Notes and Brief Reports

Revised Coverage Estimates for Employee-Benefit Plan Series*

This note takes another look at the estimates that have been developed by the Social Security Administration on coverage provided by privately organized employee-benefit plans. These estimates have been published as part of the Bulletin's annual review of employee-benefit plan developments. The last time the series on coverage appeared was in the April 1972 Bulletin.

Coverage is defined in this series as the number of active civilian wage and salary workers covered for specific types of health, welfare, and pension benefits at the end of the calendar year.

For a variety of reasons, estimates of the number of wage and salary workers covered by privately organized employee-benefit plans lack the precision evidenced in the coverage estimates of public social insurance programs. For one thing,

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Table 1.—Estimated number of wage and salary workers covered

<table>
<thead>
<tr>
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<th>Life insurance and death</th>
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<th>Regular medical</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Old series</td>
<td>New series</td>
<td>Old series, total</td>
<td>New series, total</td>
<td>Written in compliance with law</td>
</tr>
<tr>
<td>1950</td>
<td>19 4</td>
<td>(11)</td>
<td>8 1</td>
<td>24 3</td>
<td>1 2</td>
</tr>
<tr>
<td>1955</td>
<td>26 6</td>
<td>(11)</td>
<td>15 8</td>
<td>33 1</td>
<td>1 4</td>
</tr>
<tr>
<td>1960</td>
<td>34 2</td>
<td>(11)</td>
<td>20 9</td>
<td>40 5</td>
<td>1 2</td>
</tr>
<tr>
<td>1965</td>
<td>43 9</td>
<td>(11)</td>
<td>28 4</td>
<td>48 3</td>
<td>1 2</td>
</tr>
<tr>
<td>1970</td>
<td>51 6</td>
<td>(11)</td>
<td>33 5</td>
<td>50 0</td>
<td>1 2</td>
</tr>
<tr>
<td>1975</td>
<td>57 8</td>
<td>(11)</td>
<td>39 2</td>
<td>53 0</td>
<td>1 4</td>
</tr>
<tr>
<td>1980</td>
<td>65 6</td>
<td>(11)</td>
<td>42 2</td>
<td>56 4</td>
<td>1 4</td>
</tr>
</tbody>
</table>

1 Plans whose benefits flow from the employment relationship and are not underwritten or paid directly by government (Federal, State, or local). Excludes workmen's compensation required by statute and employer's liability.
2 Group and whole life insurance coverage based on data from Institute of Life Insurance and Health Insurance Association of America, Group Insurance Coverages in the United States, annual editions, modified to exclude group plans not related to employment; excludes coverage under the service men's group life insurance plan. Self-insured death benefit plan coverage based on data for various trade union, mutual benefit association, and company-administered plans.

The compulsory nature of social insurance programs assures a degree of completeness in reporting that is lacking for voluntary plans. For another, the large number of plans and data sources prevalent in the private sector produces a high degree of variability in the data, especially when compared with the data produced by unitary Federal or State programs in the public sector.

Third, the nature of the data available in the private sector tends to produce coverage estimates that create conceptual and definitional complications. Estimates of health insurance, for example, are based on reports of private insurance companies and other nongovernmental agencies. Many of the reports include data for persons who—because of retirement, layoff, sickness, or job shifts—are no longer employed as wage and salary workers. In addition, such establishment reporting leads to an unknown amount of duplication in the coverage of group health insurance, especially that involving working husbands and wives.

Dual coverage is also a critical factor with respect to the estimates of private retirement plan coverage. A number of employers have installed more than one type of pension or profit-sharing plan either for some or all of their employees. Workers are frequently covered by both an insured and a noninsured plan or by a negotiated multiemployer plan and by a single-employer plan.
Duplicate coverage also arises from provisions for separate pension plans established for workers earning more than the social security taxable maximum.

Another factor that inflates the usual estimates of coverage under retirement plans is the increasing number of workers entitled to vested pensions from a previous employer. Establishment reporting tends to count such workers twice if they are covered by a pension plan in their current job and at the same time have deferred vested rights from a previous job. Some reports also make no distinction between active workers and retired annuitants.

