent, as more employees are remaining in state service long enough to draw retirement benefits. This retention has resulted from salary schedules in the classified service which are comparable to private industry and from salary increases at the colleges and universities which have made their schedules more competitive with similar institutions elsewhere in the country.

There is more possibility of increased rates with the high level plan than with the low level plan, not only because it is more comprehensive, but because there are no dollar limits on hospital service benefits or the daily room and board benefit. Some of the insurance carrier representatives have expressed the opinion that these provisions, in effect, give hospitals a blank check. They are of the opinion that reasonable limits could be imposed without undue hardship because of the provision of major medical coverage in addition to the basic plan. A possible limit for daily room and board benefits might be semi-private room or $25, whichever is less. As far as hospital services are concerned, there are two approaches which might be followed: 1) 20 or 25 times the daily limit or a maximum of $500 or $625 respectively; 2) $200 to $250 maximum for 100 per cent coverage and then 75 to 80 per cent of the next $1,000. Another possibility would be to exclude from coverage hospitalization strictly for diagnostic purposes. This would reduce the possibility of abuse of benefits for hospital services, even without a dollar limit. Placing limits on these two benefits would probably not reduce the initial rates as estimated, but would reduce the likelihood or the magnitude of future rate increases.

The high level plan was designed to equal the best basic and major medical coverage now provided for state employees.[8] For this reason the hospital service benefits were not limited by a dollar amount.

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7. An extensive discussion of coverage for retired employees will be found later in this section.
8. Basic Plan -- Blue Cross comprehensive and Blue Shield preferred; Major Medical -- Colorado University.

Adequacy of the Proposed Plans

Perhaps the most significant way to evaluate the adequacy of the health insurance plans is to compare them with plans which presently cover certain categories of state employees. The six plans for which information is available include: Blue Cross-Blue Shield, basic plan for Colorado University staff employees, major medical plan for faculty and unclassified administrative staff at Colorado University, basic plan for employees of the Colorado University Denver Medical Center, basic plus major medical coverage for employees of the School of Mines, except those under civil service or hired by contract, and basic plan for faculty and staff of Colorado State College.

The high level basic plan is equal to comprehensive Blue Cross-Blue Shield, except perhaps for the service feature of Blue Shield.[9] In addition, the high level plan provides major medical benefits, which are not now available to state employees with Blue Cross-Blue Shield coverage. The low level basic plan is inferior to comprehensive Blue Cross-preferred Blue Shield, but may be adequate, at least in combination with major medical coverage.

Colorado University Basic Plan (Staff Employees). The high level basic plan is much superior in coverage to the Colorado University basic staff plan in duration and benefits, including number of days, surgical schedule, and special services. In addition, the staff employee plan does not include major medical benefits. The low level basic plan provides hospital coverage for a greater number of days (70 as compared with 31), but hospital service benefits appear to be higher under the C.U. plan ($200 plus 75 per cent of next $1,000 as compared with $300 in the low level plan), but the major medical coverage of the low level plan offsets this seeming advantage considerably. The low level plan also provides higher in-hospital benefits for doctors' visits. Both proposed plans are superior to the C.U. staff plan in retirement coverage. Under the C.U. plan, employees upon retirement may convert to an individual policy or are entitled to one round of benefits under the group plan.

C.U. Major Medical. The major medical benefits proposed in the high level plan are equal to those in the C.U. major medical plan, except that the deductible amount is $100 instead of $50 (as in the C.U. plan). A lower deductible was written into the C.U. plan in all likelihood because there is no basic coverage. The provision of basic coverage in the high level plan more than offsets the difference in deductible amounts. The C.U. major medical plan provides a maximum of $5,000 in coverage for retired employees as compared with $2,500 major medical coverage in the high level plan. The high level plan basic coverage for retirees may equalize this difference.

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9. This comparison applies only to benefits and does not include costs or their division between employer and employee. The cost relationship is discussed in another section of this report. See explanation on page 29.

The C.U. major medical plan benefits are superior to the proposed low level plan's major medical benefits. The deductible amount is less ($50 as compared with $100); the amount of coinsurance is greater (80 per cent as compared with 75 per cent); and the annual and lifetime limits are higher ($7,500 and $15,000 as compared with $5,000 and $10,000). While the low level plan's basic coverage is not as extensive as that provided in the high level plan, it is still an offsetting factor and minimizes the differences in major medical benefits. The same comments made above with respect to differences between the high level plan and the C.U. major medical plan in coverage for retired employees also apply to the comparison between the low level plan's benefits for retired employees and those of the C.U. major medical plan, except to a more limited extent.

C.U. Medical Center Plan. The benefits provided under the C.U. Medical Center plan are quite similar to those provided in the C.U. basic plan for staff employees discussed above. Consequently, the same comments made in that section apply generally to a comparison of the proposed high and low level plans and the C.U. Medical Center plan.

Colorado School of Mines. The proposed high level basic and major medical plans are superior to the School of Mines plan, although basic hospital coverage under both is 120 days. The School of Mines plan has a $17 per day limit on hospital room and board, a surgical fee schedule maximum of $300, and a special services maximum of $340, as compared with semi-private room, all hospital services, and a $400 maximum surgical schedule in the high level basic plan. The School of Mines plan has a deductible of $300 and 75-25 coinsurance as compared with a deductible of $100 and 80-20 coinsurance in the high level plan. The School of Mines major medical program is more in the nature of major catastrophe insurance, with a maximum benefit of $5,000 per cause, rather than an annual and lifetime reinstatable limit. Retired employees under the School of Mines plan are limited generally to the basic plan provisions, except that the maximum number of hospital days is 31. The high level plan also provides major medical benefits for retired employees.

The low level basic plan is inferior to the School of Mines basic plan in the maximum number of days of hospitalization and the in-hospital physicians' attendance benefit and is slightly inferior with respect to the maximum for hospital special services. The more liberal provisions of the low level major medical plan as compared with the School of Mines plan offset these differences considerably. The low level plan also compares favorably in coverage for retired employees.

Colorado State College. The high level basic plan is superior to the Colorado State College plan in the number of days of hospitalization, room and board limit, and hospital service benefits, but the C.S.C. surgical schedule has a slightly higher maximum ($450 as compared to $400). The high level plan does not provide specific benefits for radiation therapy and poliomyelitis, but both of these would be covered under the major medical benefits once the corridor payment is made. Colorado State College has no major medical benefits.

The low level plan would provide the same number of days of hospitalization (70) as the C.S.C. plan. The daily maximum room and board benefit in the low level plan is higher than that provided by the C.S.C. plan ($20 as compared with $12), but the surgical schedule maximum is $150 less, and the maximum maternity benefit $25 less. The superiority of the C.S.C. plan in these two benefits is offset to a considerable extent by the provision of major medical coverage in the low level plan.

Comparison of High and Low Level Plans With Those Provided by Private Employers. The high level plan basic plus major medical provisions are superior to all comparable Colorado private plans examined, with the exception of the Mountain States Telephone and Telegraph plan, and it appears to be the equal of that plan. The low level plan compares favorably with most of the private employer plans, but is inferior to some.[10] The insurance carrier representatives with whom these proposed plans were discussed were generally of the opinion that the high level plan was very comprehensive and the low level plan adequate.

State Participation

Many of the state employees who now have some kind of coverage (whether or not subsidized in part) will probably react to any proposed new plan, to a certain extent, according to their additional premium savings or expenditures, regardless of the benefits offered. Yet, experience across the country has shown that employees, given a choice, will select a more costly plan (even if they pay the added cost), if the benefits are more adequate.

The state has many factors to weigh in considering what should be its financial contribution to a health insurance program. These include:

1) total amount of state money involved;
2) equitable treatment of all employees;
3) amount of financial burden imposed upon employees;
4) proportion of total premium costs required by carriers as the employer's share; and
5) relationship to other fringe benefits and the comparison of fringe benefits provided by the state with those provided by private and other public employers.

Several Approaches. Assuming the state determines that it should provide a health insurance plan, there are several approaches which it might take in deciding the extent to which it should participate in a health insurance program. First, the state might pay a certain proportion of the premium (40 per cent or 50 per cent for example), regardless of total cost or whether or not an employee has dependents. There appear to be several drawbacks to this approach:

10. A more detailed analysis can be made upon comparing the benefits of the proposed high and low level plans with those provided in private employer plans shown in Table II.

1) Employees would not be treated equally, because those with dependents would benefit to a greater extent than those without. 2) The state's share would fluctuate according to changes in premium rates so that long range planning and budgeting would be more difficult. 3) The state might, in the interest of economy, adopt a more restricted plan than would be desirable. On the other hand, there is some merit to this method of providing a state contribution. It would assure that the state would continue to pay the same proportion of total costs, regardless of rate increases, without amendatory legislation. It might cause the state to be more concerned about potential abuses such as excessive charges and utilization which could result in rate increases, and therefore lead to better administrative control of the program.

Second, the state might decide to pay only the employee's share; those with dependents would pay the dependents' premium costs. This approach has the virtue of treating employees equally and is recommended by the Colorado State Civil Service Employees' Association. The amount of the state's contribution would still be subject to fluctuation, but the dollar amount of possible increase would be less than if the state were paying a portion of the premium cost for both employees and dependents. There still might be some inclination to adopt a less comprehensive plan to keep state costs to a minimum, but this is less likely than if the state were paying a larger share of the total cost (employee plus dependents). Proponents of this approach argue that if employees are required to participate in the program, it is only fair that the employees' share be paid by the state.

Third, the state might pay a specified dollar amount per employee, such amount to be sufficient to meet carrier requirements as to the proportion of employer contribution,[11] regardless of whether this covers the employee's premium. Under this approach, employees would be treated equally. The state would know the extent to which it would be obligated over a long period of time, because any further increase in premiums would be borne solely by the employee.

Further, the state would have no reason to be restrictive in the type of plan offered beyond the proper considerations of adequate coverage and reasonable cost to employees. In effect, the state would be saying that the health insurance program will be subsidized to this extent; if employees want a comprehensive program rather than a limited program, they should be willing to pay the difference. If they are willing to pay the difference, it is an indication that they really want comprehensive coverage and are not taking it because somebody else is paying for it.

This method has been adopted, apparently satisfactorily, by the federal government and the state of California. This approach also makes it easier for the state to determine the fringe benefit value of its contribution and the relationship of fringe benefits provided by it and those provided by other public and private employers.

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11. With a group as large as one composed of state employees, officials, and dependents, a 25 to 30 per cent state contribution should be sufficient to meet this requirement.

There are also disadvantages to making a specific dollar contribution. The state might take less interest in exercising adequate program controls because all rate increases would be paid exclusively by employees. There is also the question whether or not it would be fair for the state to adopt a comprehensive program, requiring all employees to participate, and then not assume any portion of possible rate increases. It should be remembered, however, that the amount of the state contribution could always be increased by the General Assembly, so that the initial contributed rate is not unalterable.

Value of State Contributions. At the committee's request, the Civil Service Commission prepared a table showing the value of specific state monthly contributions to health insurance for employees at various salary levels. These values are shown in Table IV for monthly contributions by dollar from $5 to $20. It should be noted that the salary in Column 5 of Table IV is the state employee's average.

Table I is presented again in this section of the report for convenient reference. The effect of state contributions to a health insurance program on the fringe benefit comparison with private employers and the federal government can by determined for each dollar amount of possible state contributions by taking the percentages in the $380 salary column in Table IV and inserting them in Table I in the state cost column opposite h. Hospital/Medical.

Table I

STATE, FEDERAL AND PRIVATE EMPLOYEES, VALUE OF FRINGE BENEFITS BASED ON AVERAGE SALARY

Fringe Benefits	Company Cost Average Industry Employee	State Cost Average State Employee	Federal Average Employee
a. Social Security	3.1%	0%	0%
b. Holidays	2.7	4.2	3.1
c. Vacation	3.8	5.7	7.7
d. Sick Leave	2.7	2.7	2.7
e. Unemployment Insurance	.4	0	0
f. Pension	3.3	6.0	6.5
g. Life Insurance	.8	0	1.3
h. Hospital/Medical	2.7	0	1.3
i. Bonus, profit share, etc.	Not collected	0	0
TOTAL	19.5%	18.6%	22.6%

For example, a $5 monthly contribution for each state employee would add 1.32 per cent to the state's total fringe benefit cost, bringing the total to 19.9 per cent as compared with 19.5 per cent for private industry and 22.6 per cent for the federal government. A $6 monthly contribution for each state employee would bring the total to 20.2 per cent; $7 would make the total 20.7 per cent, etc.

