1935.

NEW ZEALAND.

NATIONAL COMPULSORY SUPERANNUATION AND HEALTH INSURANCE

(REPORT OF THE DEPARTMENTAL COMMITTEE ON).

Laid on the Table of the House of Representatives by Leave.

To the Right Honourable J. G. Coates, Minister of Finance.

SIR,—

NATIONAL COMPULSORY SUPERANNUATION AND HEALTH INSURANCE.*

The Committee appointed to investigate and report on—

(*a*) A national compulsory contributory pensions scheme; and

(*b*) A national compulsory health insurance scheme—

have the honour to report—

Part I of this report deals with the question of a national compulsory contributory pensions scheme. Part II deals with the question of a compulsory contributory scheme of insurance to provide medical and hospital attention and subsidiary benefits.

The statement which follows is in the nature of a preliminary report, giving a reasonably accurate estimate of the costs involved. Detailed recommendations relating to national compulsory contributory pensions would require a decision by the Government on such matters as the scale of benefits to be adopted, the distribution of contributions between employer, employee, and the State, and the amount of the annual contribution which the State is able to make. The formulation of a comprehensive scheme of health and hospital insurance would require to be preceded by an investigation by a committee taking evidence from various interested parties.

* Sources of information on schemes operating in other countries include the following:—
Compulsory Sickness Insurance: I.L.O. Studies and Reports, Series M. 6, 1927.
Compulsory Pension Insurance: I.L.O. Studies and Reports, Series M. 10, 1933.
Insecurity: A Challenge to America, by Abraham Epstein.
Pensions and Superannuation Funds, by Bernard Robertson and H. Samuels.
Railway Superannuation Funds (Departmental Committee). Cd. 5349.
Social Work and Legislation in Sweden: Survey published by Order of the Swedish Government, 1928.
Social Insurance—The Swedish Act: International Labour, April–June, 1921.
Pension Insurance in Sweden: I.L.O. Industrial and Labour Information, January 28, 1935.
British National Health Insurance: Report of Royal Commission, 1926. Cmd. 2596.
National Health Insurance: Report of Executive Hospital Boards' Association, 1935.
Medicine and the State, by Sir A. Newsholme, and also information regarding two proposed schemes.
Minutes of Evidence and Reports and Recommendations of Royal Commission, Draft National Insurance Bill, and second-reading speech by Dr. Earle Page. Commonwealth of Australia. 1925–1928.
A Plan of Health Insurance for British Columbia, 1935.

Part I.

1. GENERAL.

A. Extent and Scope of Existing Schemes.

Compulsory contributory schemes exist in about twenty-seven countries. In most cases the schemes make provision for invalidity, sickness, children, widows' and orphans' pensions, as well as old-age pensions.

In general, they apply to particular industries or groups of workers and do not cover the whole population.

Compulsory national insurance covering all people within specified ages has been applied in a small number of cases only—*e.g.*, Sweden and certain Swiss Cantons. A compulsory national scheme has been considered and reported on for Australia, but has not so far been adopted.

Independent workers—*i.e.*, workers on their own account—present an administrative difficulty, and are covered in only a few countries. In other words, schemes apply mainly to wage-earners or salaried employees.

B. The Swedish Scheme.

The scheme of compulsory national insurance adopted in Sweden is probably the most interesting to New Zealand. The total population of Sweden as at 1st January, 1931, was 6,141,570. In 1928 3,982,300 people were liable for compulsory national insurance, and of these 255,200 were exempted. It would seem that practically all between the ages of sixteen and sixty-eight are liable.

The pensions-insurance scheme was promulgated in June, 1913, and became operative on 1st January, 1914. The scheme virtually involves compulsory insurance for the whole nation. With certain exceptions, every able-bodied man and woman between the ages of sixteen and sixty-eight is liable. The exceptions include—

(*a*) Civil servants who are entitled to a pension:
(*b*) Members of military forces covered by pension schemes:
(*c*) Ministers of religion:
(*d*) Wives of the above.

Annual contributions vary according to income.

In return, the contributor receives an annual sum commencing at sixty-seven years, or earlier in the case of invalidity. The amount of pension is proportionate to the contributions paid according to a fixed actuarial scale.

To give the necessitous further help, an addition to the contributory pension is granted to any one who is permanently incapacitated for work and whose income falls below a certain amount. This is contributed entirely out of public funds.

Benefits include—

Contributory pensions according to scale; pension increments as above; relief; child allowance.

As far as we are able to gather, employers are not liable for contributions in respect of their employees. Nor does the State appear to contribute for ordinary old-age and invalidity pensions, but the other benefits—*i.e.*, pension increments, relief and child allowances—are defrayed from public funds to which the Communes contribute to the extent of one-eighth. Communes may contribute additional increments out of their funds.

