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SOCIAL SECURITY AMENDMENTS OF 1970
H.R. 17550

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UNITED STATES SENATE
RUSSELL B. LONG, *Chairman*

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THE SOCIAL SECURITY AMENDMENTS OF 1970

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Mr. President:

H.R. 17550, the Social Security Amendments of 1970, is truly a monumental bill. In terms of dollars, the $10,000,000,000 of benefits provided by this bill make it the most significant social insurance legislation Congress has ever considered. In terms of people, the impact of the bill—considered as a whole—is even more impressive. Not only does the measure directly affect the lives of 26,000,000 social security beneficiaries, but also it provides welfare increases for 3,000,000 aged, blind, and disabled welfare recipients and pension increases for 1,600,000 needy veterans and their widows.

In addition, through the trade amendments included in this bill more than 2,500,000 textile and shoe employees will receive a sense of job security directly from the bill and tens of millions more employees will find comfort in the new rules governing Tariff Commission investigations of injury resulting from increased imports.

Under the amendments to upgrade the work incentive plan, the bill offers the hope of independence to 2,000,000 persons who today are unable to qualify for gainful employment and must suffer the indignity of dependence on welfare to sustain themselves and their families.

Mr. President, the Committee on Finance has added important new titles to the bill—one dealing with international trade matters, and another which includes a substantial test of various alternatives to the welfare mess and offers significant reforms in the programs of aid to the aged, blind, and disabled. This latter part of the bill also reaffirms the intent of Congress in several areas regarding eligibility for welfare—areas where the courts have misconstrued the welfare statutes with resulting large increases in welfare caseloads.

These new titles are added to the bill with a single thought in mind—to expedite the legislative process. It is axiomatic that one bill can be acted on in less time than three. The committee was advised that amendments to add the trade bill and amendments to add the family assistance plan to this bill would be offered during the debate on the bill. They all look on this social security bill as a measure that is going to be presented to the President and that fact makes the bill a prime target for controversial amendments late in the session.

There are Senators on the Finance Committee who favored these amendments and there are others who oppose them. We spent considerable time discussing procedures for acting on the bill and in the final analysis it was agreed that we would vote on the questions in committee. The

crucial motion to add the family assistance plan was rejected by a 6 to 10 vote of the committee. The crucial vote on the trade bill came as a motion to separate it from the social security bill. The motion failed by a vote of 6 to 11.

So the bill as reported by the committee does not include the family assistance plan but it does include the trade bill. The basic matters covered by the trade amendment are not new to the Senate. Nonetheless, the committee decided unanimously to interrupt its executive sessions and hold public hearings on the trade amendments before we voted on them.

I had been urged previously by fifteen or so Senators to hold hearings on this bill before the committee acted. Among those signing that request was the senior Senator from New York. During our two days of hearings the committee heard from the Office of Special Trade Representative, the Secretary of Commerce, the Secretary of State, the Director of the Office of Emergency Preparedness, the Assistant Secretary of Agriculture, and a number of broad-based trade associations who had expressed interest in testifying. While we did not have time to hear all those whom we would have wished to hear, the committee members did get clear indication of the administration's position on this bill and also of the position of many interested parties.

The committee members studied intently the massive volume of statements submitted for the record. We also had available to us sixteen volumes of House hearings on this matter, which took over one month of public testimony, the hearings of the Committee on Finance held in 1967, which covered some one thousand and two hundred pages of testimony, and the committee's oversight review of United States trade policy in 1968 covering another one thousand pages of submitted documents.

Considering the features of the bill which revise the social security tax structure, it is a fair statement that H.R. 17550 literally reaches into every home in America.

The following chart indicates the value of benefits included in H.R. 17550 as reported by the Committee on Finance, and the number of persons affected by them.