Table IV

PERCENTAGE VALUE OF MONTHLY CONTRIBUTION ACCORDING TO SALARY

Monthly Contribution	Minimum Gr. 1 Step 1 $215	Gr. 4 Step 4 $250	Gr. 8 Step 1 $302	Gr. 11 Step 1 $350	1961 Avg. Empl. $380*	Gr. 14 Step 1 $405	Gr. 16 Step 1 $447	Gr. 20 Step. 1 $543	Gr. 25 Step 1 $693	Gr. 30 Step 1 $884	Gr. 35 Step 1 $1128	Maximum Gr. 39 Step 6 $1750
$ 5.00	2.326%	2.000%	1.656%	1.428%	1.316%	1.210%	1.119%	.921%	.727%	.566%	.426%	.286%
6.00	2.791	2.400	1.987	1.714	1.579	1.452	1.343	1.105	.871	.679	.511	.343
7.00	3.257	2.800	2.318	1.999	1.842	1.694	1.566	1.289	1.016	.792	.596	.400
8.00	3.722	3.200	2.649	2.285	2.105	1.936	1.790	1.473	1.160	.905	.681	.457
9.00	4.187	3.600	2.980	2.570	2.368	2.178	2.014	1.657	1.304	1.018	.766	.514
10.00	4.651	4.000	3.311	2.856	2.631	2.419	2.237	1.841	1.443	1.131	.851	.571
11.00	5.116	4.400	3.642	3.142	2.894	2.661	2.461	2.025	1.587	1.244	.936	.628
12.00	5.581	4.800	3.973	3.427	3.157	2.903	2.684	2.209	1.732	1.357	1.021	.685
13.00	6.046	5.200	4.304	3.714	3.420	3.145	2.908	2.393	1.876	1.470	1.106	.742
14.00	6.511	5.600	4.635	3.999	3.683	3.387	3.132	2.577	2.020	1.583	1.191	.799
15.00	6.977	6.000	4.967	4.284	3.947	3.629	3.356	2.761	2.170	1.697	1.277	.857
16.00	7.442	6.400	5.298	4.570	4.210	3.871	3.580	2.945	2.314	1.810	1.362	.914
17.00	7.907	6.800	5.629	4.855	4.473	4.113	3.803	3.129	2.459	1.923	1.447	.971
18.00	8.372	7.200	5.960	5.141	4.736	4.355	4.027	3.313	2.603	2.036	1.532	1.028
19.00	8.837	7.600	6.291	5.426	4.999	4.597	4.251	3.497	2.747	2.149	1.617	1.085
20.00	9.302	8.000	6.622	5.712	5.262	4.838	4.474	3.682	2.886	2.262	1.702	1.142

* Average salary, used in comparing the value of state fringe benefits with those of other employees.

It would require a monthly state contribution of $10 per employee to approximate the 2.7 per cent cost to private industry for health insurance benefits, but this would bring the state's total to 21.2 per cent, or 1.7 per cent higher than private industry, although still below the federal government.

State Contribution As Proportion of Total Cost. It has been mentioned previously that the state's share of premium costs in a health insurance program should be at least 25 per cent of total premium cost. Any monthly contribution of $5 or more should satisfy these requirements with respect to the high level plan, and a monthly contribution of $4 or more should satisfy these requirements with respect to the low level plan.

Effect of State Contribution on Employee Costs. Employees who presently have group coverage, as mentioned before, are probably going to be as interested in the comparative costs of a proposed state plan as they are in comparative benefits. Table V shows cost comparisons between the present plans for which information is available and the proposed high level plan. Table Va provides similar comparisons with the proposed low level plan. Total costs for the proposed plans are shown on both a separate and merged basis.[12] Also shown is the amount of state contribution which would be required to reduce employee costs to the same amount as they are now paying. The effect of state monthly contributions of $5 and $6, and state payment of the employee's premium is also presented, so that comparisons can be made with existing plan costs.

As might be expected, the estimated total monthly premium costs for the proposed high level plan are considerably higher than the amounts now being paid by employees now participating in group plans, except those covered by Blue Cross and Blue Shield. In light of the much more comprehensive and extensive benefits offered in the high level plan, it is probably unrealistic to assume that the state would pay an amount sufficient to keep employee costs at their present level. More comprehensive coverage is advantageous to the program participants, and they might be expected to pay for it proportionately. Further, if the state were to try to keep the present level of employee contribution, it would require as many different contribution rates as there are plans in operation. This would cause a hopeless bookkeeping and administrative problem and certainly would defy the principle of treating each employee equally.

From Table V, it can be seen that almost any amount of state contribution would lower costs while at the same time increase benefits for employees with Blue Cross-Blue Shield coverage. A state contribution of $5 per month would make the high level plan premium costs for employees without dependents approximately equal to or less than those now being paid, if costs are not merged. If costs are merged, a monthly contribution of $6 would have the same effect.

With respect to monthly premium costs for employees with dependents, the situation is somewhat different. With the exception of those employees under Blue Cross and Blue Shield and the staff employees at Colorado State College, even if the state paid the employee's share, the cost for dependents would still be substantially higher. This is especially true if costs are merged.

12. Separate: retirees' costs are not spread. Merged: retirees' costs are spread among active and retired employees.

Explanation of Tables V and Va

Each of the columns A through F represent one of the present health insurance plans for state employees. Line 1 shows the current net monthly cost (employer contribution, if any, deducted) to an employee without dependents under each of these plans. Line 2 shows the current net monthly cost (employer contribution, if any, deducted) to an employee with dependents under each of these plans. Lines 5 and 6 show for an employee alone and for an employee with dependents, respectively, the total estimated median monthly premium cost of the proposed high level plan (low level plan, Table Va) if costs are kept separate for active and retired employees. Line 7 shows the amount of state contribution which would be necessary to reduce an employee's monthly premium cost to the same level he is paying as a member of one of the existing plans. Line 8 shows the same information for an employee with dependents. Lines 9 and 10 show the effect of a $5 monthly state contribution of the estimated monthly costs of the high level plan (low level plan, Table Va) for an employee and an employee with dependents, respectively. Lines 11 and 12 show the effect on estimated employee costs of a $6 monthly state contribution.

Lines 15 through 23 show exactly the same information as lines 5 through 13, except that they apply to estimated monthly costs of the high level plan (low level plan, Table Va) if costs are merged for retired and active employees.

By using these tables, comparisons can be made of present employee monthly costs under each of the six plans shown and anticipated monthly costs under the proposed plans at various levels of state contribution.

Table V

Cost Comparison Selected Present Health Insurance Group Plans
Covering State Employees and Proposed High Level Plans

	Blue Cross-Blue Shield	C.U. Major Medical	C.U. Basic	School of Mines	Colo. State College Faculty	Colo. State College Staff
1. Monthly Cost:[b] Employee	$10.30	$ 1.86	$ 2.02	$ 3.00	$ 3.95	$ 7.90
2. Monthly Cost:[b] Employee and Dependent	20.60	11.33	8.52	7.42	7.90	15.80
3. High Level Plan						
4. Separate Costs:[c]						
5. Total Monthly Cost: Employee	$ 7.17	$ 7.17	$ 7.17	$ 7.17	$ 7.17	$ 7.17
6. Total Monthly Cost: Employee and Dependent	21.57	21.57	21.57	21.57	21.57	21.57
7. Amount of State Contribution[d]	none	5.31	3.47	4.17	3.22	none
8. Amount of State Contribution[e]	.97	10.24	13.05	14.15	13.67	5.77
9. Monthly Cost: Employee $5 State	2.17	2.17	2.17	2.17	2.17	2.17
10. Monthly Cost: Employee and Dependents	16.57	16.57	16.57	16.57	16.57	16.57
11. Monthly Cost: Employee $6 State	1.17	1.17	1.17	1.17	1.17	1.17
12. Monthly Cost: Employee and Dependents	15.57	15.57	15.57	15.57	15.57	15.57
13. Monthly Cost: Dependents[f]	14.40	14.40	14.40	14.40	14.40	14.40

Table V
(continued)

	Blue Cross-Blue Shield	C.U. Major Medical	C.U. Basic	School of Mines	Colo. State College Faculty	Staff
14. Merged Costs:[g]						
15. Total Monthly Cost: Employee	$ 8.12	$ 8.12	$ 8.12	$ 8.12	$ 8.12	$ 8.12
16. Total Monthly Cost: Employee and Dependents	22.72	22.72	22.72	22.72	22.72	22.72
17. Amount of State Contribution[d]	none	6.26	6.42	5.42	4.17	.22
18. Amount of State Contribution[e]	2.12	11.39	14.20	15.30	14.72	6.92
19. Monthly Cost: Employee $5 State	3.12	3.12	3.12	3.12	3.12	3.12
20. Monthly Cost: Employee and Dependent	17.72	17.72	17.72	17.72	17.72	17.72
21. Monthly Cost: Employee $6 State	2.12	2.12	2.12	2.12	2.12	2.12
22. Monthly Cost: Employee and Dependent	16.72	16.72	16.72	16.72	16.72	16.72
23. Monthly Cost: Dependent[f]	14.60	14.60	14.60	14.60	14.60	14.60

a. Comprehensive Blue Cross, Preferred Blue Shield
b. Employer contributed, if any subtracted
c. Costs for active employees and retirees not merged; median cost from Table III.
d. Amount of state contribution needed to make employee monthly cost equal to the amount now paid
e. Amount of state contribution needed to make monthly cost for employee and dependents equal to amount now paid
f. State pays employee cost
g. Costs for active and retired employees merged; median cost from Table III.

Table Va

Cost Comparison Selected Present Health Insurance Group Plans
Covering State Employees and Proposed Low Level Plans

	Blue Cross-Blue Shield	C.U. Major Medical	C.U. Basic	School of Mines	Colo. State College Faculty	Colo. State College Staff
1. Monthly Cost:[b] Employee	$10.30	$ 1.86	$ 2.02	$ 3.00	$ 3.95	$ 7.90
2. Monthly Cost:[b] Employee and Dependent	20.60	11.33	8.52	7.42	7.90	15.80
3. Low Level Plan						
4. Separate Costs:[c]						
5. Total Monthly Cost: Employee	$ 6.10	$ 6.10	$ 6.10	$ 6.10	$ 6.10	$ 6.10
6. Total Monthly Cost: Employee and Dependent	17.82	17.82	17.82	17.82	17.82	17.82
7. Amount of State Contribution[d]	none	4.24	4.40	3.10	2.15	none
8. Amount of State Contribution[e]	none	6.49	9.30	10.40	9.92	2.08
9. Monthly Cost: Employee $5 State	1.10	1.10	1.10	1.10	1.10	1.10
10. Monthly Cost: Employee and Dependents	12.82	12.82	12.82	12.82	12.82	12.82
11. Monthly Cost: Employee $6 State	.10	.10	.10	.10	.10	.10
12. Monthly Cost: Employee and Dependents	11.82	11.82	11.82	11.82	11.82	11.82
13. Monthly Cost: Dependents[f]	11.72	11.72	11.72	11.72	11.72	11.72
14. Merged Costs:[g]						
15. Total Monthly Cost: Employee	7.03	7.03	7.03	7.03	7.03	7.03
16. Total Monthly Cost: Employee and Dependents	18.79	18.79	18.79	18.79	18.79	18.79
17. Amount of State Contribution[d]	none	5.17	5.33	4.03	3.18	none
18. Amount of State Contribution[e]	none	7.46	10.27	11.37	10.89	3.05
19. Monthly Cost: Employee $5 State	2.03	2.03	2.03	2.03	2.03	2.03
20. Monthly Cost: Employee and Dependent	13.79	13.79	13.79	13.79	13.79	13.79
21. Monthly Cost: Employee $6 State	1.03	1.03	1.03	1.03	1.03	1.03
22. Monthly Cost: Employee and Dependent	12.79	12.79	12.79	12.79	12.79	12.79
23. Monthly Cost: Dependent[f]	11.76	11.76	11.76	11.76	11.76	11.76

a. Comprehensive Blue Cross, Preferred Blue Shield
b. Employer contributed, if any subtracted
c. Costs for active employees and retirees not merged; median cost from Table III.
d. Amount of state contribution needed to make employee monthly cost equal to the amount now paid
e. Amount of state contribution needed to make monthly cost for employee and dependents equal to amount now paid
f. State pays employee cost
g. Costs for active and retired employees merged; median cost from Table III.

There is less of a gap between the low level plan estimated monthly premium costs and those now paid by covered employees, which is also to be expected because there is less of a gap in benefits, and some of the existing plans have some features and coverage not found in the low level plan.

