UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

March 2, 1983

HUMAN RESOURCES DIVISION

B-210942

MARCH 2, 1983

The Honorable John Heinz
Chairman, Special Committee on Aging
United States Senate

Dear Mr. Chairman:

Subject: Circumstances Under Which Non-Profit Hospitals Are Reviewing and Deciding to Terminate Social Security Coverage. (HRD-83-42)

Pursuant to your request, the General Accounting Office (GAO) examined the circumstances under which non-profit hospitals are reviewing and deciding upon the option to terminate social security coverage. The results of our examination are summarized below and discussed in detail in the enclosure to this letter.

Hospitals generally exercised their termination option because of a desire to save money and to control future costs. Concern about the future financial integrity of the social security system was also cited as an important factor in their decision. Under the alternative plan chosen, officials intend to spend up to their hospital's current social security contribution (6.7 percent of payroll) or less.

In deciding to withdraw from social security, most hospitals made a detailed analysis of the feasibility of terminating coverage. Of the hospitals we visited, most used a multi-step decision process. Initially, officials assessed the feasibility of termination. Then they worked in tandem with a consultant to design a detailed alternative plan. Finally, upon obtaining employee reaction to the new plan, the hospitals' board of directors would decide whether to pull out of social security. Employees generally had advisory roles in the decision process. However, if the majority of the employees indicated a strong inclination to retain their social security coverage, the hospital officials said they would not have exercised their termination option.

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The consultants appeared to use reasonable actuarial assumptions in designing defined contribution plans. However, upon consideration of factors which affect future benefits, including job mobility, cost of living allowance increases, vesting requirements, and interest rates, the claimed superiority of the alternative plans often fades. We were unable to obtain enough information on the assumptions used to evaluate the defined benefit plans.

Appendix I to the enclosure compares benefits under social security and the alternative plans generally offered. Appendix II provides details on representative alternative plans we reviewed. We found that hospitals did not try to fully replace social security with their alternative plans. Also, some of the reduced cost to hospitals from adopting the alternative plans results from the plan paying reduced benefits to some employees who receive social security benefits.

This report is based on our discussions with and data furnished by officials of 20 hospitals. In accordance with your letter of October 25, 1982, we extended the pledge of confidentiality to the hospitals and consequently have not disclosed the names of the hospitals in the enclosure.

We obtained information from hospital officials using a structured interview questionnaire. We visited hospitals in major eastern, midwestern, and western metropolitan areas to obtain national coverage. Because time constraints precluded our selecting and obtaining data from a larger number of non-profit hospitals, no nationwide projections can be made. However, we have no reason to believe that the information developed does not give a reasonable picture of the situation in most non-profit hospitals filing for termination from social security coverage.

Sincerely yours,

Robert H. Peterson
For
Philip A. Bernstein
Director

Enclosure

NON-PROFIT HOSPITALS

WITHDRAWING FROM SOCIAL SECURITY

The Social Security Act initially excluded non-profit organizations, including non-profit hospitals, from coverage because traditionally they were exempt from Federal taxation. However, the 1950 Social Security Amendments gave non-profit organizations the option to voluntarily join as well as voluntarily withdraw after completing at least 10 years participation. Included in the 10 years is a 2 year notice of termination period--a period that allows non-profit organizations time to evaluate the impact of withdrawing from social security and to reconsider their decision. Following compliance with the notification requirements, termination is automatic and irrevocable. Non-profit employers are not obliged to advise employees that the organization intends to withdraw.

An estimated 2.1 to 2.4 million employees of non-profit health organizations are covered under social security--mainly working in non-profit hospitals. Prior to 1982, 41 non-profit hospitals had terminated social security coverage. By August 1982, Social Security Administration (SSA) records showed an additional 21 hospitals had terminated coverage. Data as of February 15, 1983, showed termination notices are pending for an estimated 333,000 workers in 425 hospitals.

OBJECTIVES, SCOPE, AND METHODOLOGY

In his August 2, 1982, letter, the Chairman of the Senate Special Committee on Aging expressed concern about the increasing number of hospitals terminating or considering terminating social security coverage and the possible effects that termination might bring to hospitals, employees, and the social security trust fund. He requested that GAO examine the:

--Reasons why non-profit hospitals are considering terminating social security coverage.

--Procedures used to consider termination.

--Role of employees in the termination process.

--Claims made by consultants for adoption of plans in lieu of social security coverage.

--Extent to which alternative plans depend on social security coverage to reduce cost.

--Actuarial assumptions used to compare an individual employee's benefits under social security and an alternative plan.

--Administration of the alternative plan.

He also wanted to know how the package of benefits provided under the alternative plans compares with social security benefits.

To respond to his letter, we conducted a survey of non-profit hospitals in major eastern, midwestern, and western metropolitan areas. The areas selected were the most active in terms of hospitals applying for termination. Of the 22 hospitals we contacted, 11 had terminated coverage, 4 were in the 2-year waiting period, 4 had revoked their termination letter, and 3 had reorganized and were no longer covered but were free to reenter the social security system. Officials at 2 of the 22 hospitals declined to participate in our study. The following chart provides data by geographic area.

Hospital's Action	Eastern	Midwestern	Western	Total
Terminated coverage	3	1	7	11
Pending termination	2	1	1	4
Revoked termination notification	1	1	2	4
Reorganized	0	2	1	3
Total	6	5	11	22

Our selection included non-profit hospitals of varying sizes. The demographic characteristics of the various hospitals visited approximated the national norm for all hospitals. Our review was conducted in accordance with generally accepted government auditing standards.

The results obtained from our study are not projectable to all non-profit hospitals. Time and resource constraints precluded our selecting and obtaining data from a larger number of hospitals required to ensure our data would be statistically projectable. The same constraints precluded us from independently verifying the data provided by the various hospital officials. However, we have no reason to believe that the information developed does not give a reasonable picture of the situation in most non-profit hospitals filing for termination from social security coverage.

We obtained information from hospital officials using a structured interview questionnaire. We interviewed officials of private consulting firms, officials at the national office of the American Hospital Association, officials of state hospital associations, and representatives of the American Nurses Association. We also interviewed representatives from both the Service Employees International Union and the National Union of Hospital and Health Care Employees. Lastly, we interviewed Social Security Administration officials in the Baltimore headquarters as well as in regional and district offices, and Internal Revenue Service (IRS) officers at the regional and local levels.

WHY NON-PROFIT HOSPITALS ARE TERMINATING SOCIAL SECURITY COVERAGE

Hospital officials most frequently cited as the reason for terminating social security coverage a desire to reduce and/or control hospital costs. They said the alternative benefits offered were in many instances more advantageous to their employees because of their workforce demographics. Many officials expressed concern about the financial stability of the social security system and the future changes that need to be made to ensure its financial integrity. In one western city competition for health care professionals was a factor for hospitals in the area in deciding to terminate coverage. Officials said non-participating hospitals could offer their employees as additional take-home pay either all or a portion of the employees' share of what would have gone for FICA taxes.

There are two basic alternative plans that hospitals adopt--defined contribution plans and defined benefit plans. Under a defined contribution plan, fixed payments are made, usually by the employee and employer, into an employee owned pension-fund account, with the fund's managers investing the deposits. How well the investments do determines the employee's retirement account. Under a defined benefit plan usually the employer only contributes to the plan and the size of the employee's retirement income is predetermined.