CHART 1.—INCREASED BENEFITS UNDER H.R. 17550

	1st full year cost	Number of persons affected
Social Security:		
Cash benefits	$6,500,000,000	26,000,000 beneficiaries.
Medicare	100,000,000	20,000,000 persons covered.
Catastrophic illness	2,200,000,000	170,000,000 persons covered.
Subtotal	8,800,000,000	
Welfare:		
Aid to the aged, blind, and disabled	300,000,000	3,000,000 aged, blind, and disabled persons.
Child care, family planning, work incentive program (including tax credit).	700,000,000	About 2,000,000 mothers receiving welfare.
Subtotal	1,000,000,000	
Veterans' pension increase	160,000,000	1,600,000 pensioners.
Total value of benefits in H.R. 17550	10,000,000,000	

Let me now describe the significant features of the committee bill, and I shall submit for the record a more detailed summary of the provisions of the bill.

The committee bill provides $6,500,000,000 of addi-

tional benefits under the cash portion of the social security program.

Increase in Social Security Benefits

Under the committee bill, social security payments to the nearly twenty-six million beneficiaries on the rolls at the end of January 1971, and to those who come on the rolls after that date, would be increased by 10 per centum, with a new minimum benefit of $100.

The House-passed bill would have increased benefits by 5 per centum, with a minimum benefit of $67.20. The committee increased the minimum social security benefit from the $67.20 in the House bill to $100 in order to provide substantial help for those who have the greatest need—those whose social security benefits are so low that if they have no other income—and most do not—they are unable to meet their basic everyday needs for food and shelter.

Under present law monthly benefits for workers who retire at age 65 in 1971 now range from $64 to $193.70; under the House-passed bill they would range from $67.20 to $203.40; under the committee bill they would range from $100 to $213.10. Benefits for a couple in January 1971 would average $198 under present law; under the House-passed bill they would average $217; under the committee bill they would be increased to $233. For a widowed mother

with two children, the average benefit for January 1971 under present law would be $295; under the House-passed bill it would be $311; under the committee bill it would be $331. The benefit increase would mean additional benefit payments of $5,000,000,000 in the first year.

Although the benefit increase will be effective for January 1971, the Social Security Administration advises us that legislation this late in the year makes it impossible to get the increased benefits into the hands of the beneficiaries with the regular check that goes out on February 3. They need about three months to adjust their records and computers before they can pay at the new rates.

Therefore, the first check at the new rates will be sent out on April 3, and later in the month another check representing the retroactive increase for January and February will be sent out. This is the same procedure followed last year when a benefit increase was effective for January, but was not paid until April.

Mr. President, this chart compares the benefits under the committee bill with the benefits available under present law and those which would have applied under the House bill for a single person and a married couple with various levels of earnings.

CHART 2.—ILLUSTRATIVE MONTHLY BENEFITS PAYABLE UNDER PRESENT LAW, UNDER THE HOUSE BILL, AND UNDER THE SENATE FINANCE COMMITTEE BILL

Average monthly earnings	Benefit amount					
	Worker			Couple		
	Present law	House bill	Committee bill	Present law	House bill	Committee bill
$76	$64.00	$67.20	$100.00	$96.00	$100.80	$150.00
113	90.60	95.20	100.00	135.90	142.80	150.00
150	101.70	106.80	111.90	152.60	160.20	167.90
250	132.30	139.00	145.60	198.50	208.50	218.40
350	161.50	169.60	177.70	242.30	254.40	266.60
450	189.80	199.30	208.80	284.70	299.00	313.20
550	218.40	229.40	240.30	327.60	344.10	360.50
650	250.70	263.30	275.80	376.10	395.00	413.70
750	.....	283.00	296.00	.....	424.50	444.00

Increase in Family Maximums

The committee bill also corrects a discrimination under which families already on the rolls at the time of enactment of a social security increase get the increase while those coming on the rolls in the future are denied it. Under our bill, all families will benefit from this increase and from future increases without regard to when they become eligible for benefits.

Cost-of-Living Increases

Once the benefits are brought up to date, they need to be kept up to date. And while the Congress has in the past acted to maintain social security benefits at realistic and adequate levels, there have been lags in legislation during times of rapidly rising prices. The automatic cost-of-living increases provided in H.R. 17550 will insure that such lags in benefit increases will not occur in the future.