Value of Plan to Employee. The value of different dollar amounts of state contributions to employees at various salary levels shown in Table IV actually measures the state's value of such contributions and not the employees'? It is virtually impossible to measure accurately the value to the employee because of the number of factors involved. A monthly contribution by the state to a health insurance plan has much more value for the employee than an equal amount given as a salary increase. In the first place, these would be tax free dollars if contributed to an insurance plan. Secondly, because of a large scale group program, these dollars would purchase much more in the way of prepaid hospital and medical benefits than an employee could obtain any other way. In fact, the state would be making a sizable contribution to its employees by having a group health insurance plan if it didn't pay anything toward the cost of the program. The comprehensive benefits which are possible in a large group program cannot be purchased on an individual basis, or, if they could, the cost would be excessive. To illustrate this last statement, several insurance carriers were asked for information on the costs and benefits provided in their most comprehensive individual health insurance plans.

A summary of some of these plans is presented below:

Individual Plan A:

Hospital Board and Room - 365 days at $20 per day

Hospital Services - $350 maximum

Surgical Schedule - $400 maximum

Maternity Benefits - $10 per day up to selected limit

Major Medical (separate from above) - $750 deductible
$10,000 per cause (catastrophe insurance)

Total monthly premium for a man and wife age 35 with two children approximately $38.00.[13]

Individual Plan B:

Hospital Board and Room - 365 days at $20 per day

Hospital Services - $400 maximum

Surgical Schedule - $600 maximum

Maternity Benefit - $200 maximum

Emergency Hospital Treatment - $400 maximum

Major Medical (separate from above) $350 deductible or after 31 days of hospitalization, $8,000 lifetime limit, 75/25 coinsurance, does not apply to first $200 of hospital services' expense

Total monthly premium for a man age 40, wife age 38 and two children -- $33.38.[14]

Individual Plan C:

Assuming that the high level plan benefits were available on an individual basis (which they are not) and assuming that 1) a high degree of selectivity was used in enrolling individuals, and 2) all chronic and pre-existing conditions were exempted from coverage, the cost per family would be at least $29 per month for an active employee. For retirees the cost "would be prohibitive."

It should be remembered that physical examinations are usually required before adequate individual coverage can be purchased, and often there is an additional premium charge if the policy is guaranteed renewable.

Total Annual Cost to the State. The potential annual premium cost to the state, according to the dollar amount of the state's monthly contribution is shown in Table VI. Two groups are included in these calculations in addition to approximately 18,000 active state employees and 1,700 retired employees. The first includes the approximately 600 Teacher Emeritus recipients who do not receive any P.E.R.A. or T.I.A.A. benefits. The second includes the approximately 1,100 county welfare employees. The Teacher Emeritus group is included because of the possibility that another Council committee may recommend health insurance benefits for them similar to those proposed for other retired employees. The county welfare workers are included, because almost all of them are participants in county employee group health insurance plans; the state pays 80 per cent of the counties' welfare administrative costs, and state assistance on health insurance coverage probably no longer could be denied, if the state contributed to a plan for its own employees.

13. If man and wife are 45 years old, the cost would be approximately $48 per month.
14. $28.49 during second and third year.

Table VI

ESTIMATED ANNUAL STATE PREMIUM COST FOR PARTICIPATION IN AN EMPLOYEES HEALTH INSURANCE PROGRAM

Amt. of Monthly Contrib.	Cost For Active Empl.	Cost For Retirees	Total	Teacher Emeritus	County Welfare	Grand Total	Estimated Amount From General Fund[a]
$ 5	$1,080,000	$102,000	$1,182,000	$36,000	$ 66,000	$1,284,000	$ 744,000
6	1,296,000	122,400	1,351,400	43,200	79,200	1,473,800	892,800
7	1,512,000	142,800	1,654,800	50,400	92,400	1,797,600	1,041,600
8	1,728,000	163,200	1,891,200	57,600	105,600	2,054,400	1,299,200
9	1,944,000	183,600	2,127,600	64,800	118,800	2,311,200	1,339,200
10	2,160,000	204,000	2,364,000	72,000	132,000	2,568,000	1,488,000

a. Approximately 50 per cent of the state's contributions for active employees would come from fee funds.

Coverage for Retired Employees

The previous discussion of costs and contribution rates was based on the assumption that retired employees would be covered, but with reduced benefits. The Colorado State Civil Service Employees' Association has recommended that retired employees receive the same benefits as active employees, as has one of the spokesmen for state universities and colleges. Equal benefits for retired employees are advocated because otherwise retirees would have inadequate protection at the time they have the greatest need for hospitalization and medical care and are less able to pay for it because of reduced income.

What is Adequate Coverage? As previously indicated, the proposed high level plan would provide 31 days of hospitalization per year for retired employees with a $25 daily limit for room and board, plus a maximum of $400 for other hospital services. The surgical schedule would provide the same benefits as those for active employees. The major medical benefit lifetime limit would be $2,500, and this total would apply regardless of how much the active employee limit was used prior to retirement. The proposed low level plan benefits for retired employees are similar to those in the high level plan except that the daily limit for hospital room and board would be $15 and the surgical schedule would be less. Doctors' visits while hospitalized would be limited to $4 per day for 31 days instead of $5 (as in the high level plan). The major medical benefits would be the same.

It is difficult to determine with a high degree of accuracy whether either of the above plans would provide adequate coverage for retired employees; however, data have been collected from several sources which show hospital and medical costs and utilization for persons over the age of 65. A study of social security (OASDI) recipients on a national basis shows that the average per capita annual expenditure for hospitalization and medical care was $187 in 1958; however, the median per capita annual medical care cost for OASDI beneficiaries who were hospitalized was $700.[15] One of every nine OASDI beneficiaries was hospitalized during the year, and 20 per cent of those hospitalized had more than one hospital stay. The average length of hospital stay for those in the 65 to 74 year age bracket was 14.4 days; for those over the age of 75, the average length of hospital stay was 15.8 days. Almost 82 per cent of those hospitalized spent less than a month in the hospital.[17] For those hospitalized more than once, the number of annual days spent in the hospital was 21.2.[18]

The relationship of age to the incidence of hospital utilization and the average length of confinement is shown in table VII.[19]

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15. Health Insurance for Aged Persons, report submitted to the committee on ways and means, House of Representatives, by the Secretary of Health, Education, and Welfare, July 24, 1961.
16. Ibid.
17. Ibid.
18. Ibid.
19. Retiree Benefits, Trends, and Costs, Connecticut General Life Insurance Company, Group Sales Department, Research Division, Hartford, Connecticut, September 11, 1962.

Table VII

FREQUENCY AND AVERAGE DURATION
OF HOSPITALIZATION BASED ON INSURED LIVES

Age	Annual Rate of Confinement[a]	Average Number of Days of Covered Confinement
25	88	6.9
35	96	8.2
45	114	9.4
55	133	11.7
65	158	14.5
70	168	16.2
75	182	18.1
80	211	20.4
85	241	22.8

a. Per 1,000 people with insurance coverage.

Although the utilization of surgery by persons over 65 is generally at a level slightly higher than for other ages, the average cost of surgery is substantially higher. This higher cost results because surgery on older persons is usually more serious than on younger people. Various studies demonstrate that the average charge for surgery is anywhere from 10 to 60 per cent higher for persons over 65.[20]

The following figures relate specifically to people over the age of 65 in Colorado with Blue Cross-Blue Shield coverage.[21]

1) Approximately one-third of these over the age of 65 used benefits in 1961.

2) Slightly more than 75 per cent of the 9,330 hospitalized in 1961 had only one stay; 18 per cent had two hospital stays; and seven per cent had three or four stays.

3) Approximately 37 per cent of the 12,530 who used medical benefits used them only once; 23 per cent used them twice; 15 per cent used them three times; 11 per cent used them four times; and 14 per cent used them five times or more.

4) The average length of hospital stay per admittance was 11.8 days, and the average number of days of hospitalization per person in 1961 was 15.3 days.

This information on utilization of hospitalization and medical care by those over the age of 65 indicates that the basic coverage in the high level plan for retirees may be adequate in connection with major medical coverage; however, the maximum limit

20. Ibid.
21. Analysis made by Dr. George Bardwell, staff consultant to the Joint Budget Committee.

($2,500) on major medical coverage is probably not adequate. The low level plan basic coverage is probably not adequate in the daily limit on hospital room and board, the amount of hospital services, and the surgical schedule, especially with a major medical limit of $2,500.

Cost of Increased Coverage for Retirees. Information was requested from several insurance carriers on the estimated cost of providing: 1) the same benefits for retirees as for active employees; and 2) a major medical limit of $5,000 for retirees instead of $2,500. These cost estimates were limited, at committee direction, to the high level plan. The estimates received indicate that the additional cost of providing a major medical benefit maximum of $5,000 instead of $2,500 would be very small. If costs were not merged for retirees and active employees, retirees would pay $.26 more per month, with an additional $.26 per month for dependents. If costs were merged, it would increase premiums for an employee without dependents approximately $.05 per month and for an employee with dependents, approximately $.10 per month.

A wide range of estimates was received on cost increases for providing retirees with the same coverage as active employees. If costs were not merged, the estimated monthly premium increase for a retiree ranges from $1.19 to $4.57, and for a retiree plus dependent, the increase in monthly premium was estimated at $2.38 to $9.14. The median estimated increase would be $2.81 for a retiree and $5.62 for a retiree plus dependent.

If costs were merged, the monthly premium increase for an employee is estimated at $.13 to $.78 and from $.25 to $1.56 for an employee with dependents. The median estimated increase would be $.37 for an employee and $.75 for an employee plus dependents.

Greater Benefits for Retirees and Merged Costs. If retirees were provided with a $5,000 major medical limit rather than $2,500, the estimated increase in premium would be negligible, at least at present. There might be a substantial increase in the future, however, if there is a high utilization of major medical benefits by retirees, especially when retirees constitute 12 to 15 per cent of the total group (as anticipated), rather than the present nine per cent.

The provision of the same benefits for retirees as for active employees on a merged premium basis is much less desirable, especially in view of expected long range cost increases resulting from an increase in the proportion of retirees. This is especially true with respect to the comprehensive coverage provided in the high level plan with its possibilities of high utilization.

If the same benefits were provided for retired and active employees and costs were merged, each active employee without dependents would pay almost $16 more a year in premiums than if costs were kept separate for the two groups. An employee with dependents under similar circumstances would pay $30 more annually. Even if the state were to pay the employee's premium cost, an employee with dependents would pay an additional annual premium of $14. When and if the retired group reached 15 per cent of the total covered by the plan, the same benefits were provided, and costs merged, active employees would be paying the following total additional premium amount annually.

employee (no dependents) $24
employee with dependents $44
dependents only (state pays employee's premium) $20

The question arises as to whether it is desirable to impose this additional cost upon active employees. One argument in support of handling premium costs on a merged basis (even though the same benefits are provided for active and retired employees) is that active employees would, in effect, be prepaying their coverage for retirement so that they would continue to have the same rates.

If costs were separated, consideration should be given to an upward adjustment in the state contribution when an employee retires. This method of providing for state payment would not necessarily increase the total money contributed by the state. For example, if the state paid the employee's premium cost on a merged basis of approximately $8.50 per month for both active and retired workers, the total cost would be the same as if the state paid $7.17 per month for active employees (median estimate) and $19.56 per month for retirees (median estimated cost of providing all benefits of the high level plan for retirees).

State contributions for retirees, if costs are not merged, might vary according to length of service prior to retirement. The executive secretary of the Colorado State Civil Service Employees' Association suggests the following schedule:

Length of Service Prior to Retirement	State Contribution as Proportion of Retiree's Cost
5 yrs. or less	none (but can participate at own expense)
5 yrs., 1 day-6 yrs.	25%
6 yrs., 1 day-7 yrs.	30
7 yrs., 1 day-8 yrs.	35
8 yrs., 1 day-9 yrs.	40
9 yrs., 1 day-10 yrs.	45
10 yrs., 1 day-11 yrs.	50
11 yrs., 1 day-12 yrs.	55
12 yrs., 1 day-13 yrs.	60
13 yrs., 1 day-14 yrs.	65
14 yrs., 1 day-15 yrs.	70
15 yrs., 1 day-16 yrs.	75
16 yrs., 1 day-17 yrs.	80
17 yrs., 1 day-18 yrs.	85
18 yrs., 1 day-19 yrs.	90
19 yrs., 1 day-20 yrs.	95
20 yrs., 1 day- and over	100

An approach such as this to the payment of the state's share of the retiree's premium cost not only gives recognition to length of service, but would also make the total amount of the state's contribution less than it would be, if costs were merged and the state were to pay each employee's and retiree's cost.

