

# The "WHY" of new BLUE CROSS rates

That you may know and understand, here are the highlights from the public hearing on the new Blue Cross rates held in Cleveland December 8, 1958 by the Ohio Department of Insurance.

1

The broad protection against hospital bills provided by Blue Cross contracts was reviewed. The Blue Cross comprehensive contract, M-104, in accordance with its terms, pays the hospital bill for its subscribers — not \$10.00 or \$15.00, or even \$20.00 a day toward the bill — but all of it, for the type of accommodation and service it provides. This is the health protection people have sought for years. More than 1,770,000 in Northeast Ohio are protected by Blue Cross.

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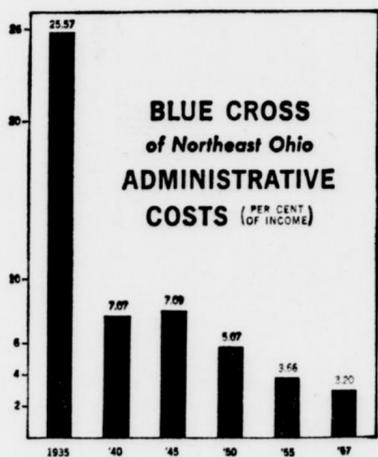
Independent auditors and accountants reported that Blue Cross, in the first 9 months of 1958, paid hospitals for service to subscribers nearly two and one-half million dollars more than subscribers paid in to Blue Cross. New rates were needed to offset this loss and provide for future hospital care to Blue Cross subscribers.

3

Blue Cross rates are made up of only two costs. First, the cost of operating Blue Cross itself. Second, the cost of present and future hospital care for Blue Cross subscribers. Out of each dollar paid in, just over 3 cents is required to operate Blue Cross. Just under 97 cents is paid to hospitals for care of Blue Cross subscribers.

4

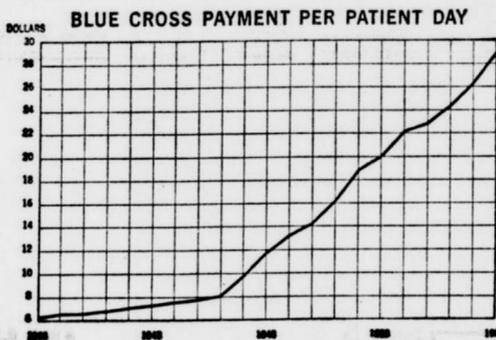
The cost of operating Blue Cross of Northeast Ohio was carefully reviewed. The chart below was the summary.



It was pointed out that Blue Cross of Northeast Ohio is tops in its league, operating at lower cost than any comparable plan in the country.

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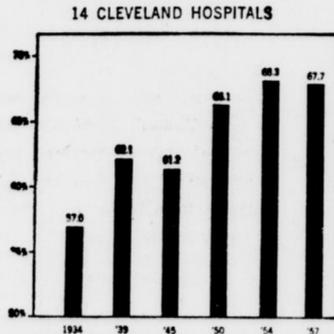
The costs our hospitals have in providing service to Blue Cross subscribers were then carefully reviewed. The chart below shows what has happened to these costs.



6

There have been many questions about hospital costs. These were reviewed in much more detail than space here permits. The two important points brought out were: First, hospital costs are made up largely of wages; and second, wages have increased steadily in this Northeast Ohio Community. Actually, wages make up more than two-thirds of hospital costs, as illustrated by this chart.

PERCENTAGE OF TOTAL HOSPITAL COST PAID FOR SALARIES---

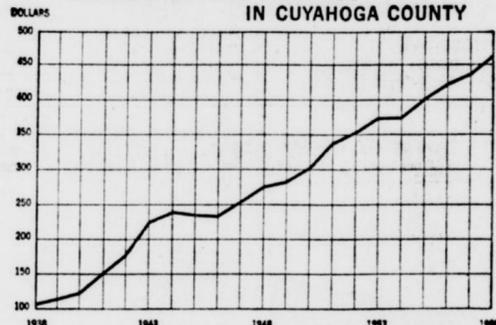


Machines cannot replace the dedicated care given by people to people, if the sick are to be restored to health by our hospitals.

7

As all wages go throughout the community so also go hospital wages and costs, because hospital workers must buy the goods and services that other workers produce in our factories, on farms, in construction, and in retailing. The chart above right shows the year-by-year trend in wages in Cleveland since 1938.

AVERAGE MONTHLY EARNINGS IN CUYAHOGA COUNTY



8

While the actual amount of the new Blue Cross rates was recommended by the auditors and actuaries, who are expert in this field, these rates were not set arbitrarily, nor were they "one man's idea". Months of careful study had gone into their making. Leaders in business, in labor organizations, in the medical profession, in hospital management, and the Trustees of Blue Cross had spent in total thousands of hours studying the need for new rates.

All had agreed that Blue Cross rates must, for the protection of its subscribers, be such as to meet, without loss, the cost of hospital service to Blue Cross subscribers in 1958, and the estimated costs in 1959 and 1960. The Ohio Department of Insurance, after careful study and this public hearing, approved the new rates.

9

**New rates, contracts and benefits.**

As all group and individual subscribers have been informed, the new rates and contracts are as follows:

- A. The 120-days of hospital care, comprehensive contract M-104, that pays all your hospital bill, as specified, at monthly group rates for semi-private room service of \$5.30 for one person, \$10.60 for a family, or monthly direct payment rates of \$6.50 for one person, \$13.00 for a family.
- B. The 120-day deductible contract, M-182, in which the subscriber pays for the first \$50.00 worth of Blue Cross benefits, and 20 per cent of charges above \$250.00, at monthly group rates for semi-private room service of \$4.10 for one person, \$8.20 for a family, and monthly direct payment rates of \$5.30 for one person, \$10.60 for a family.

The choice between the comprehensive and the deductible contract is a matter for each group to decide as a whole. If 75 per cent of the group decides on deductible coverage, it is furnished to the group.

Blue Cross does things the economical way. For example, the cost of publishing this information in 45 Northeast Ohio newspapers is less than one-half cent per Blue Cross member. We know of no other way to provide accurate information to all members at such low cost, and certainly providing information to members is part of our job.

**Free on Request:** Write for the Blue Cross Booklet of "Answers on Blue Cross rates, hospital costs and use of hospitals". Address: Blue Cross of Northeast Ohio, 2042 East Ninth Street, Cleveland 15, Ohio.

## Blue Cross of Northeast Ohio



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