Hospital officials who selected defined contribution plans say that although they may not immediately save money they will be able to control future costs by setting contribution levels and maximum salary levels. The seven hospitals we visited with defined contribution plans intended to spend up to their current social security contribution (6.7 percent of payroll) or less. None planned to spend more. One hospital official said that last year his hospital saved about $300,000 under the alternative plan.

Hospital officials who adopted defined benefit plans told us that future costs can be controlled by the hospital as compared to social security costs, over which the hospital has no control. In addition, defined benefit plans have more immediate savings potential because hospitals are inclined to contribute less than had been required under social security. For example, one hospital group visited initially contributed 2.7 percent of payroll the first year under the alternative plan and 4.8 percent of payroll the second year. Under social security, they would have contributed 6.13 percent and 6.65 percent respectively. In 1982, this hospital group paid about $2.2 million less in payroll expenses than it would have paid to social security.

National data on hospital employment indicates that

--about 80 percent of the employees are female,

--about 20 percent of the employees work less than full time,

--about 60 percent of the employees are married, and

--about 1 out of every 10 hospitals is unionized.

Hospitals usually have a relatively young workforce and experience a high employee turnover rate. According to a 1981 Bureau of Census report, starting salaries for non-professional female and male health service employees averaged in 1979 respectively, $8,583 and $10,934. For professional female and male health service employees, excluding practitioners, starting salaries averaged respectively, $13,922 and $15,971.

The demographic characteristics of hospital employees make it advantageous from both the employer's and employee's standpoint to leave social security coverage. For example, provisions of present law provide disproportionately higher social security benefits to two classes of employees. Workers whose coverage is terminated in mid-career after vesting in social security receive, because of the weighted benefit formula, a higher rate of return on contributions than if they had remained in covered employment all of their career. Workers with pension plans but no social security coverage based on their own work, often qualify for social security benefits as a spouse of a covered employee.

Officials at the four hospitals that revoked their intention to terminate cited nonfinancial reasons for staying in the social security system. Officials at one of the hospitals said that union resistance made withdrawal undesirable. Officials at two other hospitals said social obligation dictated their remaining within the social security system. The fourth hospital decided to stay in social security after studies showed 2 of the 24 categories of employees would get lower benefits under the alternative plan.

CLAIMS MADE BY CONSULTANTS FOR ADOPTING ALTERNATIVE PLANS IN LIEU OF SOCIAL SECURITY

Several consulting firms have attempted to convince administrators of non-profit hospitals to select alternative plans as a replacement to social security. They have pointed out those aspects of the social security program which are less favorable for most hospital employees. Generally, consultants providing information on defined contribution plans provided more detailed sales literature than those providing information on defined benefit plans.

The sales literature of consultants presenting defined contribution plans usually described among the reasons why non-profit hospitals should opt out of social security, the following:

--Social security was originally envisioned as an income to be supplemented by private pensions and savings. Today, it has become a social welfare plan escalating its costs at an ever increasing pace.

--Working wives receive little if anything for their contribution as opposed to the benefits provided to nonemployed wives.

--A social security annuity stops at death. The worker does not own his account and has no estate.

--Social security penalizes workers who continue to work after age 65.

--Social security's benefits are not determined in relation to contributions. For example, single people pay the same FICA tax as married people with families yet receive less benefits.

--Social security is in serious financial difficulty. Rates and wage bases have and are scheduled to continue to rise beyond the control of the employer. In 1937 there were 150 contributing workers for each person collecting benefits. In 1975 the ratio was down to 3 to 1. By 2010 it will be 2 to 1.

The consultants' literature often claim benefits under the alternative plan which improve upon certain features of social security, including:

--Benefits provided by the alternative plan directly relate to the amount contributed and have no social or welfare aspects.

--Marital status has no impact on a person's benefits. A married person would be eligible for the spouse benefit under social security and the private plan.

--Employees own their benefit accounts (annuity). When an individual dies his remaining account becomes part of his estate.

--Earning tests are not made to compute the benefit.

--Financial concern is minimized since contributed funds are put in interest bearing accounts for future use and do not depend on other contributions.

--Employees usually have or will have at least minimum coverage under social security either in their own right or as a spouse of a covered employee.

--Hospitals can control contribution and benefit levels thus offering the opportunity to reduce current costs and control future costs.

The sales literature often does not discuss certain social security benefit features which pose financial risks too great to underwrite in the alternative plans. These include (1) full indexing of benefits for inflation, (2) Medicare benefits for disabled beneficiaries under age 65, and (3) kidney dialysis benefits for people of all ages. The consultants' literature generally did not point out certain other significant factors in the alternative plans. For example, social security offers portability from job to job and the benefits are exempt from taxes. Further, investments made under defined contribution plans have no guaranteed rate of return.

Although consultants offering defined contribution plans provided detailed sales literature, the consultants we interviewed who had participated in the establishment of defined benefit plans offered no specific sales literature. They said they merely pointed out the pros and cons of termination. They also said they evaluated whether a hospital should terminate social security coverage, prepared the benefit package to be substituted, and estimated the cost of these benefits.

PROCEDURES FOLLOWED BY HOSPITALS IN EVALUATING WITHDRAWAL OPTION

Hospital officials we contacted were knowledgeable about the social security program and the long term effects of terminating coverage. These officials said they became aware of their termination option via hospital association meetings, symposiums, professional journals, and the competitive activities of other hospitals. To obtain additional information hospital officials actively sought advice from private consulting firms. They spent a considerable amount of time and effort studying the withdrawal option before making a decision.

Typically, hospital officials began by educating themselves on social security benefits. If termination appeared feasible from both a hospital cost and employee benefit viewpoint, hospital officials approached the board of directors with a proposal to develop a detailed alternative plan.

After receiving approval from the board of directors, a task force of hospital executives and a private consultant began working on developing a plan. The task force designed the plan; it decided on the benefits to be offered and estimated the cost to the hospital. Actuarial projections were used to develop individual profiles to determine future benefits under the plan. A continuous reassessment of benefits and costs eventually resulted in a final plan. During this process management informed its employees of the possibility of termination.

The Role of Employees in the Decision to Terminate

Employees at the 20 hospitals we visited did not participate in management's decision to study the options available from terminating social security coverage. Employees were informed that the hospital was considering terminating social security. The hospital and in some cases the consultant, as part of his contract, made a presentation to employees on the benefits anticipated from termination, and asked employees to provide social security earnings histories and other data. The consultant then made individual benefit projections, summarized the result of individual analyses, and presented the findings to management.

Usually, employees were not given the opportunity to formally vote on the decision to withdraw, although officials told us there was a show of hands at meetings. The decision rested with the board of directors. However, at three hospitals employees were given the opportunity to vote. In two cases, the votes were 97 percent and 95 percent in favor of withdrawal. At a third hospital, where a randomly selected group had the opportunity to vote, 53 percent voted in favor of withdrawal. Because this was shy of the board of director's pre-determined goal that at least 75 percent had to favor withdrawal, the hospital revoked its request to terminate.

Most hospitals solicited employee comments and suggestions on the proposed alternative coverage. For example, one hospital changed its survivors benefits to permit the spouse benefit to go to the oldest child if there were no surviving spouse because 15 percent of the employees were single parents who wanted this revision.