Contributions consist of an annual flat-rate contribution, plus an additional contribution from those liable to income-tax, the amount of which depends on the assessed income.

The (flat-rate ?) contributions are assessed by local Assessment Boards, with the right of appeal to the Royal Pensions Board. Basic contributions are usually collected by the Commune, the additional contributions on payment of Crown taxes.

Contributory pensions are given—

(*a*) To any one between sixteen and sixty-seven years of age who is incapacitated from work;
(*b*) To all persons reaching the age of sixty-seven years.

The amount of the pensions depends on the contributions paid and the length of the period during which paid.

To any one *permanently* incapacitated the pension increment already mentioned is granted from public funds.

Quite early a scheme for the prevention of invalidity came into existence as a part of the pensions scheme. Money from the pensions fund has been used to make various payments to hospitals, sanatoria, &c. The result has been to save a considerable amount by way of invalidity pensions.

A committee was set up in 1934 to inquire into the operation of the pensions scheme. The majority report recommends the separation of old-age pensions from invalidity pensions, the latter to be transferred to a voluntary sickness-insurance scheme. This is opposed by the minority report and by a number of organizations—*e.g.*, of workers—to whom the report was submitted.

2. OBJECTIVES OF A COMPULSORY NATIONAL INSURANCE SCHEME.

The case for the establishment of a compulsory national insurance scheme is based on the view that it is in the social interest that all citizens should be protected against the risk of destitution in old age and the hazards of sickness, invalidity, orphanhood, and widowhood; and that as far as possible provision should be made in such a way as to avoid any suggestion of charity or patronage.

A national scheme might be devised to cover—(1) superannuation, (2) widows' pensions, (3) orphans' pensions, (4) sickness allowances, (5) invalidity allowances, (6) children's allowances during the incapacity of the wage-earner. It is considered desirable also that any compulsory scheme should make some provision for maternity allowances, but the information available to the Committee is not sufficiently comprehensive to enable a reliable estimate to be made of the actuarial cost to different age-groups. Hence it is suggested that consideration should be deferred until more complete information can be obtained.

It is considered that medical and hospital attention should be provided for under a separate scheme, but that the financial machinery should be such as to cover the benefits under both pension and health schemes. Accordingly, consideration to an insurance scheme covering medical and hospital attention is given in Part II of this report.

The two schemes taken together would insure against most of the hazards facing the citizen. The hazard of unemployment, which is to many the most serious of all, is not considered in this report for two reasons. In the first place, unemployment is already provided for by taxation. In the second place, the changes in economic conditions of the past few years have been so great and future changes are likely to be so uncertain that there is no reliable basis on which the risks of unemployment can be actuarially determined. Hence it is considered better to defer the formulation of a scheme providing against unemployment by means of insurance until conditions have been stabilized for a period long enough to enable the risks to be determined with a reasonable measure of actuarial soundness. Meanwhile, it seems preferable to provide against unemployment by taxation of one form or another.

The above comments are without prejudice to the possibility that further investigation might lead to the conclusion that taxation was in any case to be preferred to insurance as a means of coping with the future unemployment problem.

A compulsory national scheme along the lines discussed below is justified on the grounds that—(*a*) The majority of wage-earners are not in a position to make adequate provision against these contingencies out of income in the absence of a national scheme; (*b*) even where their financial position enables them to do so, it is unlikely that the majority of wage-earners will make adequate provision through friendly societies, insurance companies, or the National Provident Fund; (*c*) a national scheme would enable a more adequate and comprehensive provision on the basis of a given cost to be made, and would provide a system of administration more convenient to the contributor. Hence it should be of advantage even to those who would normally make satisfactory provision in any case.

The scope of a compulsory contributory national insurance scheme will obviously be limited by two factors:—

(1) The cost of the scheme; and
(2) Administrative difficulties.

These are referred to later on in this report.

3. PRINCIPLES SUGGESTED.

A. Benefits to be covered.

The scale of benefits is, of course, directly dependent on the costs that can be borne by the several parties concerned, but, in this report, estimates of cost are based on the following scale:—

(1) Superannuation (after sixty-five) of £2 per week.
(2) Widow's pension of £1 per week, ceasing on remarriage.
(3) Orphans' allowance (on death of father) of 5s. per week for each child till age of sixteen years.
(4) Sickness allowance (during first six months of sickness) of £1 7s. 6d. per week till age sixty-five.
(5) Invalidity allowance (excluding first six months' sickness) of £1 7s. 6d. per week till age sixty-five.
(6) Children's allowance (during father's incapacity) of 5s. per week for each child till sixteen.