This approach could be followed if costs are not merged, regardless of the amount or proportion decided upon as the state's contribution.

Plan Coverage, Administration, and Related Matters

Method and Scope of Coverage

The data collected on the possible provision of health insurance coverage, were based on the assumption that all active state employees, regardless of branch of government or inclusion in the classified civil service would have the opportunity to participate. This option would be extended as well to all elected and appointed officials.

All new employees could be required to become members of the plan, but it is doubtful if this obligation could be imposed upon those employed prior to the establishment of a health insurance program, because such participation was not a condition of employment at the time they were hired.

There are three approaches which might be taken to try to assure that at least a major portion of present employees would participate in the program:

1) An all-out drive could be made to enlist all present employees in the plan. This approach has several drawbacks, not the least of which is the cost. In the state of Michigan, for example, such a drive required the services of 50 to 60 agents of the company which was awarded the contract. The use of a large number of people and large amounts of promotional literature imposed a substantial initial obligation upon the program.

Many state employees already have some kind of group coverage; it is to be expected that any carrier with an existing contract, should it not be awarded the contract for a new state plan, would try to hold the coverage it already has. Employees would therefore be subject to conflicting pressures, the result of which may be the continuation of a number of group programs, some of which would be quite small, so that costs would be higher and administration difficult. Further, it is not unlikely that pressure would be brought by employees who keep their present coverage to have the state subsidize these plans to the same extent as the state plan, although such coverage may be inferior.

The problem of adverse selection also is involved in this approach. If the state plan is more comprehensive than existing plans, an employee may choose to come into the state plan only because of greater medical needs. It is also reasonable to assume that among employees with no coverage, a significant proportion of those who elect to come into the state plan may be in the high use group. It might be argued that the element of coercion would not be present if this approach were followed, but this might be only a legal fiction.

2) All present employees could be given 30 days by statute to elect to come into the program; otherwise they would be considered as non-members and could be eligible for enrollment only at a certain specified future time and after a physical examination, and/or other more rigid requirements were satisfied.

This approach is more definitive than the one discussed above, in that a time period is set for affirmative action, and future entry into the plan (if not chosen during the 30-day period) is made much more difficult. For this method to be successful, it would also require considerable promotional effort and would probably involve many of the problems enumerated above, such as adverse selection and concentrated effort on the part of other group carriers covering state employees.

3) The third way in which enrollment of present employees might be handled would be to provide by statute that all present employees are presumed to be participants in the plan unless they elect not to have coverage within 30 days after the plan is adopted. This approach would satisfy statutory requirements, according to an opinion of the attorney general.[22] Employees would not be compelled to belong, but it would require affirmative action on their part not to do so, as contrasted with the approach outlined above which would require affirmative action to participate.

It can reasonably be assumed that this method would assure that most employees would participate, especially if the plan offered provides more comprehensive coverage than existing plans. Promotional costs should be considerably less, and there would be less likelihood of fragmented coverage with a number of plans in effect.

Special Existing Group Plan Provision. It might be desirable to make a special provision applicable to employees already participating in a group plan, if a portion of the cost is paid by the employer(e.g., School of Mines, C.S.C., etc.).[23] The requirement might be imposed that if a majority of employees in such a plan elect not to be covered in the state plan, all members of the group shall be presumed not to be members and shall be barred as members until a majority of the group elects coverage in the state plan under such requirements as may be specified. Further, in instances where the employees of an existing group desire to retain their present coverage, it could be provided that the difference between the present employer contribution and the amount of the employer contribution to the state plan (should the latter be larger) shall not be paid.

There are several advantages to handling existing group plans to which the employer contributes in this way:

1) Administration would be simplified. There would not be payroll deductions of different amounts, two methods of processing claims, and two levels of benefits.

2) Existing groups could remain intact if they so choose, thereby keeping their costs and benefits at the same level as at present.

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22. Letter dated October 10, 1962 to Representative John L. Kane, Chairman Legislative Council Committee on Health Insurance and Fringe Benefits for State Employees from J.F. Brauer, Assistant Attorney General
23. These provisions would apply only to colleges and universities, as there are no other group health insurance plans in effect to which the employer contributes.

3) The state plan would not suffer from adverse selection as far as members of these groups are concerned, assuming that the state plan offered more comprehensive coverage.

There are also some disadvantages to handling existing groups in this way:

1) Some employees who would like to join the state plan would be prevented from doing so, although if the state plan offers better coverage and the costs are not excessive, existing groups might be expected to join the state plan.

2) Allowing groups to remain outside the plan in toto would have the effect of giving official sanction to more than one plan, even though state contributions would be limited.

Elected and Appointed Officials. Elected and appointed state officials could be given 30 days either to elect coverage or to remain outside of the plan. All newly elected or appointed officials could be given the same 30-day option.

Other Health Insurance Payroll Deductions. At the present time those employees who have Blue Cross-Blue Shield coverage pay their monthly premiums by payroll deductions. In the interest of administrative simplicity consideration might be given to requiring that employees who choose not to be covered under a state plan and who retain their present Blue Cross-Blue Shield coverage should pay their premiums directly rather then through payroll deduction.

Administration

Other States. In most states with an employees' health insurance program, the program is administered by a board or commission.[24] In California, the State Employees Retirement Board of Administration assumes this function. This would not be practical in Colorado because many employees are not covered by PERA, and the administering board includes local government representatives. The Massachusetts State Employees' Group Insurance Commission is composed of the commissioner of administration, the commissioner of insurance, and three members appointed by the governor. The composition of the State Employees Insurance Board in Minnesota is as follows: the governor, state treasurer, commissioner of insurance, and two state employees elected by state employees. The president of the civil service commission administers the plan in New York, and he is assisted by a five-member advisory board. Wisconsin's group insurance board includes: the governor or his representative, the attorney general or his representative, the commissioner of insurance, the director of personnel, and three members appointed by the governor.

Duties. Generally, these boards or commissions are empowered with rule-making authority concerning: eligibility of employees, terms and conditions of insurance contracts and selection of carriers, and administration of the plan. In several states, the statutes are

24. A detailed outline of enabling legislation in eight states with a group health insurance program for employees is presented in Appendix A.

specific on the type and extent of health insurance coverage both as to benefits and eligibility of employees and officials.

Carrier Qualification. A number of states also specify by statute the qualifications to be met by an insurance carrier before it may be eligible to bid on the group contract. Usually the only qualification is that the carrier be licensed by the state, although California requires that the carrier must have operated successfully in the prepaid hospital and medical care field.

Contract Bidding. The enabling legislation in California and Massachusetts provides specifically that the insurance contract need not be awarded by competitive bidding. The statutes of the other states surveyed do not specify competitive bidding. There are several reasons why enabling legislation should not require that contracts be awarded to the lowest bidder:

1) Quoted initial costs which are considerably lower than those proposed by other carriers may not be stable rates and cost increases may soon be required. In addition, a low cost quotation may be illusory because it may be offset by a retention rate higher than that proposed by other carriers.[25]

2) As indicated above, the amount and proportion of the total premium which the carrier proposes to retain is as important a factor as proposed premium rates.

3) The administration of claims, both as to method and prompt and expeditious handling, is an important factor, and the administering board should have some latitude in carrier selection on this basis; a restriction that the contract should be awarded only to the low bidder would limit the administering board's authority in determining how claims administration should be handled.

Contract Terms. The enabling legislation in California requires that the contract must be for a term of at least one year, with the right of renewal, New York statutes provide that the contract must be for a term of one year. Massachusetts statutes specify that the contract may be for a term not exceeding five years.

Generally, most carriers will submit cost bids and retention rate information on the basis that the initial contract will run for a one-year period. If carriers are required to submit a bid with rates that are guaranteed for 24 months, they will probably add 15 per cent to the rates which they would have quoted on a 12-month basis. This amount would be added as a hedge against possible adverse experience which would normally require a rate increase in the second year of operation.

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25. The retention rate is the amount withheld by the carrier for administration, commission, taxes etc., after claims are paid. A high retention rate will reduce the annual amount of state dividend.

Assuming that the initial contract is awarded for a 12-month period, and a rate increase is required in the second or later year, it would be possible to award the contract to another carrier with a lower bid. Such a change would also be possible if the state was dissatisfied with any of the contract provisions or with the carrier itself.

A change in carriers should be very carefully considered, however, and, according to authorities in the health insurance field, should be avoided if at all possible for the following reasons:[26]

Most frequently a change will involve substantial extra cost. No change should be made before full consideration has been given.

The reasons it is expensive to change insurance carriers are:

1. Insurance carriers have substantial expenses in connection with the underwriting of the program during the first year. These expenses, which are included in the retention, cover:

   a. The cost of preparing and printing the group insurance contracts, employee certificates and descriptive booklets.

   b. The cost of the forms and administrative procedures for premium accounting and benefit claims handling.

2. Extra commissions are usually paid when the insurance is switched from one insurance company to another. Usually commissions are paid on what is called a "first year and nine year renewal basis." On such a basis, the commissions paid during the first year will be approximately four to five times as great as those paid for each of the nine renewal years. This arrangement contemplates that considerable extra work will be involved in the first year in the establishment of a health and welfare program. However, if the insurance carrier is changed, often another first year commission will be paid and charged in the retention. To make the new first year commissions less obvious with the new insurance carrier, some insurance carriers will level out the new first year's commissions over an extended period of time. However, the net result is the same. In such instances, there are additional commissions charged in the retention as a result of switching insurance carriers.

26. Problems and Solutions of Health and Welfare Programs, Study No.1, Part A, Improving Value and Reducing Costs, Foundation on Employee Health, Medical Care and Welfare, Inc., New York. May, 1957, pp.87 and 88.

Health and welfare plans should not be switched from one insurance company to another unless there are very compelling reasons to do so. Usually it is possible to adjust any differences that may arise with the existing insurance carrier. The carrier understands there is always the implied threat that a failure to adjust the differences may result in the cancellation of the contract.

If the problem with the existing carrier cannot be reconciled, then a complete and impartial analysis of the situation should be made before taking new competitive bids. The trustees will then be in a position to understand the full cost consequences of changing the insurance carrier.

Board Composition. Suggestions have been made that all, or at least several, of the following officials compose the administering board for a state health insurance program:

1) the controller
2) member of the Civil Service Commission or the director of personnel
3) either the commissioner of insurance or the attorney general
4) the staff director of the Association of State Universities and Colleges or another official designated by the association
5) one or two members of the General Assembly
6) an employee representative from the classified civil service
7) a representative from the faculties and staffs of the universities and colleges
8) a representative of other employees not in the classfied service (legislative and judicial)

Such a board would give representation to all areas of program participation.

There appears to be no existing board or commission which provides the cross section of state employees illustrated above that could take on the administration of a health insurance program, in addition to its present duties.

It has been recommended both by several insurance carriers and a representative of the universities and colleges that state administration be centralized in one agency. Preferably, this agency should be under the control of one of the administration and policy board members. Among the suggested board members listed above, the office of the controller appear to be the most logical location for this program because of his responsibility for related functions.

Claims Administration. Reference has already been made to claims administration and its relationship to the over-all problems of administering a health insurance program. Lengthy briefs have been filed by several carriers outlining their proposals for the administration of claims. Several different approaches have been advocated, outlined as follows:

1) Claims Handled By Carriers

   a) State collects, reviews, and funnels claims to carrier, who would process them and make payments; in this instance, company would establish local (within state) claims office if it does not have one already.
   b) Employee deals directly with the carrier and sends his claim to the carrier's claim office for processing and payment.[27]

2) Claims Handled By State

   a) Claims are submitted to state claims administrator who verifies, processes, and pays same under one of two methods:

      i) state draws and distributes its own benefit checks, makes report on same monthly to the insurance carrier which then sends reimbursement check; and

      ii) state issues checks from insurance company draft book and sends copies to insurance company, which clears payment and charges item against the group account.

   b) State handles the complete claims procedure, including the processing of claims, payments, and record keeping functions; books and records are audited periodically by the insurance carrier.

There are advantages and disadvantages to all of these approaches. Among the factors to be weighed are: 1) expense; 2) efficiency and promptness in processing and payment; 3) effective claim control and policing; and 4) burden of administration. Most of the carriers have indicated that, because of the size of the group, they would be willing to have claims handled any way the state decided regardless of their own preferences.