COMPARISON OF SOCIAL SECURITY BENEFITS WITH ALTERNATIVE PLAN BENEFITS

Defined contribution plans and defined benefit plans differ from social security and from each other in their philosophy, financing, coverage, vesting requirements, portability, cost-of-living provisions, and taxability. The following discussion highlights some of the basic differences between social security and alternative plans. A more detailed comparison of social security and defined contribution and benefit plans is in Appendix I. Profiles of individual plans adopted by some of the hospitals are provided in Appendix II.

Plan philosophy

Social security is a program which provides benefits based on years of coverage and earnings. It has a benefit formula and structure which seeks to attain social adequacy goals by providing a higher replacement of earnings to those with lower incomes and additional benefits for spouses and dependents. The amount of social security benefits received before age 70 is reduced if the employee continues to work and has earnings above a certain level.

Defined contribution plans provide retirement benefits only to employees based on the amount of contribution and interest earned on vested funds. Marital status, dependents, and earnings have no effect on benefits.

Defined benefit plans, similar to social security's retirement benefit, guarantee a certain amount based on years of service and salary. For some plans, the benefits are reduced by any social security retirement benefit received. However, the benefits are not reduced by any other earnings.

Social security disability benefits are based on the beneficiaries' earnings history and the only offset is a limitation on earnings while disabled. In contrast, disability benefits under alternative plans are based on percentage of salary.

Any benefits received from other sources, such as social security, other insurance, and earnings, are generally offset against benefits under the plan. Survivor benefits for social security and the alternative plans depend on marital status and number of surviving children.

Financing requirements

Social security requires equal contribution from employer and employee to a maximum salary level. Contribution rate and salary maximum are set by law. Defined contribution plans generally require equal contributions from employer and employee, sometimes to a salary maximum. Contribution rate and salary maximum are set by hospital management. Defined benefit plans normally are based on only the employer's contribution.

Coverage and vesting requirements

Social security covers all employees regardless of their work schedule. Entitlement depends on the claimant's age, the wage earner's earnings history, and time in the system.

Defined contribution plans exclude employees working less than 16 hours a week, temporary employees, and in some cases, employees who work irregular schedules (such as relief nurses). In one hospital we visited 15 percent of the employees were not covered because of their work schedule or status.

Under defined contribution plans employees generally are entitled to coverage from the first day of service. Though employees contribute to the retirement plan immediately, there may be a 1-year probationary period before the employer starts contributing. However, employees at one hospital were provided with vesting of 25 percent of the employer's contribution after 1 year of service, 50 percent after 2 years, and 100 percent after 3 years. Usually coverage for the employee's death or disability benefit is immediate.

The employee owns the retirement account and has several payment options at the time of retirement, termination of employment, or death. These options include lump sum payments, life annuities, fixed period annuities, and survivorship annuities. Usually no specified length of service is required.

Defined benefit plans usually exclude the same category of people as defined contribution plans--those working less than 16 hours a week, temporary employees, and employees working an irregular schedule. Also, the plans require a longer period of employment before entitlement to retirement benefits is established. One hospital we visited required 10 years before any vesting; others required 4 years for 40 percent vesting increasing annually to 100 percent vesting after 10 years service. Long vesting periods can adversely affect hospital employees, who typically have a high turnover rate.

Most defined benefit plans compute retirement amounts on earnings during the last years of service and length of service. The employee does not own any of these contributions and may receive a benefit only after meeting hospital-established requirements such as length of service. Therefore, many vested employees who move to other hospitals will receive minimum benefits. Disability and survivor benefits coverage usually require 1 year of service.

Portability

Social security coverage is portable, an important feature for medical employees who change jobs frequently. Hospitals we visited had annual turnover rates as high as 34 percent, with relatively low paid employees having the higher turnover rates.

Coverage ends when employment ends under defined contribution and defined benefit plans. Some plans give the employee the option to continue partial coverage, such as disability, but at the individual's expense. The employee owns the account with the defined contribution plan. In the defined benefit plan, the employee owns the benefit payable at retirement age to the extent vested.

Hospitals we visited which have defined benefit plans anticipate only a small percentage of employees will ever receive the full retirement benefits. Individuals who leave after 1 or 2 years lose little, but in the aggregate a large number of people lose a substantial amount of benefits. Also, hospitals gain financially because contributions which do not qualify for vesting are retained and help reduce the hospitals' cost to operate the plan. In cases where people do not become vested under defined benefit plans but earn social security coverage, social security loses revenues for periods during which contributions were made to the defined plans.

Cost-of-living provisions and tax status

Social security has provided economic cost-of-living adjustments for all benefits it pays. Defined contribution plans provide no indexing of benefits. Some defined benefit plans provide for a cost-of-living adjustment, however, the maximum automatic yearly increase was 4 percent. In some cases the board of directors can approve additional increases.

Unlike social security benefits, alternative plan retirement benefits are taxable when received to the extent they exceed the employee contribution on which taxes had been paid.

THE EXTENT TO WHICH ALTERNATIVE PLANS RELY ON EMPLOYEES' RECEIPT OF SOCIAL SECURITY TO REDUCE PLAN COST

All alternative plans rely on employees' receipt of social security benefits to help reduce some plan costs. The extent of the reduction depends on the type of plan.

Retirement benefits and lump sum death benefits payable under defined contribution plans are not offset by the amount of any social security benefits the employees may receive. However, survivor benefits and disability benefits provided by the plans may require an offset for any benefits received from social security.

Hospital management usually assumes the majority of hospital employees will be entitled to Medicare coverage either on their own earnings record or as a dependent or surviving spouse. Only in cases when there is no entitlement under social security and the employee has been employed by the hospital for a prescribed number of years will a Medicare benefit be provided.

Defined benefit plans rely to an even greater extent on employees' receipt of social security benefits to offset plan costs. In addition to offsetting plan benefits for any social security benefits for disability and survivors, retirement benefits are offset against social security retirement benefits.

ADMINISTRATION OF ALTERNATIVE PLANS

In defined benefit plans, hospitals usually directly administered the plans especially as they involved future retirement benefits. Consultants assisted the hospitals in establishing the plans and in obtaining approval from the Department of Labor. Consultants usually were paid either a specific fee for a specific task or by the hour, but did not participate in the administration of the plan. Some hospitals purchased insurance for part of their alternative plan, e.g., death and survivors benefits. In these cases the hospital and the insurance company and/or insurance agency may be involved in the administration of that particular section of the alternative plan.

In defined contribution plans, hospitals can have several administration options. Hospitals we visited generally had placed the tax deferred annuity and death, disability, and survivors components with insurance companies. Some consultants played a role in the plan's administration. Some consultants can earn administrative fees and insurance commissions if the hospitals decide to select the alternative coverage. For example, one consultant required the plan administration to be performed by the consultant for at least 1 year. Another consultant required a 3 year administration guarantee.

A few hospitals were self-insured for certain parts of the alternative benefits plan such as the disability program. One hospital administered the disability segment of the plan with periodic review by independent actuaries.

ACTUARIAL ASSUMPTIONS USED TO PROJECT BENEFITS UNDER ALTERNATIVE PLANS

During our review we looked at several of the alternative plans presented by consultants to hospital employees. We were unable to obtain enough information on the assumptions and techniques used to evaluate the defined benefit plans. Therefore, our observations are limited to assumptions used for defined contribution plans.