The above scale of benefits is intended to refer to married male contributors, the position of female contributors being considered later. It may be considered desirable to provide for a lower scale of old-age pensions to bachelors.

B. Persons to be covered.

It would be an advantage if any compulsory scheme applied to all males between specified ages, but, in view of the practical difficulties involved in respect of farmers and other workers on their own account, it would appear necessary, at any rate at the outset, to limit the compulsory provisions to those working for wages or salaries. The following could be exempted from compulsory membership:—

(1) Persons already covered by existing superannuation or provident schemes—*e.g.*, Civil servants, certain local-body employees, and employees of banks, insurance companies, and other business houses which have *satisfactory* schemes.
(2) Persons giving satisfactory evidence of an assured income of not less than £104 per annum on reaching pensionable age.

It is suggested that the following might be able to become voluntary contributors:—

(*a*) Workers on own account—*e.g.*, farmers, professional men, shopkeepers, and others.
(*b*) All wage and salaried workers over the maximum age for entry under the compulsory scheme.

In such cases the scale of contributions would be mutually agreed upon and the benefit would be based actuarially on the contribution.

In a country such as New Zealand, in which a change in status from worker-on-own-account to employee and *vice versa* is very common, provision for voluntary contributions would be very necessary.

Wage and salary workers excluded from the compulsory scheme on the grounds that old age is adequately provided for might have the opportunity of insuring under the scheme against contingencies other than old age.

The age limits within which insurance is compulsory will depend largely upon the decision of the Government as to the scale of maximum contributions which might reasonably be required, and the manner in which the cost is to be distributed.

It is an open question whether females should be included under the compulsory scheme. In the case of women who marry, the benefits of the scheme would apply on the basis of the husband's contributions. The inclusion of women would also raise administrative difficulties arising from the fact that—

(*a*) Many women do not work for wages or salaries;

(*b*) Many are engaged in domestic service or other occupations which make it difficult to keep a check on contributions;

(*c*) The period of employment for wages is often short, and ceases on marriage;

(*d*) Some of the benefits—*e.g.*, widow's pension, children's and orphans' allowances—to which a claim would be given by husband's contribution do not enure equally to women.

The following alternatives suggest themselves:—

(1) Exempt women from the scheme, but retain provision for non-contributory old-age pensions for spinsters.

NOTE.—Widows' and old-age pensions would be covered in the case of married women by the husbands' contributions.

(2) Prepare a separate scheme for women, covering old age, sickness, and invalidity, but excluding children's sickness and orphans' pensions, and offering the alternatives of either—

(*a*) Having the contributions capitalized on marriage:

(*b*) Continuing the contributions and retaining the benefits of old-age pensions after marriage.

NOTE.—It would be necessary to make an estimate of the cost of such a supplementary scheme.

Alternative (2) above appears to be the more satisfactory.

C. BASIS OF CONTRIBUTIONS.

It is suggested that contributions might be made by the employee, the employer, and the State.

The contribution by the employee is justified by the fact that he is the beneficiary under the scheme. The contribution by the employer is justified because he benefits, in the profits which he earns, from the services of the employee, and it is not unreasonable to regard some contribution to meeting the hazards of sickness, invalidity, and old age as a fair charge on industry. Incidentally, this responsibility is recognized by many business concerns. The contribution of the State is justified because, in the early stages, it is necessary to make such a contribution if a workable scheme is to be devised at a cost to the employer and employee which can be met, and because the State recognizes a responsibility for the welfare of the community.

Contributions by employer and employee might be on a flat rate irrespective of age, on a graduated scale according to age, or on a graduated scale to a given maximum.

Contributions by the State might be on a flat rate or a proportion of the contributions, or by way of a subsidy to meet deficiencies. In addition, the State would still retain responsibility for old-age pensions in respect of non-contributories.

The charge on the State in respect of the proposed scheme and non-contributory old-age pensions combined might be expected to diminish as the number coming under the scheme at an early age increased and the number reaching pensionable age outside the scheme diminished.

Eventually, if the Government decided to liquidate the initial deficiency within a definite term, the scheme could be made self-supporting without Government contribution, thus freeing public funds for other desirable social purposes.

A decision on the scale and distribution of costs requires an estimate of the aggregate costs under different assumptions as to the ages to be covered, and a decision of the Government as to the cost which is to be borne by the State.

D. ACTUARIAL SOUNDNESS.

It is regarded as imperative that the scheme should be actuarially sound from its inception and should be maintained in such a position.

4. COSTS OF SCHEME.

The following estimates of cost have been prepared in respect of males only on the basis of the benefits suggested in Section 3 A.