Retention and Special Dividend Fund Rate. The carriers who submitted cost information were also asked to indicate the rate of retention and how the funds retained would be allocated. In addition, they were asked to indicate the rate and estimated size of annual state

27. If Blue Cross-Blue Shield were the carrier, the employee would not have to file a claim under the basic plan, as the hospital deals with Blue Cross directly.

dividends. This information was requested on the basis of both an 80 per cent and an 85 per cent loss ratio.[28] An 85 per cent loss ratio is considered more realistic by most of the respondent carriers, and one has predicted that the loss ratio during the first year a plan is in operation might be closer to 90 per cent. The carriers estimated retention rates annually for a 10-year period. The rate of retention usually drops during the first few years of a plan's operation and then levels off. Table VIII shows the annual rate of retention estimated by three carriers, assuming an 85 per cent loss ratio. Also shown is the allocation of the amount retained. It should be noted that the amount retained would vary depending on how claims are administered.

Table VIII

Retention Rate and Allocation of Amount Retained
Assuming an 85 Per Cent Loss Ratio, As Estimated by Three Carriers

	Proportion of Total Premium Retained		
Policy Year	Carrier A	Carrier B	Carrier C
1	6.34%	6.8%	4.4%
2	6.25	6.6	4.0
3	5.63	6.4	4.0
4	5.61	6.4	4.0
5	5.59	6.3	4.0
6	5.58	6.3	4.0
7	5.56	6.2	4.0
8	5.55	6.2	4.0
9	5.53	6.1	4.0
10	5.51	6.1	4.0
Ten-Year Average	5.72%	6.3%	4.0

	Allocation of Amount Retained		
Purpose[a]	Carrier A	Carrier B	Carrier C
Premium Taxes	35%	34%	41%
Commissions	6	6	1
Admin. Expenses[b]	42	47	
Contribution Toward Contingencies[c]	11	10	
Balance of Retention[d]	6	3	58[e]

a. 10-year average
b. includes claims expense
c. required of all clients, contribution to fund set up to meet all company contingencies
d. not otherwise classified
e. not broken down

28. The proportion of total annual premiums which would be expended to pay claims.

The annual state dividend over the first ten years of plan operation has been estimated at approximately nine per cent of total premiums by the carriers supplying this information. These dividends should be placed in a special fund designated as such by statute, so that they would not revert to the general fund. These dividends would be derived to a greater extent from employee contributions than from the state's contributions and should be set aside as a hedge against future premium increases. The state's cost of administering the plan could be financed from this fund, however, and the remainder invested as provided by statute.

OTHER EMPLOYEE FRINGE BENEFITS

Perquisites for Certain State Employees

Some state institutional employees, particularly those on the top management level, receive certain added benefits such as living quarters, meals, commissary privileges, laundry and cleaning services, personal services performed by inmates, gasoline and other motor pool supplies, and personal charge accounts. Some of these perquisites originated as salary supplements to attract qualified personnel. Others were granted because of statutory requirements that certain institutional superintendents or directors live on the institutional grounds. The origin of some of these added benefits cannot be ascertained.

The controller has the statutory responsibility to determine the fair value of perquisites. Section 26-2-3(12) C.R.S. 1953 (1960 Perm. Supp.) provides in part that, "The fair value of room, board, or any other consideration of value provided by the state to the employee shall be deducted from established salaries according to schedules recommended by the state controller and approved by the governor; provided that such deduction may be waived with the approval of the governor in any case where the employee is required to live at a state facility by the nature of his duties or for the convenience of the state."

Statutory Problems

During the past few months, the Management Analysis Office has conducted a study of existing practices at state institutions concerning perquisites for employees. This study was made to provide the information necessary for the promulgation of a fiscal rule by the controller covering such perquisites.[1] On several occasions, the controller and the director of the Management Analysis Office have discussed with the committee the problems and conflicts arising from the present statute covering perquisites.[2] These include:

1) At present there is no assigned responsibility for the determination of permissible perquisites. In the absence of defined responsibility, institution heads take it upon themselves to decide whether or not a perquisite should be given. Thus, there are such anomalies among the institutions as state-furnished personal charge accounts, commissary privileges, government gasoline for personal vehicles, etc., for a few employees, the origin of which no one can explain.

1. Benefits Available to Employees at Colorado State Institutions, Division of Accounts and Control, Management Analysis Office, June 1962.
2. Committee meetings of April 26, 1962 and September 20, 1962, and special meeting, August 31, 1962.

2) In 26-2-3 (13) the Civil Service Commission is given responsibility among other things for determination of the "benefits" given to employees. The Civil Service Commission is the responsible agency for the conduct of the annual wage survey. Controller financial authority to rule on perquisites for certain groups of employees ought, therefore, to be coordinated closely with the Civil Service Commissions's duty.

3) The present statute requires that the value of benefits "shall be deducted from established salaries." Some of the sporadic transactions, however -- drugs, surplus commodities, etc. -- would be better handled by cash payments. The controller should have the flexibility to determine which transactions should be deducted and which paid for in cash.

4) The statute makes provision only for full waiver of charges if a person is "required to live at a state facility." There should be sufficient flexibility to permit partial waivers and also waivers for some persons who do not live on the grounds -- e.g., perhaps partial waiver for teachers of the blind on duty and eating meals with their charges.

5) At present, perquisites are not available to all institutional employees, nor are charges uniform at all institutions, resulting in disparities and inequities among employees. Consequently, there should be a requirement that "uniform and equitable rules" be promulgated by the controller.

6) Some benefits are presently given to employees without charge; hence, the need for emphasis on payment to the state for all benefits, unless otherwise provided by statute or controller's rule.

7) Many of the rates presently in effect at the institutions have remained unchanged since 1947, demonstrating the need for a requirement for periodic review of all prescribed rates.

Employees of other departments, such as Fish and Game and Highways, and the presidents and some employees of state universities and colleges also receive perquisites similar to those received by institutional officials and employees. If the statutes and the rules promulgated thereunder were to apply uniformly to all departments and institutions, a statutory addition to the administrative code would be required rather than further amendment of 26-2-3 (12), because 26-2-3 (12) applies only to employees in the classified civil service.

Suggested Legislation

The director of the Management Analysis Office at the request of the committee prepared the following suggested statutory revision concerning the perquisities made available to all state employees and officials and the controller's authority and responsibility with respect to such perquisities:

Amend:

CRS 26-2-3 (12) 1959 Supp.: All salaries cited in this section are in dollars per month for full-time employment for the hours and shifts prescribed. Part-time employees shall be paid proportionately to the time actually worked. ~~The fair value of room, board, or any other consideration of value provided by the state to the employee shall be deducted from established salaries according to schedules recommended by the state controller and approved by the governor, provided that such deduction may be waived with the approval of the governor in any case where the employee is required to live at a state facility by the nature of his duties or for the convenience of the state.~~

Add: 3-3-2 (20)

The state controller, in consultation with the civil service commission and with the approval of the governor, shall make uniform and equitable fiscal rules controlling the types of perquisites which may be made available to all employees and officials of the executive department and to all employees and officials of state universities and colleges in addition to their normal salaries as prescribed by law. The rules shall include the prices to be charged to employees, the method of payment to the state, and the eligibility, for such perquisites. No employee or supervisor shall decide that a perquisite may be granted to himself or to another employee, nor shall any employee receive any perquisite without full payment therefor, except as provided for by statute or in the rules of the controller as approved by the governor. Rates prescribed by the rules shall be reviewed by the controller annually.

Further Recommendation

One other statutory change was recommended by the director of the Management Analysis Office and supported by the controller and the budget director. There are only three institutions which still have a statutory requirement that the superintendent of the institution live on the grounds. These institutions are the two training schools at Ridge and Grand Junction and the school for the deaf and blind at Colorado Springs. This statutory requirement has been repealed for all other institutions which had it initially; the last two to be eliminated were the Golden Age Center in 1958 and the state hospital in 1961. It was recommended that any requirements for living on institutional grounds be established by the controller.

Hours of Work and Overtime Compensation

There are several statutes which pertain to hours of work and/or overtime compensation, and there are a number of conflicts and inconsistencies among these statutes.[3] Following is a summary of statutory conflicts, inconsistencies, and difficulties as prepared by the director of the management analysis office.

3. The texts of all of these statutes are included in this report as Appendix B, with the conflicting and inconsistent provisions underlined. Included are the following: 3-3-2 (19)(a), 26-4-3, 35-1-9, 71-3-9, 78-3-2, 80-7-4, 80-7-9, 80-7-10, 80-7-13, 115-2-5, 120-10-10, and 123-2-7.

1) Provisions which are lacking -- There is no provision in any of the statutes for the possibility of: a) a compensatory time system; b) a shift-differential system; or c) a straight-time system. Most modern wage systems make provisions for these three possibilities.

2) Interpretation -- The only statute which makes provision for overtime payments is 3-3-2 (19), but this statute refers only to "offices and institutions." Was it the intent of the General Assembly to exclude such departments as Game & Fish, some of whose employees work outdoors, from overtime compensation?

3) Exclusions -- There are inconsistencies as to the types of employees to be excluded from overtime eligibility:[4]

3-3-2. Disbursements -- rules -- penalties. --
(19) (a) The fiscal rules shall include provisions fixing the hours of work of all state employees and establishing a system of attendance control. Regularly scheduled hours of work for employees in offices and institutions of the state, with the exception of administrative personnel, shall not exceed five days per week. Work shifts in any one day shall be scheduled in a period not to exceed eight and one-half hours, including meal and rest periods. Hours scheduled prior to the effective date of this subsection for state offices shall not be increased as a result hereof.

(b) Work in excess of eight and one-half hours, including meals and rest periods, in any twenty-four hour period or five days in any one week shall be compensated in cash at the rate of time and one-half the regular hourly rate of pay of the employee in offices and institutions of the state.

(e) A houseparent in an institution caring for minor children shall not be paid overtime for work in excess of hours specified in paragraph (a) of this subsection, provided the houseparent shall be assigned regularly scheduled hours of work totaling no more than such hours in any twenty-four hour period and shall be on call for so much of the remainder of the twenty-four hour period as is necessary for the health, happiness and safety of children assigned the houseparent; provided that houseparents shall be assigned no more than five consecutive days work in any one week; and provided further that the schedules of work hours and on-call hours shall be approved by the governor in writing.

80-7-9. Eight-hour day--penal institutions. -- In all state penal institutions of this state, the persons employed by the state, or by any board, officer or agent of such institution, in any capacity except such employees as may be employed exclusively as superintendents, overseers, guards or officers in or about the farms, gardens or agricultural work conducted by such institution; and the guards, overseers and superintendents employed for the purpose of working convicts on the public roads, and those officers or employees of such institutions whose salary is specially fixed by statute, shall be within the terms of the eight-hour working day, and eight hours

4. Underlining added for emphasis.

shall constitute a day of work in such employment, except as in this section excepted, and it shall be unlawful for any board, officer or agent to employ any persons, not within the herein stated exceptions, for more than eight hours a day.

80-7-10. Emergency excepted. -- Nothing in section 80-7-9 shall be construed so as to prevent work in excess of eight hours a day in emergency cases. Hours in excess of eight a day shall be treated as constituting a part of subsequent day's work. In no one week of seven days shall it be permitted for any one so employed to do more than fifty-six hours of work of the character and kind specified in section 80-7-9.

4) Grievance Procedure -- The overtime statute (3-3-2 (19)) is applicable to "all state employees." Civil Service Employees have a grievance system, under the rules of the Civil Service Commission. The statute makes no provision for a grievance procedure for non-civil service employees.

5) Responsibility for Determination of Exclusions -- The overtime statute (3-3-2 (19)) provides for the exclusion of "administrative personnel" from overtime compensation, without further defining that term. The statute places responsibility for fixing hours of work upon the controller, but is silent concerning responsibility for determining who constitutes "administrative personnel." The use of the term "administrative personnel," in its context, seems to imply those personnel concerned with the management of an agency. Determination of the management level in a given agency is a Civil Service classification matter, for agencies within the classified service. The statute could be improved by placing at least partial responsibility for "administrative" exclusion determination upon the Civil Service Commission.

6) Detail in Present Statute -- Much of the detail in the present statute (3-3-2 (19)(a) properly belongs in a fiscal rule, rather than in a statute.

Other Problems

There are several other problems concerning overtime. State patrol officers are hired for and work a 48-hour week. The extra hours per month are compensated for by additional compensation of $50 per month as provided in 120-10-10. (Port of entry officers also work a 48-hour week and receive an additional $30 per month by action of the General Assembly in the long appropriation bill.) The salary scale for patrolmen and port of entry officers is set by the Civil Service Commission on the basis of a 40-hour week. Both patrolmen and port officers have requested higher classifications or additional compensation. If the salary classifications were raised, it would place these categories out of adjustment in relation to other comparable job classifications.