While the committee is in agreement with the sense of the House bill as to the desirability of an automatic adjust

ment in social security benefits, the committee bill revises the House text to stress the role of the Congress in setting social security tax and benefit levels. Under the committee bill, social security benefits would rise automatically as the cost of living goes up in the event Congress failed to legislate on social security benefits or taxes. The full cost of the automatic benefit increases would be met equally by increases in tax rates and in the tax base which would go into effect at the same time that benefits are increased, with the strictly actuarial function of determining the base and the rates being performed by the Secretary of Health, Education, and Welfare.

The committee bill provides that the automatic increases would go into effect unless Congress acts otherwise to effect a change in social security benefit levels, a change in the schedule of social security tax rates, or a change in the social security tax base. In effect, we are guaranteeing that congressional inaction will not prevent automatic social security hikes in periods of rising prices.

Special Payments to People Age 72 and Older

Under present law, special payments of $46 a month for an individual and $69 for a couple are made to people age 72 and over who have not worked under the program long enough to qualify for regular cash benefits. This is the so-called Prouty Amendment of 1966. Under the committee

bill, as under the House bill, the payments would be increased January 1, 1971, by 5 per centum, to $48.30 a month for an individual and $72.50 for a couple.

Liberalization of the Retirement Test

Another important feature of the committee bill, makes significant improvements in the retirement test. These improvements—which were also in the House bill—provide an increase from $1,680 to $2,000 in the amount a beneficiary under age 72 may earn in a year and still be paid full social security benefits for that year. The change reflects increases in earnings levels that have occurred since the present amount of $1,680 was set in 1967. The bill also provides for automatic upward adjustments of the amount in the future as earnings levels rise, thereby making it unnecessary for Congress to act in the future to keep the earnings exemption in line with raises in wage levels generally.

Under present law, each $2 earned between $1,680 and $2,880 results in a $1 reduction in benefits; each dollar earned above $2,880 reduces benefits by $1. This dollar-for-dollar reduction that applies to earnings above $2,880 reduces incentives for beneficiaries to work. The committee bill would provide for a $1 reduction for each $2 earned with respect to all earnings above $2,000, so that the more a beneficiary works and earns, the more spendable income

he would have. The bill would also increase from $140 to $166.66 the amount of wages the beneficiary may earn in a given month and get benefits for that month, regardless of his annual earnings.

In 1971 about six hundred and fifty thousand beneficiaries would receive additional benefits, and about three hundred and eighty thousand persons who would receive no benefit under present law would receive some benefits as a result of the retirement test liberalizations. The additional benefit payments for the first full year would be about $404,000,000.

Increased Widows' and Widowers' Insurance Benefits

Both the House bill and the committee bill are aimed at providing benefits to a widow equal to the benefits the widow's deceased husband was receiving or would have received. Unfortunately, the way the House bill was written a widow could actually receive a benefit substantially higher than her husband received before his death. Generally, under the committee bill the widow would receive either 100 per centum of the benefit her husband was actually receiving at the time of his death, or, if he was not receiving benefits, 100 per centum of the benefit he would have been eligible for at age 65.

About 2,700,000 widows and widowers on the rolls at the end of January 1971 would receive additional benefits,

and $649,000,000 additional benefit payments would be made in the first full year.

Age 62 Computation Point for Men

Under the present law, the method of computing benefits for men and women differs in that years up to age 65 must be taken into account in determining average earnings for men, while for women only years up to age 62 must be taken into account. Also, benefit eligibility is figured up to age 65 for men and up to age 62 for women. These differences, which provide special advantages for women, would be eliminated by applying the same rules to men as now apply to women.

Under the committee's bill, there would be a gradual transition to the new procedures. The age 62 computation would apply only to those becoming entitled to benefits in the future; the number of years used in determining insured status and in computing benefits for men would be reduced in three steps so that men reaching age 62 in 1973 and later would have only years up to age 62 taken into account in determining insured status and average earnings.

In the first full year, an additional $6,000,000 in benefits would be paid out under this provision. This amount will scale upward in future years, eventually involving $1,000,000,000. Under the change in benefit eligibility requirements for men, some two thousand people—workers, their depend-

ents and survivors not eligible under present law—would be added to the rolls in the first year.