Scheme A.—The following table assumes a flat-rate contribution and shows the initial capital deficiency and the minimum annual subsidy required from the State in perpetuity to meet the deficiency at various rates of contribution. This would be independent of any payment made by the State in respect of the flat weekly rate. It assumes also that all males between the ages of sixteen and sixty-five are covered.

Flat Weekly Contribution per Member.	Initial Capital Deficiency (Balance of Cost).	Minimum Annual State Subsidy (payable in Perpetuity) required to liquidate Deficiency.
	£	£
Non-contributory	207,400,000	8,296,000
3s. 6d.	150,000,000	6,000,000
6s.	109,100,000	4,364,000
7s. 6d.	84,500,000	3,380,000
10s.	43,550,000	1,742,000
12s. 6d.	2,600,000	104,000

A flat rate of 3s. 6d. per week is calculated to cover all the benefits for youths who enter the scheme at sixteen years of age. Any higher contribution would therefore be inequitable to such contributors.

On the basis of a flat weekly rate of contribution of 3s. 6d. per contributor, the cost to the State independent of any contribution to the flat weekly rate would be £6,000,000 per annum, and the initial capital deficiency would be £150,000,000.

These considerations clearly rule out a flat-rate basis of contribution covering all males between the ages of sixteen and sixty-five years at the commencement of the scheme.

Scheme B.—The following table assumes a flat-rate contribution, but is limited to those joining between the ages of sixteen years and forty-five years.

Flat Weekly Contribution per Member.	Initial Capital Deficiency (Balance of Cost).	Minimum Annual State Subsidy (payable in Perpetuity) required to liquidate Deficiency.
	£	£
Non-contributory	103,700,000	4,148,000
3s. 6d.	56,600,000	2,264,000
4s. 6d.	43,100,000	1,724,000
6s.	22,900,000	916,000
7s. 6d.	2,650,000	106,000

Scheme C.—The following table shows the cost to the State if weekly contributions were to be graduated, rising from 3s. 4d. at the age of sixteen years to a maximum of 9s. at and after thirty-five years, the contributions being shared equally between the employer, the employee, and the State. The State would also be responsible for any deficiency in the contributions of those between the ages of thirty-six years and forty-five years.

Ages.	Capital Cost.		Equivalent Minimum Annual State Subsidy payable in Perpetuity.
	Contributor (including Employer).	State.	
	£	£	£
17–35	36,000,000	18,000,000	720,000
36–45	24,000,000	25,800,000	1,032,000
Total	60,000,000	43,800,000	1,752,000

The cost of modifications involving extra or reduced weekly contributions by the State can be estimated by taking the capital value of each penny per week per member at £1,000,000, or, more accurately, each shilling per week per member at £13,000,000, equivalent to £520,000 per annum in perpetuity.

Scheme D.—In the following table the capital cost to the State and the minimum annual subsidy by the State payable in perpetuity are given under the following conditions :—

Benefits.—Sickness, invalidity, and orphans' benefits as in previous schemes. See section 3 A.

Superannuation.—To vary with entry age—*i.e.*, 40s. per week for all entry ages under thirty-five, decreasing by 2s. 6d. per week for each additional year of age to 15s. per week at age forty-five ; thence decreasing by 1s. per week for each additional year of age to 5s. per week at age fifty-five, and remaining at 5s. per week for all entry ages between fifty-six and sixty-five.

Widow's Pension.—£1 per week for all entering under age forty-five, but no pension for widow of any man now aged forty-five or over.

Contributions.—Graduated scale (to be divided equally between employee and employer) ranging from 3s. 4d. at age sixteen to 6s. at age twenty-eight, remaining fixed at 6s. for all higher ages, and the State to assume liability for the balance of the capital cost and meet it by a fixed annual subsidy.

Capital Cost.		Minimum Annual State Subsidy payable in Perpetuity.
Contributor (including Employer).	State.	
£ 89,400,000	£ 24,750,000	£ 990,000

NOTE.—The justification for the State paying only one-fifth of the total cost instead of one-third is that under such a scheme it would be faced with some additional outgo for old-age pensions (over age fifty-five group) and widows' pensions (over age forty-five group). This has been allowed for to a great extent in Scheme E hereunder.

Scheme E.—The following table shows the cost to the State of a scheme covering all persons between the ages of sixteen years and sixty-four years, both inclusive, under the following benefits :—

(1) Superannuation (after age sixty-five) of varying amount, according to entry age, and ranging from 40s. (under age thirty-five) to 10s. (over age fifty). See Column 1 of table.

(2) Widow's pension (until remarriage) of one-half of amount for which husband was contributing.

(3) Orphans' allowance (on death of father) of 5s. per week for each child under age sixteen.