Although we found no basis for questioning the assumptions or actuarial techniques used by the consultants, there are several factors affecting benefit calculation which should be considered when comparing a replacement plan's benefits with those of social security.

The estimates used for the rate of return on investment, the expected contributed amount, and the yearly percentage of wage increase can significantly change the projected benefits. For example, a high interest rate assumption in the initial calculation could overstate the value of benefits at retirement. The following chart shows that a change in the interest rate from 6 percent to 10 percent results in a difference in projected monthly benefits of more than $8,000, or 200 percent.

IMPACT OF INTEREST RATES ON BENEFITS

Interest Rate	Amount Accumulated at Age 65	Projected Monthly Benefit
6%	$473,090	$4,253
7%	575,103	5,515
8%	705,194	7,219
9%	874,247	9,486
10%	1,091,854	12,481

Common Assumptions:
- Starting salary $10,000
- Yearly salary increase 5 1/2%
- Number of years worked 40
- Percentage of salary contribution 12%

At one hospital visited, the consultant presented a comparison of the projected monthly retirement benefit under a proposed plan with that of social security using the work history of one employee. Using an estimated interest rate of 7 percent the consultant projected a monthly benefit of $1,710 under the plan compared to social security's benefit of $1,590. Using the same data except applying an interest rate of 6.1 percent[1], the projected monthly benefit under the plan would be $1,521 as compared to Social Security's $1,590.

Unlike social security benefits, most replacement plans we reviewed were not indexed. Therefore, it could be misleading to compare only the first year benefit from an alternative plan with the benefit from social security. Using data from an alternative plan, the following chart shows that by the third year of retirement the benefits received under social security because of indexing could be greater than the benefits under the plan. In addition, assuming a 4 percent inflation rate in real dollars the benefits under the alternative plan would decrease 32 percent in 10 years.

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1 Rate used in the 1982 annual report of the Board of Trustees for Social Security under the alternative II-B economic assumption.

INDEXING RETAINS REAL EMPLOYEE BENEFITS

Age	Plan Benefits	Social Security Benefits (Indexed)	"Real Dollars" Plan	"Real Dollars" Social Security
65	$1,710	$1,590	$1,710	1,590
66	1,710	1,654	1,644	1,590
67	1,710	1,720	1,581	1,590
68	1,710	1,789	1,520	1,590
69	1,710	1,860	1,462	1,590
70	1,710	1,934	1,405	1,590
71	1,710	2,012	1,351	1,590
72	1,710	2,092	1,299	1,590
73	1,710	2,176	1,249	1,590
74	1,710	2,263	1,201	1,590
75	1,710	2,254	1,155	1,590

Replacement Plan Assumption:
- Male
- Birth date 05/43
- Retirement Date (age 65) 2008
- Plan Begins 1981
- Years covered under plan 27
- Yearly salary increase 5 1/2%
- Interest rate 7%
- Index 4% social security only

Several of the alternative plans we reviewed did not have immediate full vesting. For example, one plan required 10 years before vesting. An employee who left before 10 years received none of the contributions made by the hospital during that period. Other plans had what is referred to as 4/40 vesting. If an employee left employment during the first 3 years the employee would not be entitled to any benefits. After the fourth year the employee would be 40 percent vested and vesting would increase each year thereafter by 10 percent until he or she became 100 percent vested. Because hospitals experience high turnover rates, vesting requirements could affect benefits significantly. The following chart shows that employee alternative plan benefits will be smaller than social security benefits when immediate full vesting is not available. For the calculations made we assumed the employee worked an average of 5 years with each of seven employers and therefore would have been 50 percent vested with each. We also assumed the employee elected to have her retirement benefits increase 4 percent each year.

VESTING REQUIREMENTS REDUCE PENSION BENEFITS

	ANNUAL INDEXED BENEFITS	
Age	Social Security	Replacement Plan
65	$25,000	$15,350
66	26,000	15,964
67	27,400	16,603
68	28,122	17,267
69	29,246	17,957
70	30,416	18,677
75	37,006	22,722
80	45,024	27,644

Assumptions:

-Female age - 24
-Begins work - 1981
-Starting salary - $10,000
-Number of work years - 35
-Life expectancy after 65 - 17 years
-Length of work per hospital - 5 years

- Yearly salary increase - 5%
- Interest rate - 6%
- Contribution - 12%
- Index - 4%
- Year of retirement - 2022
- Vesting requirement - 50% @ 5 years

OTHER MATTERS

During our review at three Social Security Regional Offices and three IRS Regional Service Centers, we noticed that hospital reorganizations can result in the termination of social security coverage, and that the IRS does not always inform Social

Security of organizations who file to terminate social security coverage.

Hospital Reorganization

Three of the hospitals in our review reorganized and established new non-profit organizations. Officials at one reorganized hospital would not discuss their reorganization with us. However, the results of our discussion with officials of the two remaining hospitals provided the following insights into the reasons for reorganizing.

Hospitals apparently have several reasons for reorganizing. Officials at one reorganized hospital stated that they are now able to make business decisions and acquisitions quickly without going through numerous regulatory procedures. For example, their hospital was able to compete successfully for the purchase of a related institution without waiting for approval of several regulatory bodies.

Among the effects of reorganization are:

--Termination of social security coverage is immediate rather than waiting as much as 10 years (8 years coverage and 2 years after notification of intent to terminate) as required by law.

--While newly reorganized hospitals can reenter the social security system, at the time of reentry employees have the choice to stay out or rejoin. One reorganized hospital we visited decided to reenter social security; however, 53 percent of the employees elected to remain out of the system.

--Reorganized non-profit hospitals that decide to stay out of social security still have the future option to join the system if they believe it will be advantageous.

--Reorganized hospitals which remain out of the social security system might not be subject to the reduced Medicare reimbursement resulting from termination of social security coverage as required by the Tax Equity and Fiscal Responsibility Act of 1982.

Coordination of Information

IRS administers the law governing non-profit entities joining the social security system and terminating their social security coverage and processes the various forms required for such action. The procedures covering terminations require the IRS Service Centers to notify SSA Headquarters when an organization (1) submits notification of intent to terminate, (2) terminates, and (3) revokes notification intent. However, at the three IRS Regional Service Centers we visited 34 hospitals were pending termination of which SSA Headquarters was unaware. In addition, of the 58 hospitals that were scheduled to terminate coverage in 1982, SSA did not know whether 32 of them terminated or decided to remain covered.

Several years ago SSA Headquarters began an effort to discourage termination by having SSA's District Offices contact organizations to explain the benefits provided by social security and the effects of termination. However, SSA efforts to discourage termination have not always been timely.

One hospital visited notified IRS of its intent to terminate coverage effective July 1, 1982. Hospital officials explained that they had discussed termination but decided to remain in the social security system. The hospital failed to notify IRS to revoke its termination notice. SSA was aware of the hospital's notice to terminate social security coverage and just before the termination date the SSA District Office called the hospital to explain what was about to happen. The hospital immediately took action to revoke its termination notice.