Adoptions

The committee simplified the adoption rules in present law so that eligibility of children adopted by retired workers and children adopted by disabled workers would be determined under common rules. Under the committee bill, a child who is adopted after a worker is entitled to benefits would be able to get child's benefits based on the worker's earnings if: (1) the adoption was decreed by a court of competent jurisdiction within the United States, (2) the child lived with the worker in the United States for the year before the worker became disabled or entitled to an old-age or disability insurance benefit, (3) the child received at least one-half of his support from the worker for that year, and (4) the child was under age eighteen at the time he began living with the worker.

These simplified rules will bring considerable equity to a very complex area of the law and eliminate the need for many special purpose amendments in the future.

Provisions Relating to Disability

Under present law, there is a six-month waiting period before a disabled person is eligible for social security disability insurance benefits. However, the month of disablement does not count as part of the waiting period. Also, the

check for the month following the waiting period is not paid until the next month.This has caused considerable hardship to disabled people, particularly those suffering a terminal illness. The committee's bill would reduce the waiting period from six months to four months. About one hundred and forty thousand people—disabled workers and their dependents and disabled widows and widowers—would be able to receive a benefit for January 1971 as a result of this provision. About $185,000,000 in additional benefits would be paid out during the first full year.

Disability Offset

The committee deleted the provision in the House bill which would have raised the ceiling on income from combined workmen's compensation and social security disability insurance benefits from 80 per centum to 100 per centum of the disabled worker's average current earnings before the onset of his disability. The objective of the offset provisions is to avoid the payment of combined amounts of social security benefits and workmen's compensation payments that would be excessive in comparison with the beneficiary's earnings before he became disabled. Although the committee agrees with the compassionate objective of the House bill, it feared the combination of (a) payments equal to past wages plus (b) tax exemption for these

amounts, could result in payments in excess of prior take-home pay and this could jeopardize efforts to rehabilitate the worker and restore him to gainful employment. The committee was of the opinion that the best interest of the disabled worker in his own rehabilitation.

Medicare and Medicaid

During the past two years, the committee has devoted an extensive and almost disproportionate share of its time to determining and evaluating the many problems in the huge medicare and medicaid programs.

Parenthetically, it might be worthwhile to mention that during our years of work we have shared with the Committee on Ways and Means information we have developed. The Committee on Ways and Means, in turn, has given us the benefit of their efforts.

The medicare and medicaid programs are here to stay. With that in mind, it was more important than ever for the committee to act to correct the problems which our work revealed. The House, in its bill, attempted to and did develop solutions to some of the important problems. We accepted, and in some instances, improved upon amendments in the House bill designed to bring medicare and medicaid costs under control. We have also added amendments to further achieve the common objectives of both the House and Senate—reasonable and equitable controls on the costs

and utilization of health care services with the minimum amount of redtape.

We believe the amendments of the House and those added by the Finance Committee will go a very long way toward assuring the taxpayers and the millions of citizens who depend upon medicare and medicaid that those programs will function more effectively and economically in delivering quality health care.

Let me describe the more important features of this part of the committee's bill.

Professional Standards Review Organizations

My distinguished colleague from Utah (Mr. Bennett) has worked very hard on the provision in the committee's bill that provides for the establishment and use of professional standards review organizations. I would not wish to let this opportunity go by without recognizing his outstanding efforts in the developing of this provision.

Under this provision, professional standards review organizations would be established to review the utilization of health care provided under the medicare and medicaid programs. The Secretary of Health, Education, and Welfare would, after consultation with national and local health professions and agencies, designate appropriate areas throughout the Nation for which professional standards review organizations would be established. Areas may cover an entire State,

or parts of a State, but generally a minimum of three hundred practicing doctors would be included within one area.

Organizations representing substantial numbers of physicians in an area, such as medical foundations and societies, would be invited and encouraged to participate. Where the Secretary finds that such organizations are not willing or cannot reasonably be expected to develop capabilities to carry out professional standards review organization functions in an effective, economical, and timely manner, he would enter into agreements with such other agencies or organizations with professional competence as he finds are willing and capable of carrying out such functions.