Second, there are many employees who are working for agencies or facilities covered by Civil Service (such as the highway department, the state hospital, some of the non-faculty personnel at state colleges and universities) but who are not under the classified system.

Many of these employees are used as relief workers or part-time personnel, but others are full-time. These employees do not have the benefits of the classified system and often may be paid less than comparable employees in the classified system. This situation poses a problem much larger in scope than the question of overtime compensation and regular hours of work. Efforts are being made to bring these employees within the classified service as soon as possible and practical, according to the Colorado Civil Service Commission.

Third, there is the problem of available funds. The controller stated to the committee that it is difficult to require agencies to live up to present provisions on the payment of overtime, not only because of the disparity in statutes and practices among agencies and institutions, but also because of the lack of funds and the cost to the state of paying such compensation.

Suggested Legislation

Legislation to correct the present confusion regarding hours of work and overtime compensation has been proposed both by the director of the Management Analysis Office and the Colorado State Civil Service Employees' Association.

These proposals are generally similar (although there are several differences which are discussed below) but represent a fundamental difference in philosophy. The proposed act recommended by the Management Analysis Office director outlines the broad authority of the controller and the basic framework for the payment of overtime. Most of the details and implementation would be left to rules and regulations promulgated by the controller. The legislation proposed by the employees' association spells out overtime provisions in considerable detail and places considerable responsibility on the Civil Service Commission, leaving less discretion to the controller. The controller indicated to the committee that he had no objection to detailed legislation, as long as the present inconsistencies are eliminated.

Other Differences. The other important differences between the two proposed acts include:

1) The Management Analysis Office bill provides a 10 per cent shift differential for employees who regularly work between midnight and 6 a.m. The employees' association bill contains no such provision.

2) The Management Analysis Office bill differentiates between lower-level managerial and supervisory personnel and non-supervisory and non-managerial personnel for the purpose of overtime compensation. The former would receive their normal rate for overtime hours worked; the latter would receive one and one-half times their normal rate. The employees' association bill contains no such provision. All employees not in the professional, technical, management, and administrative classes excluded from overtime compensation would receive one and one-half times their normal rate for overtime hours.

3) The employees' association bill provides that any employee who has accrued compensatory time after the effective date of the act shall receive cash payment for such compensatory time when he is separated or retired from state service. The Management Analysis Office bill has no such provision.

4) The Management Analysis Office bill provides that the controller's rules shall make provision for a grievance system for employee complaints about working conditions. There is no such provision in the employees' association bill.

5) The employees' association bill expressly excludes temporary, part-time and seasonal and hourly paid employees from overtime compensation. The Management Analysis Office bill contains no such provision.

6) The employees' association bill provides the following with respect to uneven work weeks because of agency or institutional programs:

> When the program of any agency or institution is such that, during certain periods of the year, employees are required to work more hours than the standard work week, and in other periods, fewer hours than the standard work week, the appointing authority may present a plan to the governor and civil service commission for their approval. Such plan shall be subject to the following provisions:
>
> 1) It will provide for the accrual of compensatory time on a straight time basis in those periods of the year which require a work week longer than five consecutive days and the discharge of such time credits in those periods which require a work week of less than five consecutive days.
>
> 2) The agency or institution for which such a plan has been approved shall keep records on the accrual of compensatory time and its use and shall make reports to the civil service commission on May 1st and November 1st on forms specified by them.

The Management Analysis Office bill handles this problem by providing that the controller shall determine what is an acceptable equivalent of a normal work week as well as what is an acceptable equivalent of time worked in excess of the normal work week.

Further Comments. Both bills provide for overtime after 40 hours, so that employees with a normal 37.5 hour work week would not receive compensation for hours worked between 37.5 and 40. Both bills also exclude the Colorado State Patrol, so that patrol officers would continue to receive an additional $50 per month as provided in 120-10-10.

The complete text of the proposed bills on overtime compensation follows:

Management Analysis Office Bill

Repeal and Reenact:

3-3-2 (19) (a) The controller, in consultation with the civil service commission and with the approval of the governor, shall make uniform and equitable fiscal rules pertaining to attendance, work-hours, and overtime, for all employees in the executive branch of government.

(b) It shall be the state policy that employees shall accomplish their work during normal duty hours, and employees shall be required to work overtime only in matters of extreme necessity. A normal work week for employees in the executive branch of government, with the exception of managerial, supervisory, professional, and technical personnel, shall consist of a maximum of eight hours per day, forty hours per week, and five days per week, or an acceptable equivalent thereof as determined by the controller, shall be considered to be overtime for all employees except managerial, supervisory, professional, and technical personnel.

(c) Overtime shall be computed at one and one-half times the normal rate for non-managerial and non-supervisory employees. Overtime shall be computed at the normal rate for lower-level managerial and supervisory personnel. Overtime and straight time shall be compensated for in cash, unless the employee requests his compensation in time off from duty and such request is approved by his department or institution.

(d) The rules shall include definitions of those classes of employees who are to be eligible for overtime at one and one-half times the normal rate; those lower-level managerial and supervisory personnel who are to be eligible for overtime at the normal rate; and those managerial and supervisory personnel who are to be excluded both from overtime and straight-time eligibility. The rules shall also make provision for a grievance system for employee complaints about work conditions.

(e) Employees who have regularly assigned duty shifts any part of which falls between the hours of midnight and six o'clock in the morning shall be compensated at one and one-tenth times the normal rate for that portion of their total time which falls between those hours.

(f) The provisions of this paragraph are not applicable to the members of the Colorado State Patrol, whose working conditions are set forth in CRS 120-10-10.

Section 2. CRS 80-7-9 and 80-7-10 are hereby repealed.

Colorado State Civil Service Employees' Association Bill

It is suggested that the following statutes be considered for repeal: 26-4-3; 71-3-9; 80-7-9; 80-7-10; and the following statutes dealing with hours of work not be repealed: 80-7-4; 80-7-13; 120-10-10.

Section 1. 3-3-2 (19), is hereby amended to read:

3-3-2 (19) (a) EXCEPT AS OTHERWISE MAY BE PROVIDED BY LAW, regularly scheduled hours of work for employees of the State, with the exceptions as noted in subsection (e) (g) (j), shall not exceed five days per week. Work shifts or periods in any one day shall be scheduled in a period not to exceed eight hours, exclusive of meal time.

Hours scheduled prior to the effective date of this subsection for State employees shall not be increased as a result hereof.

(b) Work in excess of eight hours exclusive of meal time in any twenty-four hour period or five days in any one week shall be compensated in cash or compensatory time at the rate of time and one half the regular hourly rate of the employee, except as noted in subsection (e) (f) (g) (i).

(c) A standard work week shall consist of five consecutive days of employment.

(d) Overtime work shall, wherever possible be eliminated by re-scheduling work, by utilizing part-time or seasonal employees, or by setting up overlapping shifts of work. Overtime work shall be authorized only in the following cases:

1) In the event of fire, flood, catastrophe or other unforeseeable emergency;
2) Where a station or assignment must be manned and another employee is not available for work;
3) To provide essential services when such cannot be provided by overlapping work schedules;
4) To carry on short-range assignments in which the utilization of present employees is more advantageous to the State than the hiring of additional personnel;
5) No employee shall be regularly scheduled to work overtime.

(e) All employees of the state who are required to work in excess of eight hours, exclusive of meal time, in any twenty four hour period or or five consecutive days in any week shall be eligible for overtime compensation with the following exceptions:

1) Employees in professional, technical, management or administrative classes which have been approved for overtime exclusion by the governor and the civil service commission after recommendation by the agencies and institutions of the state. Such overtime exclusion shall apply to all persons in such classes. The overtime exclusion schedule shall be reviewed annually and the governor and civil service commission shall be empowered to add or delete classes upon recommendation of agencies, institutions or employee organizations.

2) Temporary, part-time and seasonal and hourly paid employees shall be excluded.

(f) Employees who are eligible and who are required to work overtime shall receive compensation at the rate of one and one-half the straight time hourly rate of pay applicable to the position. This compensation may be paid either in cash or in compensatory time off, at the discretion of the appointing authority, provided, however, that when an employee who has accumulated forty hours of compensatory time is required to work overtime, he shall be paid for such additional overtime in cash.

(g) When the program of any agency or institution is such that, during certain periods of the year, employees are required to work more hours than the standard work week, and in other periods, fewer hours than the standard work week, the appointing authority may present a plan to the governor and civil service commission for their approval. Such plan shall be subject to the following provisions:

1) It will provide for the accrual of compensatory time on a straight time basis in those periods of the year which require a work week longer than five consecutive days and the discharge of such time credits in those periods which require a work week of less than five consecutive days.

2) The agency or institution for which such a plan has been approved shall keep records on the accrual of compensatory time and its use and shall make reports to the civil service commission on May 1st and November 1st, on forms specified by them.

(h) Overtime work shall be authorized in advance by the appointing authority or by any supervisor to whom he has delegated the responsibility, except in cases of emergency.

1) Overtime work shall be accrued and compensated for in half hour units.

2) Employees whose classes are approved by the governor and civil service commission in the exclusion schedule for overtime shall not be compensated for work performed beyond the standard work day or work week.

3) Employees whose regularly scheduled work week includes Sunday, shall not be compensated for work on that day on an overtime basis unless their work day exceeds eight hours, exclusive of meal time, and only the excess hours of work shall be considered overtime.

4) If a holiday or period of authorized leave occurs during a work week, such time shall be counted as working time in determining whether an employee has worked overtime.

5) Any employee who has accrued compensatory time after the effective date of this statute shall receive cash payment for such compensatory time when he is separated or retired from State service.

(i) The controller shall refuse payment of any item of personal services or overtime unless supported by evidence of attendance.

(j) If on request of any agency or institution, the governor finds that provisions of this subsection provide any unusual hardship on the effective administration of such agency or institution, the governor

upon the recommendation of the civil service commission, may approve changes in working hours for specific job positions; provided, such approval of each position shall be for no more than one year at any one time.

Comments by Personnel Director. The director of personnel, Civil Service Commission, made the following suggestions on the bill proposed by the Management Analysis Office:

1) The provision related to grievance procedures should be limited to overtime work rather than work conditions.

2) The proposed shift differential perhaps should apply to regular hours worked from 6:00 p.m. to 6:00 a.m. rather than midnight to 6:00 a.m. Additional consideration should be given to a $.10 per hour differential rather than a 10 per cent differential.

3) The proposed act is not clear as to the rate received by employees regularly assigned night work who work overtime during the hours that the shift differential applies. Would they receive one and one-half times the normal rate plus the shift differential or one and one-half times the sum of the normal rate and the shift differential?

Fiscal Impact of Suggested Revision in Overtime Provisions and the Establishment of Shift Differentials

The Civil Service Commission estimates that full implementation of the suggested overtime payment revisions would cost approximately $500,000 annually as compared with the $335,321 spent for this purpose in fiscal year 1960-61. This latter total includes $220,150 paid to state patrol employees at a fixed rate of $50 per month and $26,910 paid at a maximum rate of $30 per month to port of entry officers. If patrolmen were paid on a straight time basis for hours worked in excess of 40 per week, patrolmen would receive at least $150 additional each month instead of the present $50, based on the 54.9 average hours worked by patrolmen during the last fiscal year.

This increase would be offset to a limited extent if command, office, maintenance, and radio dispatch personnel were limited to a 40-hour work week or were barred from compensation for hours worked in excess of 40. The hours of work and overtime compensation problem for the state patrol has no easy solution and further study is indicated. For this reason the patrol was excluded from the two proposals on overtime compensation.

Shift Differential. The cost of providing for a shift differential was computed by the Civil Service Commission at committee request. Computations included the "graveyard" shift where all working hours would be covered and the "swing" shift with the

assumption that, on the average, 60 per cent of these hours would be under a shift differential. Following is an estimate of the cost increase resulting from the implementation of a shift differential provision.

	@10%	@$.10 per hr.
Total Cost	$579,850	$274,930
Deduct State Patrol	99,456	33,612
Balance	$480,394	$241,318
Deduct Port of Entry	19,632	7,788
Balance	$460,762	$238,530

This estimate indicates that it would cost more annually to implement a 10 per cent shift differential than to finance a revision in overtime compensation. Even if the patrol and port of entry officers were excluded from the shift differential provision, the annual cost would be only $40,000 less than the cost of providing overtime compensation. The cost of providing a shift differential would be cut in half, approximately, if a straight payment of $.10 an hour were made rather than 10 per cent of base rate.