In another hospital, 2,300 employees inadvertently lost social security coverage. Their hospital had filed its notification of intent to terminate effective October 1, 1982. During the 2 year waiting period management decided to remain under social security; however, they failed to revoke their notification. Although SSA was aware of the hospital's impending termination for 2 years, no contact was made. On October 1, 1982, IRS automatically terminated coverage of the hospital and its employees. Neither the hospital nor the employees were aware that their SSA coverage had ended until we contacted the hospital in December. Hospital officials were still making social security contributions when we contacted them, but the employees were no longer covered. At the completion of our study the hospital officials were discussing the matter with SSA and IRS.

COMPARISON OF SOCIAL SECURITY TO ALTERNATIVE PLANS

	SOCIAL SECURITY	DEFINED CONTRIBUTIONS	DEFINED BENEFITS
VESTING:	Full vesting after 10 years (40 quarters of coverage). Monthly benefits payable with less than 40 quarters coverage depending on age and type of claim.	Retirement - Varies from immediate 100 percent vesting in all amounts or with a 1-year service requirement for employer contribution to 25 percent vested after 1 year, 50 percent after 2 years, and 100 percent after 3 years in employer contributions to a 4/40 vesting schedule (i.e., 40 percent vested after 4 years, 50 percent after 5 years, etc.). The employee is always entitled to his own contribution.	Retirement - Varies from a 4/40 vesting schedule (i.e., 40 percent vested after 4 years, 50 percent after 5 years, etc.) to no vesting until service requirement (5 or 10 years) is met at which time employee is fully vested.
		Survivor/Disability - Generally fully covered from start of service. Some plans may have a service requirement for disability coverage.	Survivor/Disability - Generally a 1-year service requirement.
		Medicare - Generally covered if not otherwise eligible. Some plans may have a service requirement. One plan made no provision.	Medicare - Generally a 10-year service requirement if not otherwise eligible.
TAX STATUS:	Non-taxable	Taxes deferred until time benefits are paid.	Taxes deferred until time benefits are paid.
BENEFIT INCREASES:	Annual cost of living based on CPI	No provisions.	Some plans provide no automatic increases, but do have an annual review. Some plans do provide predetermined automatic annual increases with further increases at the discretion of the Board of Directors.

APPENDIX I

APPENDIX I

	SOCIAL SECURITY	DEFINED CONTRIBUTIONS	DEFINED BENEFITS
PORTABILITY:	Coverage moves from job to job covered by Social Security.	Coverage ends when employment ends. Only vested retirement benefits received if employment terminated before retirement. Some plans may offer conversion to individual policies for insurance coverages.	Only vested retirement benefits received if employment terminated before retirement.

	SOCIAL SECURITY	DEFINED CONTRIBUTIONS	DEFINED BENEFITS
RETIREMENT COVERAGE:			
Basis	Benefits based on worker's earnings record, indexed in terms of current dollar value, subject to a family maximum.	Benefit based on contributions to either a tax sheltered annuity or a money purchase pension plan and the earnings thereon. Benefit amount determined at time of retirement based on accumulated monies in account, life expectancy and payment option selected. One plan had a 10-year limit on payout period while most plans offered several options including life. In addition to the alternative pension plan, one hospital initiated a voluntary matching thrift plan not previously available to employees.	Basic benefit based on years of service and average earnings. Additional benefits based on voluntary employee contributions and employer contributions. Tax-deferred annuity benefit based on voluntary employee contributions and earnings thereon. Employer may or may not contribute to tax deferred annuity.
Worker's Benefit	Benefit equal to 100 percent of amount paid to fully insured worker at age 65 or as early as age 62 at a reduced amount.	Benefits payable to worker at time of retirement or termination of employment. Benefit may be deferred at termination of employment. Upon death of worker, benefits are payable to designated beneficiary.	Benefits payable to worker upon retirement. Some plans provide for the continuation of the same payments to the spouse after worker's death, while under other plans continuation of payments to the spouse depends on the payment option selected.
Spouse Benefit	Eligible spouse is entitled to 50 percent of worker's benefit at age 65 or a reduced benefit at an earlier age. Eligible spouse is entitled to 50 percent of worker's benefit at any (continued)	No benefits provided.	No benefits provided.

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RETIREMENT COVERAGE (CONTINUED):	SOCIAL SECURITY	DEFINED CONTRIBUTIONS	DEFINED BENEFITS
Spouse Benefit (continued)	age if caring for an eligible child.		
Child's Benefit	Unmarried child of retired worker entitled to 50 percent of worker's benefit until age 18 or beyond if totally and permanently disabled.	No benefits provided.	No benefits provided.
Divorced Wife's/ Husband's benefit	Divorced wife/husband entitled to a benefit if at least age 62; married 10 years or longer to worker; is not remarried or subsequent marriage ended in death or divorce; and not entitled to another Social Security benefit larger than 1/2 of divorced worker's benefit.	No benefits provided.	No benefits provided.
Maximum Benefit	All benefits with exception of the divorced spouse's benefit are subject to the family maximum. If benefits exceed maximum, the worker's benefit is subtracted and the balance is paid in proportionate shares to remaining beneficiaries.	No maximum benefit.	Some plans provide that total benefits received, from both the plan and Social Security, not exceed the maximum Social Security benefits had the worker remained covered by Social Security. Other plans place no maximum on benefits.

RETIREMENT COVERAGE (CONTINUED):	SOCIAL SECURITY	DEFINED CONTRIBUTIONS	DEFINED BENEFITS
Earnings Limitation	Benefits offset by portion of earnings in excess of specified amounts at specified ages.	No earnings limitation.	No earnings limitation.

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	SOCIAL SECURITY	DEFINED CONTRIBUTIONS	DEFINED BENEFITS
SURVIVORS' COVERAGE:			
Death Benefit	$255.00	Ranged from lump sum payments of $1,000, $2,000, or $5,000 to one times annual salary ($100,000 maximum).	Some plans provide no benefit while others provide up to three times earnings based on number of dependents.
Child's Benefits	Seventy-five percent of worker's benefit until age 18 or beyond, if totally disabled	Plans provided for either a predetermined percentage of deceased worker's monthly salary payable for all dependent children or a predetermined monthly amount for each dependent child until age 19 or 23 if full-time student or beyond if totally disabled.	Generally plans provide a predetermined percentage of deceased worker's average monthly pay per child until age 18 or 22, if a full-time student, or beyond if totally disabled. One hospital contacted provided no monthly child's benefit.
Mother/Father Benefit	Eligible widow/widower entitled at any age while caring for an eligible child to 75 percent of worker's benefit until remarriage or youngest child reaches age 18.	Some plans provide for a predetermined percentage of deceased worker's monthly salary until remarriage, age 65, and/or youngest child reaches age 19 or 23 if full-time student while other plans did not provide a mother/father benefit as such. Spouse provided benefit regardless of dependent children.	Predetermined percentage of deceased worker's average monthly pay if caring for an eligible child. One hospital plan provided no monthly benefit regardless of whether or not caring for eligible child.