(4) Sickness allowance (during first six months' sickness) of 27s. 6d. per week till age sixty-five.

(5) Invalidity allowance (excluding first six months' sickness) of 27s. 6d. per week till age sixty-five.

(6) Children's allowance (during father's incapacity) of 5s. per week for each child under age sixteen.

Age Last Birthday.	Member's Superannuation (Widow's Pension, Half Amount shown).	Weekly Contribution in Pence.	
		Contributor (including Employer).	Balance to be extinguished by Annual Subsidy by State.
	s.	d.	d.
16	40	40	0·6
17	40	42	0·9
18	40	44	1·3
19	40	46	1·7
20	40	48	2·5
21	40	52	1·2
22	40	54	2·2
23	40	58	1·2
24	40	60	2·6
25	40	64	1·8
26	40	68	1·3
27	40	72	1·1
28	40	72	5·3
29	40	72	9·6
30	40	72	14·3
31	40	72	19·2
32	40	72	24·1
33	40	72	29·7
34	40	72	35·6
35	38	72	37·1
36	36	72	38·7
37	34	72	39·8
38	32	72	40·6
39	30	72	41·3
40	28	72	41·5
41	26	72	42·0
42	24	72	41·7
43	22	72	41·3
44	20	72	40·5
45	18	72	39·0
46	16	72	37·0
47	14	72	33·8
48	12	72	29·8
49	10	72	24·5
50	10	72	32·0
51	10	72	40·5
52	10	72	50·2
53	10	72	61·7
54	10	72	75·4
55	10	72	92·0
56	10	72	112·6
57	10	72	138·8
58	10	72	173·1
59	10	72	221·0
60	10	72	292·3
61	10	72	410·2
62	10	72	643·9
63	10	72	1,342·9
64	10	72	1,342·9

Age Groups.	Initial Capital Cost.		Minimum Annual State Subsidy (payable in Perpetuity) required to liquidate Balance of Cost.
	Contributor (including Employer).	Balance.	
	£	£	£
Under age 45	72,000,000	19,400,000	776,000
Over 45 and under 50 ..	8,650,000	4,000,000	160,000
Over 50 and under 55 ..	5,400,000	3,750,000	150,000
Over 55 and under 60 ..	2,700,000	5,150,000	206,000
Over 60 and under 65 ..	650,000	4,350,000	174,000
All ages	89,400,000	36,650,000	1,466,000

Scheme E appears to be the most satisfactory on the grounds that—

(*a*) Contributions are reasonably graduated :

(*b*) Eventually the scheme will be self-supporting for new entrants :

(*c*) All male workers (apart from those excluded because they are already covered by satisfactory schemes) will be brought in.

(*d*) If the cost to the Government is deemed to be too large, it may be reduced by effecting modifications to the scheme.

Thus, if it applied to those under forty-five years of age at the commencement, the annual cost to the Government would be £776,000 ; under fifty, £936,000 ; under fifty-five, £1,086,000—instead of £1,466,000 under the scheme proposed.

It should be noted, of course, that there would almost immediately be some saving under the full scheme in respect of old-age pensions for those between the ages of sixty and sixty-five years, and this saving would increase from year to year.

5. ADMINISTRATION.

The following scheme of administration is suggested for consideration :—

A Minister of the Crown.

National Insurance Board of six persons.

The Commissioner of National Insurance.

District Sub-Commissioners.

(Each Sub-Commissioner to be assisted by an Advisory Committee of five persons.)

Head Office.—This would be under the control of a Minister of the Crown, the Act being administered by the National Insurance Board of six persons, who could delegate to a Commissioner such of their powers as they thought fit.

District Offices.—A Sub-Commissioner would be appointed for each district (or city), who would be assisted by a District Advisory Committee of five persons.

The National Insurance Board of six persons would include the Commissioner, Director-General of Health, Financial Adviser to the Government, Actuary, and two nominated members (to hold office during the pleasure of the Minister).

The District Advisory Committee would include a medical practitioner, a representative from the local authorities, and three other persons representative of the approved societies, employers, and employees.

The inclusion of a representative of the local authorities is on the understanding that some of the benefits would necessarily be the concern of, say, Hospital Boards and other local authorities, who would be required to assist in carrying the scheme into effect.

In allocating the districts the formation of the approved societies would have to be considered. These latter might be limited to societies of 1,000 or more persons.

Subject to approval, a society registered under the Friendly Societies Act, 1909, the Trade-unions Act, 1908, the Incorporated Societies Act, 1908, or any other Act, any employers' provident fund, any mutual benefit society, or any other incorporated society might elect on behalf and with the consent of any contributor to pay the amount, or any portion thereof, of the said contributor's contribution in respect of any one or all of the benefits payable, and any such society approved by the Board would be known as an approved society.