APPENDIX A

State Employee Health Insurance Plans: Enabling Legislation in Eight Selected States

The statutes of eight states with health insurance programs for state employees were selected for study and analysis. These states are California, Massachusetts, Minnesota, New Mexico, New York, Oklahoma, Pennsylvania, and Wisconsin. In some of these states, the enabling legislation is very explicit and contains detailed provisions for establishment, administration, coverage, benefits, contributions, and other items. In other states, the statutory provisions are very broad and general in application.

This analysis is presented in two parts. In part I, the enabling legislation in each state is outlined in detail. In part II, a comparison of states is made by topic.

Part I

California

I) Administration

A) The California health insurance program for state employees is administered by the Board of Administration of the State Employees' Retirement System. The members of the board receive no salary for administering the program, but do receive an expense allowance.

B) The Board of Administration consists of 11 members selected as follows:

1) One member of the State Personnel Board;
2) The Director of Finance;
3) The comptroller of the university;
4) An official of a life insurer, an officer of a bank, and three persons representing the public, appointed by the Governor (the three appointees have no voting power);
5) Three members elected under the supervision of the Board as follows:

a) A member elected by the members of the system from the membership thereof;
b) A member elected by the state members of the system from the state membership thereof; and
c) A member elected by the local members of the system from the local membership thereof.

C) The board has authority to establish the scope and contents of basic health benefit plans, to fix minimum standards for health benefit plans, to establish regulations fixing the time, manner, method of procedures for determining whether approval of any plan should be withdrawn, and to establish any other regulations which may be needed to insure the needs and welfare of individual employees, of particular classes of employees, and of all employees, as well as prevailing practices in the field of prepaid medical and hospital care. The board may also withdraw its approval of any health benefit plan if it finds that the prescribed standards are not being complied with and shall make provisions respecting the beginning and ending dates of coverage of employees and annuitants and family members.

II. Method of Selecting Carrier

A) The board may contract with carriers for basic health benefit plans, provided that the carriers have operated successfully in the prepaid hospital and medical care field.

B) The board may contract with carriers without compliance with any competitive bidding requirement.

C) Each contract shall be for a term of at least one year, but may be renewable from term to term.

III. Statutory Definition of What the Plan Must Contain

A) The plan or plans must include hospital benefits, surgical benefits, in-hospital medical benefits, out-patient benefits, obstetrical benefits, and may include other benefits.

IV. State Contributions to the Plan

A) The state contribution shall be the amount necessary to pay the cost of a basic health benefit plan, or five dollars ($5) per month for each employee or annuitant, whichever is the lesser.

B) The state shall also provide funds necessary for the administration of the plan.

V. Employees Covered

A) All employees (except those on short-term appointments, or in seasonal employment) may enroll in any plan or plans offered.

B) No employee or group of employees shall be excluded solely on the basis of the hazardous nature of the employment.

VI. Waiting Period for Coverage

A) The state contributions to the plan shall commence after an employee has been employed for a period of six months.

VII. Retired Employees

A) Retired employees are entitled to the same coverage and benefits as other employees, and the state contributes the same amount for retired employees as for other employees.

VIII. Administration of Claims

A) No specific statutory instructions, but administration of claims appears to be handled by the carriers.

B) Administrative expenses are not to exceed two per cent of the total of the state contribution to a plan.

Massachusetts

I. Administration

A) The Massachusetts health insurance plan is administered by the State Employees' Group Insurance Commission. The members of the commission are unpaid, but are entitled to receive an allowance for expenses.

B) The commission consists of five members:

1) The commissioner of administration;
2) The commissioner of insurance; and
3) Three members appointed by the governor.

C) The commission has authority to adopt such rules and regulations as may be necessary to administer the provisions of the statutes which authorize and establish a health benefits plan for state employees.

II. Method of Selecting Carriers

A) The commission shall negotiate with and purchase from one or more insurance companies or other corporations medical benefit plans which cover all persons in the service of the commonwealth (state) and their dependents.

B) Such contract shall not be awarded by competitive bidding, but shall be on such terms as best serve the interests of the commonwealth and its employees.

C) Each contract may be for a term not exceeding five years.

III. Statutory Definitions of What the Plan Must Contain

A) The plan or plans must provide group life and accidental death and dismemberment insurance covering persons employed by the commonwealth, and group general or blanket insurance providing hospital, surgical, and medical benefits covering persons employed by the commonwealth and their dependents.

IV. State Contributions to the Plan

A) The commonwealth shall pay fifty per cent of the premiums cost for all insurance and the employee shall pay the remaining fifty per cent. (In the absence of any other language, the staff interprets this passage to mean that the state pays one-half of the premium cost for the employees and their dependents.)

V. Employees Covered

A) Coverage of all employees is provided automatically; however, an employee may elect not to be covered.

VI. Waiting Period For Coverage

A) There is no specified waiting period, but coverage is afforded only to those persons in the service of the commonwealth.

VII. Retired Employees

A) Retired employees may continue to be covered after he retires under the same 50-50 payment plan.

VIII. Administration of Claims

A) No specific statutory instructions, but administration of claims seems to be handled by the carriers.

Minnesota

I. Administration

A) The Minnesota group insurance plan is administered by the State Employees Insurance Board. The members of the board receive ten dollars for attendance at each regularly called meeting of the board.

B) The Board consists of five members:

1) The governor;
2) The state treasurer;
3) The commissioner of insurance; and
4) Two state employees elected by state employees.

C) The Board shall establish rules and regulations for the administration, management, and operation of insurance programs for state employees.

II. Method of Selecting Carriers

A) No specific provisions.

III. Statutory Definition of What the Plan Must Contain

A) No specific provisions.

IV. State Contributions to the Plan

A) No state contributions.

V. Employees Covered

A) All state officers and employees and their dependents.

VI. Waiting Period for Coverage

A) No specific provisions.

VII. Retired Employees

A) No provision for retired employees.

VIII. Administration of Claims

A) No specific provisions.

New Mexico

I. Administration

A) No specific provisions. The individual departments and divisions of state government apparently handle their own group insurance.

II. Method of Selecting Carrier

A) No specific provisions.

III. Statutory Definitions of What the Plan Must Contain

A) No specific provisions.

IV. State Contributions to the Plan

A) The state contribution is limited to twenty per cent of the cost of the insurance.

V. Employees Covered

A) All eligible state employees.

VI. Waiting Period for Coverage

A) No specific provisions.

VII. Retired Employees

A) No provision for retired employees.

VIII. Administration of Claims

A) No specific provisions.

New York

I. Administration

A) The New York health insurance plan is administered by the president of the civil service commission. He is assisted by a five-member advisory board.

B) The president is empowered to establish regulations relating to:

1) The eligibility of active and retired employees to participate in the health insurance plan;
2) The terms and conditions of the insurance contract;
3) The purchase of such insurance contract and the administration of the health insurance plan.

II. Method of Selecting Carriers

A) The president may purchase health insurance contracts from one or more corporations licensed to transact accident and health insurance business in the state of New York.

B) No specific provisions as to competitive bidding.

C) The insurance contract shall be for a term of one year.

III. Statutory Definition of What the Plan Must Contain

A) The plan or plans must provide for group hospitalization, surgical, and medical insurance against the financial costs of hospitalization, surgery, medical treatment and care, and may include prescribed drugs, medicines, prosthetic appliances, hospital in-patient and out-patient service benefits, and medical expense indemnity benefits.

B) The health insurance plan shall be designed (1) to provide a reasonable relationship between the hospital, surgical, and medical benefits to be included, and the expected distribution of expenses of each type to be incurred by the covered employees and dependents, and (2) to include reasonable controls, which may include deductible and coinsurance provisions applicable to some or all of the benefits, to reduce unnecessary utilization of the various hospital, surgical and medical services to be provided and to provide reasonable assurance of stability in future years of the plan, and (3) to provide benefits on a non-discriminatory basis, to the extent possible, to active members throughout the state, wherever located.

IV. State Contribution to the Plan

A) There is no dollar amount nor percentage amount specified in the statutes. However, prior to 1960, the state's contribution was limited to six million dollars per year. In 1960, the limitation was removed, and no mention of any amount is to be found in the present statutes.

V. Employees Covered

A) All persons in the service of the state may be covered.

VI. Waiting Period for Coverage

A) Waiting periods before coverage becomes effective seem to be left to the discretion of the administering officer.

VII. Retired Employees

A) Retired employees may participate in the plan under such terms as the administering officer may determine.

VIII. Administration of Claims

A) No specific statutory provisions, but administration of claims seems to be handled by the carrier.

Oklahoma

I. Administration

A) No specific provisions.

II. Method of Selecting Carriers

A) The only requirement is that the carrier be licensed in the state of Oklahoma

III. Statutory Definition of What the Plan Must Contain

A) No specific provisions.

IV. State Contributions to the Plan

A) The statutes provide that the state may pay all or any part of the insurance premium, but gives no dollar or per cent amounts as limits.

V. Employees Covered

A) All officers and employees of the state.

VI. Waiting Period for Coverage

A) No specific provisions.

VII. Retired Employees

A) No provision for retired employees.

VIII. Administration of Claims

A) No specific provisions.

Pennsylvania

I. Administration

A) The only reference to administration is the provision specifying the contracting officer in each department or agency who shall be responsible for entering into insurance contracts.

II. Method of Selecting Carriers

A) No provision, except that the carrier must be licensed in Pennsylvania.

III. Statutory Definitions of What the Plan Must Contain

A) No specific provisions.

IV. State Contributions to the Plan

A) The state may pay part or all of the insurance premiums.

V. Employees Covered

A) All elected or appointed officers and employees are covered.

VI. Waiting Period for Coverage

A) No specific provisions.

VII. Retired Employees

A) No provisions for retired employees.

VIII. Administration of Claims

A) No specific provisions.

Wisconsin

I. Administration

A) The Wisconsin health insurance plan for state employees is administered by a group insurance board.

B) The administering board is composed of the governor or his representative, the attorney general or his representative, the commissioner of insurance, the director of personnel, and three members appointed by the governor.

C) The board has the authority to make rules regarding:

1) Eligibility of active and retired employees to participate in the plan;

2) The payments by employees for such insurance;

3) The time periods when changes in coverage and payments shall take effect;

4) The terms and conditions of the insurance contracts;

5) The date such program shall be effective; and

6) The kind, amount, and conditions pertaining to benefits and beneficiary provisions.

II. Method of Selecting Carriers

A) No specific provisions, except that the carrier must be licensed in Wisconsin.

III. Statutory Definitions of What the Plan Must Contain

A) The insurance contract may include provisions to pay for the expense involved in hospitalization, surgery and medical care, as well as ancillary items or services.

IV. State Contribution to the Plan

A) The state will pay up to 50 per cent of the gross premium for an employee and his dependents, or $6 per month, whichever amount is the lesser.

V. Employees Covered

A) All state employees are covered under the employee waiver coverage.

VI. Waiting Period for Coverage

A) No specific provisions.

VII. Retired Employees

A) Retired employees may continue to be covered, but the state pays no part of the premium.

VIII. Administration of Claims

A) No specific provisions.

Administration

California -- by a board (11 members)
Massachusetts -- by a commission (5 members)
Minnesota -- by a board (5 members)
New Mexico -- no provision
New York -- president of the civil service commission
Oklahoma -- no provision
Pennsylvania -- by the individual state departments
Wisconsin -- by a board (7 members)

A. Authority of Administering Body

California -- The board may establish scope and content of the health benefit plan.

Massachusetts -- The commission may adopt such rules and regulations as are necessary to provide a health benefit plan.

Minnesota -- The board may adopt necessary rules and regulations.

New Mexico -- No specific provisions.

New York -- The president of the civil service commission may determine eligibility, as well as terms and conditions of the insurance contract.

Oklahoma -- No specific provisions.

Pennsylvania -- No specific provisions.

Wisconsin -- The board may determine eligibility requirements, amount of payments, dates of coverage, the terms and conditions of the insurance contract, as well as other conditions affecting the health insurance plan.

Method of Selecting Carriers

California -- the carrier must have operated successfully in the prepaid hospital and medical care field; the board need not ask for competitive bidding on the insurance plans; the plan must be for a term of at least one year, with the right of renewal.

Massachusetts -- the insurance contract need not be awarded by competitive bidding; each contract may be for a term not exceeding five years.

Minnesota -- no specific provisions.

New Mexico -- no specific provisions.

New York -- the carrier must be licensed in New York; the contract must be for a term of one year.

Oklahoma -- the carrier must be licensed in Oklahoma.

Pennsylvania -- the carrier must be licensed in Pennsylvania.

Wisconsin -- the carrier must be licensed in Wisconsin.