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	SOCIAL SECURITY	DEFINED CONTRIBUTIONS	DEFINED BENEFITS
SURVIVORS' COVERAGE: (continued)			
Widow/Widower Benefit	Entitled at age 65 to life income equal to 100 percent of worker's benefit or a reduced amount as early as age 60.	Plan benefits vary from a predetermined percentage of deceased worker's monthly salary until age 65 or remarriage; or a predetermined monthly amount for life or until remarriage. Two plans provided spouse benefit to oldest dependent child if no spouse, with normal child benefit to any remaining children.	Generally, no benefits provided if not caring for eligible child under age 18. Some plans provide a spouse benefit at specified ages if not caring for an eligible child when certain predetermined conditions are met. One hospital plan provided no monthly spouse benefit.
Parent Benefit	Each parent of deceased worker entitled to 75 percent of worker's benefit (82 1/2 percent if only one parent) at age 62 if at least 1/2 supported by worker at time of death.	No benefits provided.	No benefits provided.
Surviving Divorced Parent Benefit	Divorced parent can qualify for 75 percent of worker's benefits if he/she has eligible child in care and meets all requirements for benefits.	No benefits provided.	No benefits provided.
Surviving Divorced Spouse Benefit	Divorced spouse is entitled to widow's/widower's benefit if at least age 60, was married 10 years or longer, has not remarried or subsequent marriage ended in death or (continued)	No benefits provided.	No benefits provided.

SURVIVORS' COVERAGE: (CONTINUED)	SOCIAL SECURITY	DEFINED CONTRIBUTIONS	DEFINED BENEFITS
Surviving Divorced Spouse's Benefit (continued)	divorce, and he/she is not entitled to another benefit which is larger than divorced spouse's benefit.		
Maximum Benefit	All benefits with the exception of the surviving divorced spouse's benefit are subject to the family maximum benefit. When benefits exceed maximum, each beneficiary's share is reduced proportionately.	All benefits subject to maximum monthly limits.	All benefits subject to maximum monthly limits.
Earnings Limitation	Benefits offset by portion of earnings in excess of specified amounts at specified ages.	No earnings limitation.	No earnings limitation.
Offsets	No offsets other than earnings limitation.	No benefit offsets.	Specific offsets vary from plan to plan, but generally benefits are offset for other survivor benefits received.

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	SOCIAL SECURITY	DEFINED CONTRIBUTIONS	DEFINED BENEFITS
DISABILITY COVERAGE:			
Definition	Individual shall be determined to be under a disability only if his/her physical or mental impairment is of such severity that he/she is not only unable to do his/her previous work but cannot, considering age, education, and work experience, engage in any other kind of substantial gainful work which exists in the national economy, regardless of whether such work exists in the immediate area in which he/she lives, or whether a job vacancy exists for him/her, or whether he/she would be hired if he/she applied for work.	Totally disabled if, during first 24 or 36 or 48 months of a period of total disability, worker is completely unable to engage in regular occupation. After first 24 or 36 or 48 months, worker must be completely unable to engage in any and every occupation for which he could become reasonably fitted by education, training or experience. Time periods vary depending on plan.	Disabled if as the result of an illness or injury worker is completely prevented from performing job. After 2 years, worker must be completely prevented from doing any work he may be qualified or become qualified to do.
Qualifying Period	Five months.	Three months or 6 months depending on plan.	Three to 5 months depending on plan.
Disabled Worker's Benefit	Entitled to 100 percent of amount paid to worker if fully insured; has coverage in 20 of last 40 quarters or if disabled before age 31 have coverage in at least half, but not less than 6 quarters after age 21; disability is expected to last 12 months or result in death; and be under age 65	Predetermined percentage of monthly earnings.	Predetermined percentage of average monthly earnings.

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	SOCIAL SECURITY	DEFINED CONTRIBUTIONS	DEFINED BENEFITS
DISABILITY COVERAGE (CONTINUED):			
Spouse Benefit	Eligible spouse entitled to 50 percent of worker's benefit at age 65 or reduced amount at age 62. Eligible spouse entitled at any age to 50 percent of worker's benefit while caring for eligible child but not past child's 18th birthday unless totally and permanently disabled before age 22.	No benefit provided	No benefit provided
Child's Benefit	Unmarried child is eligible for 50 percent of worker's benefit until age 18 or beyond if disabled.	No benefit provided.	No benefit provided.
Divorced Spouse Benefit	Entitled to spouse's benefit if at least age 62; married to worker at least 10 years; has not remarried or subsequent marriage ended in death or divorce; and is not entitled to another Social Security benefit larger than one half of divorced worker's benefit.	No benefit provided.	No benefit provided.

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	SOCIAL SECURITY	DEFINED CONTRIBUTIONS	DEFINED BENEFITS
DISABILITY COVERAGE (CONTINUED):			
Disabled Widows/ Widowers Benefit	Entitled to 50 percent of deceased spouse's benefit if benefits start at age 50 and 60.75 percent if benefits start at age 55 with like reductions/increases at other ages.	No benefit provided.	No benefit provided.
Maximum Benefit	All benefits with the exception of the divorced wife/husband and disabled widow's/ widower's benefits are subject to a family maximum. When benefit exceeds maximum, worker's benefit is subtracted and balance is paid proportionately to remaining beneficiaries.	Subject to maximum monthly limits.	Subject to maximum monthly limits.
Earnings Limitations	Benefits offset by portion of earnings in excess of specified amounts at specified ages.	Some plans provide that if during first 36 months of disability, recipient works on a limited basis as part of a rehabilitation plan recommended and supervised by a licensed physician, a predetermined percentage of any income will be considered in determining monthly benefit.	Some plans provide if recipient is gainfully employed for rehabilitative purposes for up to 24 months while receiving benefits, benefit is reduced by a predetermined percentage of earnings.
Offsets	No offset other than earnings limitation.	Disability benefits received from other sources are generally directly offset against benefits under the plan. Some plans also provide if sum of other benefits and payments received and the amount of disability guaranteed under plan exceeds a (continued)	Disability benefits received from other sources are generally offset against benefits under the plan.

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DISABILITY COVERAGE (CONTINUED):	SOCIAL SECURITY	DEFINED CONTRIBUTIONS	DEFINED BENEFITS
Offsets (continued)		predetermined percentage of monthly earnings, the excess is also directly offset against disability benefits.	
Minimum Benefit	No minimum benefit indicated.	Some plans provide for $50 per month.	No minimum benefit indicated.
Pension Supplement	Employee becomes eligible for retirement benefit when disability benefit ends at age 65. Benefit based on earnings record prior to disability and non-earning years of disability are dropped from computation.	Some plans provide monthly contribution to Retirement Account equal to 1/12 of the projected annualized contribution that both employee and employer would have made, had disability not occurred.	No pension supplement provided. Employee becomes eligible for retirement benefit when disability benefits end.

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	SOCIAL SECURITY	DEFINED CONTRIBUTIONS	DEFINED BENEFITS
MEDICARE COVERAGE:	Provides comprehensive program of hospital, medical, and surgical benefits to persons who have attained age 65; persons less than age 65 entitled to disability benefits for at least 24 consecutive months; widow, age 50 or older, entitled to widow's benefit by reason of disability; and fully or currently insured worker and dependents with chronic kidney disease.	Most plans will pay premiums to provide Medicare Part A upon retirement if not otherwise eligible under the Social Security System. Some plans also provide for renal benefits upon retirement. Some plans make no provisions for payment of Medicare premiums but offer separate health insurance through employer. No indication of whether Medicare type coverage or renal benefits are provided disabled employees under age 65.	Most plans will purchase Medicare Part A at time of retirement if not otherwise eligible. If disabled for 2 years at any age, plans generally provide monthly premium for coverage, substantially equal to Medicare Part A. No indication of coverage for renal benefits.