In light of the need for more precise estimates of coverage, the Social Security Administration, the Department of Labor, and the Department of the Treasury contracted with the Bureau of the Census to conduct a special household survey of pension and health coverage of employed workers in conjunction with the April 1972 Current Population Survey. From this survey benchmark data for 1972 were developed.2

During this period, the Institute of Life Insurance and the Health Insurance Association of America, which develop basic coverage estimates for life, health and disability insurance, and insured pension plans, also changed their method of data collection and therefore made revisions in their published time series.3

Table 1 presents data from the old series and the new, where revised, for all types of benefits included in the employee-benefit series. The new series uses 1972 household data as benchmark data and the revised historical series of the insuring agencies and takes account of the latest data developed by the Institute of Life Insurance on the extent to which group life insurance protection covers employment groups.4 The new data show a much higher proportion of life insurance plans applicable to groups related to employment than earlier anticipated by the Social Security Administration, thus producing a higher coverage estimate.

A significant downward adjustment is seen in the new series estimates for private pension, health, and temporary disability coverage. The supplemental unemployment benefit estimates also have been lowered as the result of more detailed

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### Table 2.—Estimated percentage of wage and salary workers covered under employee-benefit plans, new series, 1960–73

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<thead>
<tr>
<th>End of year</th>
<th>Life insurance and death</th>
<th>Accidental death and dismemberment</th>
<th>Hospitalization</th>
<th>Surgical</th>
<th>Regular medical</th>
<th>Major medical expense</th>
<th>Temporary disability, including formal sick leave</th>
<th>Long-term disability</th>
<th>Supplemental unemployment</th>
<th>Retirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960</td>
<td>68.1</td>
<td>24.5</td>
<td>66.6</td>
<td>66.1</td>
<td>48.0</td>
<td>14.1</td>
<td>49.0</td>
<td>37.4</td>
<td>37.4</td>
<td>37.4</td>
</tr>
<tr>
<td>1965</td>
<td>64.2</td>
<td>43.5</td>
<td>68.0</td>
<td>66.2</td>
<td>57.9</td>
<td>24.8</td>
<td>44.1</td>
<td>38.8</td>
<td>36.9</td>
<td>37.4</td>
</tr>
<tr>
<td>1970</td>
<td>70.7</td>
<td>51.9</td>
<td>69.0</td>
<td>66.3</td>
<td>65.0</td>
<td>31.1</td>
<td>48.0</td>
<td>42.4</td>
<td>38.2</td>
<td>37.4</td>
</tr>
<tr>
<td>1971</td>
<td>71.7</td>
<td>53.5</td>
<td>69.0</td>
<td>66.6</td>
<td>65.7</td>
<td>32.0</td>
<td>46.7</td>
<td>42.1</td>
<td>38.4</td>
<td>37.4</td>
</tr>
<tr>
<td>1972</td>
<td>72.6</td>
<td>55.1</td>
<td>70.7</td>
<td>69.0</td>
<td>64.5</td>
<td>32.1</td>
<td>47.7</td>
<td>43.7</td>
<td>38.2</td>
<td>37.4</td>
</tr>
<tr>
<td>1973</td>
<td>73.0</td>
<td>53.3</td>
<td>70.8</td>
<td>69.6</td>
<td>66.7</td>
<td>32.4</td>
<td>48.1</td>
<td>44.3</td>
<td>38.2</td>
<td>37.4</td>
</tr>
</tbody>
</table>

1 Coverage of private and public employees relates to average number of private and government full-time and part-time civilian employees—78.7 million in 1973 (table 6:8 in Survey of Current Business, July 1974).

On the other hand, household interview surveys are known to underreport coverage to some extent because of respondents' errors, lack of knowledge of their coverage status, or failure to respond. The April 1973 survey also did not fully take into account part-time workers. Thus, in developing the revised health and pension plan estimates, the data from the household survey were supplemented by data derived from the establishment reports of insurance companies, business firms, and Blue Cross-Blue Shield and independent health plans. Reconciliation of the two sources produce the new estimates shown in table 1 for 1972. The revised estimates for the earlier years and for 1973 were generally determined by applying to the 1972 benchmark data the percentage changes in establishment-reporting coverage figures for these years.