Statutory Definition of What the Plan Must Contain

California -- defined by statute
Massachusetts -- defined by statute
Minnesota -- no statutory definition
New Mexico -- no statutory definition
New York -- defined by statute
Oklahoma -- no statutory definition
Pennsylvania -- no statutory definition
Wisconsin -- some statutory definitions

State Contributions to the Plan

California -- the entire cost of a basic health benefits plan, or five dollars per month per employee, whichever is the lesser amount.

Massachusetts -- fifty per cent of the premium cost.

Minnesota -- no state contributions.

New Mexico -- twenty per cent of the cost of the insurance.

New York -- the state pays a part of the insurance premium, but the amount cannot be determined from the statutes.

Oklahoma -- the state may pay all or any part of the insurance premium.

Pennsylvania -- the state may pay all or any part of the insurance premium.

Wisconsin -- the state may pay up to fifty per cent of the gross premium for an employee and his dependents, or $6 per month, whichever is the lesser.

Employees Covered

California -- all employees are covered, except those on short term or seasonal appointements.

Massachusetts -- all employees are covered; an employee must elect not to be covered.

Minnesota -- all officers and employees and their dependents are covered.

New Mexico -- all eligible state employees are covered.

New York -- all persons in the service of the state may be covered.

Oklahoma -- all officers and employees of the state are covered.

Pennsylvania -- all elected or appointed officers and employees are covered.

Wisconsin -- all state employees are covered under the employee waiver coverage.

Waiting Period for Coverage

California -- the state contribution to the plan shall commence after an employee has been employed for a period of six months.

Massachusetts -- no specified period.

Minnesota -- no specified period.

New Mexico -- no specified period.

New York -- no specified period.

Oklahoma -- no specified period.

Pennsylvania -- no specified period.

Wisconsin -- no specified period.

Retired Employees

California -- retired employees have the same coverage and the same state contributions as active employees.

Massachusetts -- retired employees have the same coverage and the same state contributions as active employees.

Minnesota -- no provision for retired employees.

New Mexico -- no provision for retired employees.

New York -- retired employees may participate under such conditions as are established by the administering officer.

Oklahoma -- no provision for retired employees.

Pennsylvania -- no provision for retired employees.

Wisconsin -- retired employee may participate in the plan, but the state pays no part of the premium.

Administration of Claims

California -- no specific provisions, but probably handled by the carrier.

Massachusetts -- no specific provision, but probably handled by the carrier.

Minnesota -- no specific provisions.

New Mexico -- no specific provisions.

New York -- no specific provisions, but probably handled by the carrier.

Oklahoma -- no specific provisions.

Pennsylvania -- no specific provisions.

Wisconsin -- no specific provisions.

APPENDIX B

3-3-2. Disbursements--rules--penalties.--

(19) (a) The fiscal rules shall include provisions fixing the hours of work of all state employees and establishing a system of attendance control. Regularly scheduled hours of work for employees in offices and institutions of the state, with the exception of administrative personnel, shall not exceed five days per week. Work shifts in any one day shall be scheduled in a period not to exceed eight and one-half hours, including meal and rest periods. Hours scheduled prior to the effective date of this subsection for state offices shall not be increased as a result hereof.

(b) Work in excess of eight and one-half hours, including meals and rest periods, in any twenty-four hour period or five days in any one week shall be compensated in cash at the rate of time and one-half the regular hourly rate of pay of the employee in offices and institutions of the state.

(c) Work shifts of five days at state institutions shall be scheduled consecutively.

(d) The controller shall refuse payment of any item of personal services unless supported by evidence of attendance in accordance with the system prescribed by such fiscal rules.

(e) A houseparent in an institution caring for minor children shall not be paid overtime for work in excess of hours specified in paragraph (a) of this subsection, provided the houseparent shall be assigned regularly scheduled hours of work totaling no more than such hours in any twenty-four hour period and shall be on call for so much of the remainder of the twenty-four hour period as is necessary for the health, happiness and safety of children assigned the houseparent; provided that houseparents shall be assigned no more than five consecutive days work in any one week; and provided further that the schedules of work hours and on-call hours shall be approved by the governor in writing.

(f) If on request of any department or institution, the governor finds that provisions of this subsection provide an unusual hardship on the effective administration of such department or institution, the governor may approve fiscal rule changes in working hours in the same manner as provided for houseparents in paragraph (e) of this subsection for specific job positions, provided such approval for each position shall be for no more than one year at any one time.

26-4-3. Office hours of state offices. -- All offices in the executive and judicial departments of the state government shall be and remain open for business daily, except on Sundays and legal holidays, from the hour of 8:30 a.m. until the hour of 5:00 p.m.; provided, that all of said offices at the state capitol buildings and the office of the clerk of the district court in cities or cities and counties having a population in excess of two hundred thousand inhabitants, as determined by the last preceding census taken under the authority of the United States,

may close on each Saturday; and provided further, that nothing herein shall affect the validity of any act performed by either of the said departments before or after the hours herein specified.

35-1-9. Office hours. -- All county officies, except the county superintendent of schools, county assessor and county surveyor, shall be kept open at least eight hours every working day; provided, that in the discretion of the board of county commissioners, any or all county offices may be closed on Saturday, upon a finding by the board of county commissioners that such closing would not work any hardship upon the general public. All clerks of court and sheriffs shall be subject, at all times, to the command of the people, and each thereof shall at all hours, night and day, be prepared to attend such duties as may reasonably be required of them.

71-3-9. Eight hour day--penalty. -- All employees of the Colorado state hospital except those employees engaged in executive, and supervisory capacity, and employees engaged in work not directly connected with the care of inmates, shall be within the terms of the eight-hour working day. Eight hours shall constitute a day of work in such employment, except as above excepted and it shall be unlawful for any board, officer or agent to employ any person not within the exceptions for more than eight hours per day.

Any employer, board, officer, or agent, who shall violate the provisions of this section shall be deemed guilty of a misdemeanor, and on conviction thereof, shall be punished by a fine of not more than three hundred dollars or by imprisonment in the county jail not more than thirty days, or by both fine and imprisonment at the discretion of the court, provided no penalty shall apply in any event of emergency caused by accident or act of God.

78-3-2. Bond--salary--expenses--deputy. -- Before entering upon the discharge of his duties the commissioner shall execute a bond to the county in a sum to be fixed by the appointing board, not less than two thousand dollars nor more than five thousand dollars, conditioned for the faithful performance of the duties of his office, which bond shall be approved by the county clerk and filed in his office, and the jury commissioner shall qualify and enter upon the discharge of his duties within five days from the time he is appointed. Such jury commissioners shall be officers of the several courts of record of their respective counties and shall receive an annual salary to be fixed and determined by the board making such appointment, except as otherwise provided in this section, payable in monthly installments, out of the funds of the county. The boards of county commissioners of such counties shall each annually appropriate an amount sufficient to pay and shall pay such salary and the salaries of the deputy jury commissioner and the clerical and office help provided for in this section, and all necessary expenses of such office; shall furnish suitable and adequate accommodations and supplies for said jury commissioners; and shall audit all expenses and disbursements of said commissioner monthly upon the presentation by the jury commissioner of properly itemized and verified statements thereof, which shall be paid in the same manner as other county expenses. The board appointing such jury commissioner in each county may appoint a deputy commissioner who shall perform all the duties and

possess all the powers of said jury commissioner during his absence or temporary disability, and the said deputy shall receive a salary fixed and determined by the board making such appointment, except as otherwise provided in this section. The board appointing such jury commissioner in each county, may appoint such clerical and office help as the board may determine is necessary, and the clerical and office help shall be paid a compensation which shall be fixed by the board appointing the jury commissioner. The jury commissioner or the deputy jury commissioner shall be empowered to administer an oath or affirmation in relation to any matter embraced within the provisions of this article. The jury commissioner shall be at his office during all the time any court of record is in session in the county, and shall keep a record of all the proceedings of his office.

In counties which have adopted or may hereafter adopt a retirement or disability plan, which said plan provides that funds for said plan shall be paid by both the employer and employee, then and in that event, the above stated compensation of said employees is hereby increased by whatever amount may be necessary to enable the employees to participate in such plan. The board of county commissioners is hereby specifically authorized and empowered to pay such sums of money into such retirement and disability fund as may be necessary for the employees to participate in said retirement plan.

80-7-4. Eight-hour labor day for public employees. -- In all work undertaken in behalf of the state or any county, township, school district, municipality or incorporated town, it shall be unlawful for any board, officer, agent or any contractor or subcontractor thereof to employ any mechanic, workingman or laborer in the prosecution of any such work for more than eight hours a day.

80-7-9. Eight-hour day--penal institutions. -- In all state penal institutions of this state, the persons employed by the state, or by any board, officer or agent of such institution, in any capacity except such employees as may be employed exclusively as superintendents, overseers, guards or officers in or about the farms, gardens or agricultural work conducted by such institution; and the guards, overseers and superintendents employed for the purpose of working convicts on the public roads, and those officers or employees of such institutions whose salary is specially fixed by statute, shall be within the terms of the eight-hour working day, and eight hours shall constitute a day of work in such employment, except as in this section excepted, and it shall be unlawful for any board, officer or agent to employ any persons, not within the herein stated exceptions, for more than eight hours a day.

80-7-10. Emergency excepted. -- Nothing in section 80-7-9 shall be construed so as to prevent work in excess of eight hours a day in emergency cases. Hours in excess of eight a day shall be treated as constituting a part of subsequent day's work. In no one week of seven days shall it be permitted for any one so employed to do more than fifty-six hours of work of the character and kind specified in section 80-7-9.

80-7-13. Eight-hour day for females in certain employments--emergencies. -- (1) No female shall be employed in any manufacturing, mechanical or mercantile establishment, laundry, hotel or restaurant in this state more than eight hours during any twenty-four hours of any one calendar day. The hours of work may be so arranged as to permit the employment of females at any time, provided, that any such female shall not work more than eight hours during the twenty-four of any one calendar day.

(2) In case of emergencies or conditions demanding immediate action which may arise in the conduct of any industry or occupation covered by sections 80-7-12 to 80-7-14, or in case of processing seasonal agricultural products employees may be permitted to work in excess of eight hours in a calendar day of twenty-four hours upon the payment of time and one-half the employee's regular hourly rate for all time worked in excess of eight hours in a calendar day, provided, however, that the employer shall first have secured a relaxation permit from the industrial commission of Colorado

115-2-5. Office--sessions--seal--supplies. -- (1) The office of the commission shall be in the city and county of Denver. The office shall be open every day, legal holidays, Saturdays and Sundays excepted. The commission shall hold its sessions at least once each calendar month in the city and county of Denver, and may also meet at such other times and in such other places as may be expedient and necessary for the proper performance of its duties. It shall be the duty of the superintendent of public buildings to provide suitable quarters for the commission and its officers at the capitol building.

(2) The commission shall have a seal, bearing the following inscription: "the public utilities commission of the state of Colorado." The seal shall be affixed to all writs and authentications of copies of records and to such other instruments as the commission shall direct. All courts shall take judicial notice of said seal.

(3) The commission is authorized to procure all necessary books, maps, charts, stationery, instruments, office furniture, apparatus and appliances, and incur such other expenses as may be actual and necessary, and the same shall be paid for in the same manner as other expenses authorized by this chapter.

120-10-10. Personnel--qualifications--salary. -- (1) All commissioned and noncommissioned officers and patrolmen of the Colorado state patrol, before promotion, shall be required to serve the designated period of time in each grade as hereinafter provided. A patrolman must serve a period of three years as such before he may be eligible to compete in the examination for promotion to noncommissioned officers rank. All commissioned and noncommissioned officers must serve a period of one year in grade before they be eligible to compete in promotional examinations. All commissioned and noncommissioned officers and patrolmen shall fulfill all requirements as set forth in the job specifications for their particular position by the state civil service commission. They shall receive such compensation as is commensurate with their specific grade as assigned their position by the state civil service commission.

(2) In addition to the compensation provided by subsection (1) of this section and by the provisions of other laws concerning civil service, and because of the number of hours and the extraordinary service performed by members of the Colorado state patrol, each member of the administrative staff of such patrol, shall be reimbursed for maintenance and ordinary expenses incurred in the performance of his duties, in such amount as shall be determined by the Colorado state patrol board, provided that the amount so authorized for any such member of the patrol or staff shall not exceed the sum of fifty dollars per month.

123-2-7. Supplies and office hours. -- The county commissioners shall provide the county superintendent of schools with a suitable office at the county seat and all necessary blank books, stationery, postage, expressage and other expenses of his office not otherwise provided for, which last mentioned expenses shall be paid for from the county general fund. The county superintendent of schools shall keep his office open for the transaction of official business such days of each week as the duties of the office may require.