PROFILES OF SELECTED HOSPITAL ALTERNATIVE PLANS

Hospital A: Suburban, Non-unionized, Religious affiliation.

Type:

Defined contribution

Demographics:

1,300 employees
78% female
22% male
49% under age 30
Less than 15% attrition rate

Coverage:

All full-time and part-time employees working 16 hours or more a week. Temporary employees are not covered. All permanent employees are covered.

Vesting:

Immediate vesting for employer share of retirement contribution. Immediate coverage for all other benefits.

Cost:

Retirement	Employee 6%
	Employer 5%
Survivors, Disability	Employer 1%

Type of Coverage:

Retirement, Survivors	Insurance Contract
Disability	Hospital trust fund

Portability:

Not portable.

Cost of Living:

No provision made.

Benefits Provided:

Retirement:	At retirement accumulated contributions and interest are available to employee, who has several payment options.
Death:	One year's salary rounded to next $1,000.
Survivors:	Spouse only: 20% of monthly income until age 62 or remarriage. Spouse and Dependent Children: 30% of monthly income until child is age 19, or 23 if full-time student. Dependent children only: 10% of monthly income until child is age 19, or 23 if full-time student.
Disability:	50% of monthly earnings not to exceed $3,000. Unable to perform own job during first 36 months. After 36 months unable to perform any job. Six month qualifying period. Benefits offset by disability benefits received from other sources.
Medicare:	Not specifically provided. Hospital has option to provide medicare if needed and funds are available.

Hospital B: Medium Size City, Non-unionized.

Type:

Defined contribution.

Demographics:

1,867 employees.
82% female.
18% male.
31.5 years average age
25% attrition rate

Coverage:

All full-time employees and part-time employees working 16 or more hours per week. Part-time employees working less than 16 hours per week and temporary employees are not covered. Approximately 6% of the work force is not covered.

Vesting:

Immediate vesting of contributions and earnings in retirement account. One year probationary period before employer contributes to retirement account. Immediate coverage for all other benefits.

Cost:

Retirement -	Employee	6.65%
	Employer	3.85%
Survivor, Disability	Employer	.94%
Medicare -	Employer	1.86%

Type of Coverage:

Retirement, Survivors, Disability	Insurance Contracts
Medicare -	Hospital trust fund

Portability:

Not portable.

Cost of Living:

No provision made.

Benefits Provided:

Retirement:	At retirement accumulated contributions and interest are available to employee, who has several payment options. Return on investment not guaranteed.
Death:	One year's salary rounded to next $1,000.
Survivors:	Spouse only: 20% of monthly income until age 65 or remarriage. Spouse and Dependent Children: 40% of monthly income until child is age 19, or 23 if a full-time student. Dependent Children only: 20% of monthly income until age 19, or 23 if full-time student.
Disability:	60% of monthly earnings not to exceed $3,000. Pension supplement. Unable to perform own job during first 36 months. After 36 months unable to perform any job. Six month qualifying period. Benefits offset by disability benefits received from other sources.
Medicare:	Plan pays premium for Part A coverage and renal benefits for those not otherwise eligible upon retirement.

Hospital C: Small Size City, Formerly Represented By Internal Union

Type:

Defined contribution.

Demographics:

613 employees.
83% female.
17% male.
14% attrition rate

Coverage:

All full-time employees and part-time employees working 16 hours per week. Employees working less than 16 hours per week are eligible for retirement benefits only.

Vesting:

Immediate vesting of contributions and earnings in retirement account. One year probationary period before employer contributes to retirement account. Immediate coverage for all other benefits, except that employees working more than 16 hours but less than 20 hours per week must complete 18 months of service to become eligible for disability coverage.

Cost:

Retirement - Employee 6.0%
Employer 4.0%
Survivors
Disability -Employer 1.35%
Medicare - Employer .65%

Type of Coverage:

Retirement
Survivors -Insurance Contracts
Disability
Medicare - Hospital trust fund

Portability:

Not portable.

Cost of Living:

No provision made.

Benefits Provided:

Retirement:	At retirement accumulated contributions and interest available to employee who has several payment options. Return on investment not guaranteed.
Death:	One year's salary rounded to the next $1,000.
Survivors:	Spouse only: 20% of monthly income until age 65 or remarriage. Spouse and Dependent Children: 30% of monthly income until child is age 19, or 23 if a full-time student. Dependent Children only: 20% of monthly income until age 19, or 23 if full-time student.
Disability:	60% of monthly earnings not to exceed $3,000. Pension supplement. Unable to perform own job during first 36 months. After 36 months unable to perform any job. Six month qualifying period. Benefits offset by disability benefits received from other sources.
Medicare:	Plan pays premium for Part A coverage for those not otherwise eligible upon retirement.

Hospital D: Medium size metropolitan area, Non-unionized

Type:

Defined benefit.

Demographics:

1165 employees
17 % male
83 % female
32 % attrition rate

Coverage:

Permanent full-time and eligible part-time employees (working over 1,000 hours per year). Coverage not provided for: temporaries (11), part-time (37), and on call employees (210). One year of service required for all other coverage.

Vesting:

Employee is 40 percent vested for retirement after 4 years. Vesting increases to 100 percent after 10 years.

Cost:

Retirement Survivors Disability Medicare	- Employer - Currently 5.8%

Type of Coverage:

Retirement Survivors Disability Medicare	- Trust Fund

Portability:

Not Portable.

Cost of Living:

No provision made.

Benefits Provided:

Retirement:	Hospital will provide a basic benefit at no cost to employee. Increased benefits option is available if employee agrees to contribute 2 percent of his salary. In addition employees can participate in employer/employee thrift program.
Death:	Insurance policy of $5,000 (benefit available prior to Social Security termination)
Survivors:	Spouse only: Percentage of monthly income if caring for eligible child or at age 60 if employee had completed 15 years of service or at least 5 years of service and sum of service and age is at least 50. Dependent Children: Percentage of monthly income until age 18, or beyond if handicapped before age 22. Benefits offset by survivors benefits received from other sources.
Disability:	Benefit is 2/3 of the first $4,500 monthly income. For the first 2 years of coverage, the disability must prevent employee from engaging in his regular employment. After 2 years the disability must prevent employee from engaging in any employment. Six month qualifying period. Benefits offset by disability benefits received from other sources.
Medicare:	The hospital will pay the premium for Part A medicare coverage for certain retirement age employees or spouses who are not eligible for Part A medicare and who have purchased Part B medicare coverage.

Hospital E; Large hospital chain, Mid size metropolitan area, Non-unionized.

Type:

Defined benefit.

Demographics:

6479 employees
23% male
77% female
28% attrition rate

Coverage:

Permanent full-time and part time employees (working over 1,000 hours per year). Coverage not provided for temporary, part time, and on call employees.

Vesting:

The retirement plan has a 5 year vesting. Retirement benefits are not paid to beneficiaries if employee dies before 10 years of service and age 55. One year service requirement for all other benefits.

Cost:

Retirement
Survivors
Disability
Medicare
\- Employer - currently 4.8%

Type of Coverage:

Retirement
Survivors
Disability
Medicare
\- Hospital Trust Fund

Portability:

Not Portable

Cost of Living:

Provision for automatic 4 percent increase annually. Benefits can be increased with approval of the Board of Directors.