A condition of the acceptance of any approved society under this section would be that the said society was under the absolute control of the members and that it was not carried on for pecuniary gain.

It would be necessary to make provision for appeals to settle matters in dispute by employers and employees, societies and medical officers, to the district committees, with a final right of appeal to the Board.

6. GENERAL AND MISCELLANEOUS.

(Applicable to both pension and health-insurance schemes.)

There might also be a "general approved society" conducted by the Board, and every person who, unless excluded, had not become a member of any other "approved society" within, say, six months might be deemed to be a member of the "general approved society."

To simplify administration, there should be as few members as possible in the general society; it would be desirable to have every member linked up through some local society.

There might be an allowance of so much per member to approved societies for administration purposes, and this allowance would be provided out of the National Insurance Fund.

Members would hand in their cards to approved societies half-yearly, and the societies would forward these in bulk to central offices.

The total amount would be credited to the societies, and half the amount remitted to them to invest in trustee securities as they thought fit.

The societies should be subject to Government audit and assets valued quinquennially.

Three-quarters of any surplus might be distributed to members by societies as extra benefits.

Provision might be made for societies showing a deficit by pooling one-quarter of surpluses of societies showing a surplus. The societies themselves should make good any deficiency in administration expenditure.

Provision should be made for members of Friendly Societies and similar bodies to contribute for restricted benefits in cases where these societies already provide part of the benefits under the scheme.

Special provisions should be made for naval and military personnel, war pensioners, and also for seamen and persons engaged in seasonal occupations.

Payments under workers' compensation would replace invalidity and/or sickness benefit in certain cases.

Arrangements should be made for reciprocity within the Empire.

All receipts and declarations in connection with the scheme should be exempt from stamp duty.

The total sickness or invalidity payments from all sources should not exceed £3 per week.

The benefits under the scheme should not be assignable.

Provision would require to be made for penalties for false statements, &c.

In respect of any benefit payable to any contributor, the Board should have power to pay the said benefit to the contributor, or to his duly authorized appointee, or to expend it for the upkeep of the contributor's family.

SUMMARY.

Part I.—National Compulsory Superannuation.

(1) It is considered that a national compulsory insurance scheme is desirable in the social interest. (Page 3 of report.)

(2) The benefits in a full scheme might cover (*a*) Superannuation, (*b*) widows' pensions, (*c*) orphans' allowance, (*d*) sickness and invalidity allowances, (*e*) children's allowance during incapacity of the wage-earner, (*f*) maternity benefits. (Page 4 of report.)

(3) Unemployment insurance should be considered separately, and any scheme for unemployment insurance should be distinct from a national compulsory insurance scheme. (Page 3 of report.)

(4) The scale of benefits on which calculations are based are those set out on page 4 of the report. No scale of maternity benefits is included, because the Committee has not been in a position to make a satisfactory actuarial estimate of cost.

(5) Persons covered should include all males between specified ages who are working for wages or salary except :—

(*a*) Persons adequately covered by existing schemes :
(*b*) Persons giving satisfactory evidence of an assured income of not less than £104 on reaching pensionable age. (Page 4.)

(6) The following might be able to become voluntary contributors :—

(*a*) Workers on own account.
(*b*) Wage and salaried workers over the age at which the compulsory scheme ceases to apply. (Page 4.)

(7) A separate scheme would require to be prepared for females. (Pages 4 and 5.)

(8) Contributions might be made by the employer, the employee, and the State (at any rate in the initial stage). Eventually the scheme might be self-supporting without State contributions. The State would retain responsibility for old-age pensions to persons not covered. (Page 5.)

(9) Any scheme should be actuarially sound. (Page 5.)

(10) Estimates of costs on various assumptions are made. Scheme E is considered to be the most satisfactory. (Pages 6 to 9.)

(11) In the scheme of administration as full use as possible should be made of existing Friendly Societies and other approved societies. A National Insurance Board of six persons, responsible to a Minister of the Crown, is suggested, the departmental head being the Commissioner of National Insurance. District Sub-Commissioners, with local advisory committees, are suggested. (Pages 9 and 10.)

(12) Various miscellaneous provisions applicable to both the pensions and health insurance schemes are considered on page 10.

(13) The elaboration of details requires the decision of the Government on a number of questions including—

(*a*) Scale of benefits :
(*b*) Ages to be covered :
(*c*) Distribution of contributions between employer, employee, and State :
(*d*) The scheme of administration.

Part II.

NATIONAL COMPULSORY HEALTH INSURANCE.

A. Extent of Existing Schemes.

The principle of health insurance is firmly established, and, indeed, in Europe has found well-nigh universal acceptance. There are to-day some twenty countries in which a system of compulsory health insurance providing hospital and medical benefit in some degree or other is in force. The list of these is as follows :—

Austria.	Germany.	Lithuania.	Roumania.
Bulgaria.	Greece.	Luxemburg.	United Kingdom.
Chile.	Hungary.	Netherlands.	Union of Soviet Socialist Republic.
Czecho-Slovakia.	Irish Free State.	Norway.	Yugo Slavia.
Estonia.	Japan.	Poland.	
France.	Latvia.		

In addition, keen interest has been shown in health insurance in both Australia and South Africa, where it has been the subject of investigation by Royal Commissions, and, again, in North America, where at present draft Bills are before the legislatures of various Provinces of Canada and various States of the United States of America.

In New Zealand the Hospital Boards Association and the New Zealand Branch of the British Medical Association have already given some thought to the subject. A joint report prepared by a committee representing the two bodies was submitted by them to their respective general conferences at the beginning of the present year, when the opinion was expressed that at any rate a strong case had been established for the fullest investigation.

B. Trends in Health Insurance.

A study of existing and proposed schemes shows certain trends. Thus there is a definite tendency for schemes for the provision of medical and hospital benefits to be :—

(*a*) Compulsory :
(*b*) Contributory :
(*c*) No longer restricted to wage-earners, but widened to include all those below a certain income-level :
(*d*) Of a family character, medical benefits being provided for dependants of the insured :
(*e*) Complete so far as medical care is concerned—general practitioner, hospital, specialist, maternity, dental, and other services being provided :
(*f*) Separated from schemes for the provision of cash benefits. It is generally considered that medical and hospital benefits provided by insurance should for administrative purposes be linked with existing health and medical services.

It is suggested that the above should represent the guiding principles in any scheme for health insurance which may be introduced into New Zealand.

C. Persons to be covered and Basis of Contributions.

Many of the remarks under these heads in the first part of the report apply with equal force to this part.

Any scheme for health insurance should primarily be designed for the *compulsory* inclusion of persons working for wages and salaries, with their dependants. In addition, there should be provision for the *voluntary* inclusion of workers on their own account, with dependants. It is a matter for consideration by the Government whether the benefits of the scheme should be restricted to those who are regarded as incapable, without hardship, of making adequate provision for medical care, and whether consequently an income-limit should be set.

Contribution in the case of compulsory members of the scheme might be made by the employee, the employer, and the State, while workers on their own account might be expected to contribute on a basis representing payments by employer and employee.

The unemployed are a special problem, and it is not unreasonable to suggest that the Unemployment Fund might pay the insurance premium for this section of the community, so bringing them definitely within the scope of the scheme.

D. Per Capita Costs.

The annual *per capita* costs of providing reasonably full medical and hospital benefits have been estimated approximately to be as follows, estimated costs for New Zealand being compared with those for British Columbia.

	British Columbia.	New Zealand.	
	$	s.	d.
General practitioner service	3·40	12	0
Maternity service	0·20	*	
Specialist medical service	1·00	2	0
Dental service	0·50	7	6
Nursing service (other than hospital) ..	0·50	2	0
Hospital service	3·50	18	0
Drugs, medical, surgical, and optical supplies	1·60	4	6
Laboratory service	0·80	0	$2\frac{1}{2}$†
Reserve and contingencies	1·00	3	$9\frac{1}{2}$
	$12·50	£2 10	0

* Not shown separately, but included in the amounts shown opposite general practitioner, nursing, and hospital services.

† Non-institutional work only. Institutional laboratory work is partly covered under hospital service.

The figures for British Columbia and for New Zealand are reasonably close, and indicate that the *per capita* costs of providing medical and hospital benefits would not fall far short of £2 10s. per annum. Reliable figures showing the relative proportions of insured and their dependants are not readily available for New Zealand, but figures are obtainable for the United Kingdom and for British Columbia which are sufficiently accurate for the present purposes. The report of the Royal Commission on National Health Insurance quotes the Ministry of Labour as estimating that for every insured man the number of dependants is on the average 1·5 and for every insured woman 0·15, making the total number of dependants 15,750,000, or slightly more than the total number of insured persons.

"A Plan of Health Insurance for British Columbia, 1935," issued by the Department of the Provincial Secretary, Victoria, B.C., contains a statement that according to 1931 census figures for British Columbia there were 1·25 dependants for each wage-earner.

Applying these figures to New Zealand, it would appear probable that the provision of medical and hospital benefits on the scale proposed, and covering dependants as well as insured, would involve a total annual contribution in round figures of £5 per insured (male or female).