Benefits Provided:

Retirement:	Hospital provides a basic benefit at no cost to employee. Hospital guarantees that after 30 years the plan's benefit and estimated Social Security will equal a certain percentage of final monthly pay. Increased benefits option is available if employee agrees to contribute 2 percent of his salary.
Death:	No provision.
Survivors:	Spouse only: No benefit provided. Spouse and Dependent Children: Percentage of monthly income until children reach age 18, or 22 if full-time student or beyond if disabled. Dependent Children Only: Percentage of monthly income until children reach age 18, or 22 if full-time student or beyond if disabled. Benefits offset by survivors benefits received from Social Security.
Disability:	Benefit is 60 percent of average monthly pay during the year prior to disability not to exceed $2,500 per month. Unable to perform own job during first two years. After two years unable to perform any job. Three month qualifying period. Benefits offset by disability benefits received from Social Security.
Medicare:	The hospital will purchase Medicare Part A for employee and spouse at age 65, if not otherwise eligible for coverage and employee has ten years of service.

Hospital F: Medium size metropolitan area, Non-unionized, Religious affiliation (reorganized since termination)

Type:

Defined benefit

Demographics:

870 employees
70 % female
30 % male
18 % attrition rate

Coverage:

All employees working more than 832 hours per year. Does not cover 30 employees considered "on call".

Vesting:

Ten year service requirement for retirement. One year of service is required for all other coverage.

Cost:

Retirement Survivors Disability Medicare	- Employer 5%

Type of Coverage:

Retirement	- Trust Fund
Survivors Disability Medicare	- Insurance Contract

Portability:

Not portable

Cost of Living:

No provision

Benefits Provided:

Retirement: Percentage of salary. (high five years out of last ten years.)

Death:	Life insurance up to three times annual salary.
Survivors:	No monthly benefits paid to survivors.
Disability:	Sixty-six percent of salary. Unable to perform own job during first two years. After two years, unable to perform any job. Five month waiting period. Offset by Social Security benefits.
Medicare:	Will be purchased at age 65 if not otherwise eligible.

Hospital G: Large Metropolitan Area, Non-unionized.

Type:

Defined Contribution

Demographics:

3,440 employees
80% female,
20% male

Coverage:

All full-time and part-time employees working 16 hours or more per week. Per diem employees (350) are covered for retirement but not for survivors and disability, but can elect to convert to permanent status and be covered.

Vesting:

100% vested after joining the Retirement Plan. Eligible to join on semi-annual entry date after completion of 18 months of service. Coverage for other benefits from first day of service.

Cost:

Retirement	Employer 6.7%	
Survivors	- Employer pays insurance premium. Varies depending on hospital population.	
Disability		

Type of Coverage:

Retirement	- Money Purchase Pension Plan (self insured trust fund).
Survivors	Insurance contracts
Disability	
Medicare	- No coverage

Portability:

Not portable.

Cost of Living:

No provision made.

Benefits Provided:

Retirement	At retirement payment is based on amount contributed to Money Purchase Pension Plan. Payments can be in a lump sum or periodically for no longer than 10 years.
Death:	$1,000 lump sum payment
Survivors:	Spouse - $600 per month for life. Dependent children - $250 each per month to age 19 or 23 if full time student, or beyond if disabled before age 22. If no surviving spouse: Oldest Dependent Child - $600 per month to age limit. Other Dependent Children - $250 each per month to age limit. Maximum monthly family benefit - $1,100.
Disability:	Employees hired before plan implementation: 66 2/3 of monthly salary to maximum benefit of $3,000,plus 40 percent of compensation in excess of $5,000 per month to a maximum additional monthly benefit of $2,000. Employees hired after plan implementation: 60 percent of monthly salary to monthly benefit of $3,000 plus 40 percent of compensation in excess of $5,000 per month to a maximum additional monthly benefit of $2,000. Unable to perform own job during first 36 months. After 36 months unable to perform any job. Six month qualifying period. Benefits offset by disability benefits received from other sources.
Medicare:	No provisions for coverage. Hospital has separate health insurance plan.

Hospital H: Medium size metropolitan area, non-unionized

Type:

Defined Contribution

Demographics:

570 employees
75% female
25% male
34% attrition rate

Coverage:

All full-time and part-time employees working at least 16 hours per week or 1,000 hours per year. About 15 percent of employees are not covered. Noncovered employees usually work at hospital as a second job.

Vesting:

Retirement plan is 40 percent vested after 4 years; 50 percent after 5 years, etc.; until 100 percent vested after 10 years. Voluntary thrift plan is 100 percent vested from date of service. Coverage for other benefits from first day of service.

Cost:

Retirement	- Employee	- Voluntary contributions to thrift plan.
	Employer	4.7% (Pension and thrift plans.)
Survivors	- Employer	.4%
Disability	- Employer	.9%
Medicare	- Employer	.7%

Type of Coverage:

Retirement, Survivors, Disability, Medicare — Insurance Contracts

Portability:

Not Portable

Cost of Living:

No provision made.

Benefits Provided:

Retirement:	Accumulated monies in retirement and thrift plan accounts are either paid in lump sum or/ and paid as an annuity in monthly installments.
Death :	$5,000 Lump Sum payment
Survivors:	Spouse - $650 per month for life. Dependent Children - $350 each per month to age 19, or 23 if a full time student. If no surviving spouse: Oldest dependent Child- $650 per month to age limit. Other Dependent Children $350 per month to age limit. Maximum monthly family benefit $1,350.
Disability:	60% of monthly earnings to maximum monthly benefit of $3,000. Unable to perform own job during first two years. After two years, unable to perform any job. Three month qualifying period. Benefits offset by disability benefits received from Social Security.
Medicare:	Will purchase Medicare Part A upon retirement for those not otherwise eligible.

Hospital I: Medium Size City, Non-Unionized, Religious Affiliation

Type:

Defined Contribution

Demographics:

844 employees
87% female
13% male
20% attrition rate

Coverage:

All permanent full-time and part-time employees working 16 hours or more a week. Temporary employees are not covered.

Vesting:

No vesting for employer retirement contributions for less than 1 year of service. Vesting is 25 percent for one year of service, 50 percent for two years, and 100 percent after three years. Three month service requirement for survivors and disability coverage. Ten year service requirement for Medicare coverage.

Cost:

Retirement	- Employee 6% Employer 4%
Survivors Disability Medicare	- Employer 2%

Type of Coverage:

Retirement Survivors Disability	- Insurance Contracts
Medicare	- Self-insured

Portability:

Not portable

Cost of Living:

No provision made

Benefits Provided:

Retirement:	At retirement, accumulated contributions and interest are available to employee, who has several payment options.
Death:	$2,000 lump sum payment.
Survivors:	Spouse only: 20% of monthly income until age 65 or remarriage. Spouse and Dependent Children: 40% of monthly income until no longer eligible. Dependent Children only: 20% of monthly income until age 19 or 23 if full-time student or beyond if disabled.
Disability:	60% of monthly earnings not to exceed $3,000 per month. Unable to perform own job during first four years. After four years unable to perform any job. Three month qualifying period. Benefits offset by benefits received from other sources, as well as earnings over 20% of employee's salary at time of disability.
Medicare:	Plan will pay premium of Part A coverage for those not otherwise eligible upon retirement.