This sum could be materially reduced by withdrawing certain of the proposed benefits and making the scheme one which provides a general-practitioner service only as in the United Kingdom, or by leaving the insured, as in Germany, to pay the cost of prescriptions up to a certain sum, or, as in France, to pay direct to his medical attendant from 15 per cent. to 20 per cent. of his medical costs.

E. Administration.

Medical opinion in English-speaking countries is strong on the point that insurance medical practice should follow closely the lines of private medical practice, and the following principles have found general acceptance :—

- (*a*) The right of every legally qualified doctor to undertake the medical care of persons insured under the scheme.
- (*b*) The freedom of choice as between physician and patient.
- (*c*) Effective participation of insurance physicians in the administration of the scheme.

These principles can be readily agreed to. It is reasonable that the medical profession should, so far as practicable, be made responsible for the quality of the medical service and for the discipline of their own members. The experience of the United Kingdom in these respects, and the method of administration in force in that country, might well be taken as a guide.

The Royal Commission on National Health Insurance recommends that the separate *ad hoc* committees which were created to administer health insurance should now be abolished, and that their work should be handed over to committees of the appropriate local authorities, with possibly a co-opted element. In New Zealand, then, presumably the logical method of control would be—

Central Government: The Health Department, preferably through a special Board on which the Department, medical profession, Hospital Boards, and other interested parties would be represented.

Local Government: Hospital Boards, separately or grouped for the purpose, with a strong co-opted element, including representatives of medical profession, Friendly Societies, &c.

Only in this way could be achieved the necessary effective co-ordination of existing health and hospital services with the scheme. All matters concerning finance should be dealt with by the Board proposed to be set up under Part I.

F. Conclusion.

National health insurance has now well passed the experimental stage, and is a proved method of providing adequate medical care for large sections of the community who formerly received a most indifferent service. The schemes in force have been designed for the densely populated industrial communities of Europe, and require considerable modification before they can be adapted to sparsely settled agricultural countries such as New Zealand. However, the evidence as to the advantages is so overwhelming that the proposal to initiate a health-insurance scheme for New Zealand merits a fuller and more detailed investigation than this Committee has been able to make in the time available. It therefore suggests that consideration be given to the recommendation of the Hospital Boards Association that an inquiry should be undertaken by the Government which would include the taking of evidence from—

(1) The medical profession.
(2) Hospital authorities.
(3) The pharmaceutical profession.
(4) Friendly Societies.
(5) The Government Actuary.
(6) The Department of Health.
(7) Any other interested parties.

In the event of its being decided to proceed with both schemes simultaneously it would be a matter for consideration as to whether it would not be desirable to have one administrative Board for both schemes.

SUMMARY.

Part II.—National Compulsory Health Insurance.

(1) It is considered that there is a strong case for considering the establishment of a scheme of national compulsory health insurance, and also the recommendation of the Hospital Boards Association that an inquiry be undertaken by the Government which would include the taking of evidence from all interested parties. (Pages **13** and **14** of report.)

(2) A study of existing and proposed schemes shows certain trends. These are set out in detail, and represent the guiding principles which might be considered in any scheme which may be introduced into New Zealand. (Pages **12** and **13** of report.)

(3) It is a matter for consideration by the Government as to whether the benefits of the scheme should be restricted. (Pages **12** and **13** of report.)

(4) While insurance might be compulsory for persons working for wages and salaries, there might also be provision for the voluntary inclusion of workers on their own account. The case of the unemployed also requires special consideration. (Page **12** of report.)

(5) Contributions in the case of compulsory members might be made by the employee, the employer, and the State. Workers on their own account should contribute a sum representing payments by employer and employee. (Page **12** of report.)

(6) While reliable figures are unobtainable, it appears that a reasonably complete hospital and medical benefit could be provided for those coming within the scope of the scheme for a sum not exceeding £2 10s. per head. (Page **12** of report.)

(7) In any national health-insurance scheme resemblance to private practice should so far as possible be maintained. All medical practitioners should be given the right to participate in the scheme on a part-time basis, with absolute freedom of choice as between doctor and patient. (Page **13** of report.)

(8) On the subject of administration, it is suggested that any scheme for health insurance should be linked closely with existing health and public hospital services so as to provide the very necessary co-ordination. This might be effected by placing the administration centrally under the Health Department and locally under Hospital Boards. There should be provision for obtaining the opinions of professional and other groups affected by the scheme, while the medical profession, as far as practicable, should be responsible for the quality of the medical service and for the discipline of their own members. (Page **13** of report.)

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W. L. Comrie, Secretary, 17th August, 1935.

Approximate Cost of Paper.—Preparation, not given; printing (1,290 copies), £15.

By Authority: G. H. Loney, Government Printer, Wellington.—1935.

Price 6d.]