The Secretary would approve those organizations which can reasonably be expected to improve and expand the professional review process. The initial approval would be made on a conditional basis, not to exceed two years, with the review organizations operating concurrently with the present review system. During the transitional period, medicare carriers and intermediaries are expected to abide by the decision of the professional standards review organization where the professional standards review organization has acted. This reliance will permit a more complete appraisal of the effectiveness of the conditionally approved professional standards review organization. Where performance of an organization is unsatisfactory, and the secretary's efforts to

bring about prompt necessary improvement fail, he could terminate its participation.

Provider, physician, and patient profiles and other relevant data would be collected and reviewed on an ongoing basis to the maximum extent feasible to identify persons and institutions that provide services requiring more extensive review. Regional norms of care would be used in the review process as routine checkpoints in determining when excessive services may have been provided. The norms would be used in determining the point at which physician certification of need for continued institutional care would be made and reviewed. Initial priority in assembling and using data and profiles would be assigned to those areas most productive in pinpointing problems so as to conserve physician time and maximize the productivity of physician review.

The professional standards review organization would be permitted to employ the services of qualified personnel, such as registered nurses, who could, under the direction and control of physicians, aid in assuring effective and timely review. They would also be authorized to use the services of effective hospital utilization review committees and local medical society review committees in performing its tasks.

Where advance approval by the review organizations for institutional admission is required, such approval would provide the basis for a presumption of medical necessity for

purposes of medicare and medicaid benefit payments. Failure of a physician, institution, or other health care supplier to seek advance approval, where required, could be considered cause for disallowance of affected claims.

In addition to acting on their own initiative, the review organizations would report on matters referred to them by the Secretary. They would also recommend appropriate action against persons responsible for gross or continued overuse of services, use of services in an unnecessarily costly manner, or for inadequate quality of services and would act to the extent of their authority or influence to correct improper activities.

A National Professional Standards Review Council would be established by the Secretary to review the operations of the local area review organizations, advise the Secretary on their effectiveness, and make recommendations for their improvement. The Council would be composed of physicians, a majority of whom would be selected from nominees of national organizations representing practicing physicians. Other physicians on the Council would be recommended by consumers and other health care interests.

Inspector General for Health Administration

We on the committee have been increasingly concerned about making sure that the medicare and medicaid programs operate effectively and as Congress intends. I know

other Members of the Congress and the people who administer these programs have been concerned, too. But these programs are very complex and far reaching and sometimes the review processes being used cannot identify problems or discrepancies as soon as we all would like. And sometimes there is no way to promptly correct the problems that have been found.

I want to commend two distinguished members of the committee—the Senator from Connecticut, Mr. Ribicoff, and the Senator from Delaware, Mr. Williams—who sponsored a provision in the committee bill that will go a long way to alleviate our concern about these difficulties. The provision will establish an Office of Inspector General for Health Administration within the Department of Health, Education, and Welfare.

His responsibilities will be patterned after the successful approach employed by the Agency for International Development and the investigative responsibilities, with respect to congressional requests, required of the United States Tariff Commission. In carrying out his responsibilities, he will not be under the control of any officer of Health, Education, and Welfare other than the Secretary, and he will be provided with sufficient authority to make sure that medicare and medicaid function as Congress intends. He will continuously review these programs, and any other health programs es-

tablished under social security, to determine their efficiency and economy of administration, their compliance with the law, and the extent to which the objectives and purposes for which they were established are being realized.

He will recommend ways to correct deficiencies or to improve these programs. And he will have the authority to suspend regulations, or practices or procedures which he finds not in harmony with congressional intent or which will lead to inefficiency and waste. It is important to have a mechanism for dynamic and ongoing review of these programs, and that the person with this responsibility be at a level where he can promptly call attention to problems and deal with them in a timely and effective fashion. Armed with the authority provided under this provision, I believe the voice of the Inspector General will be effective in improving the efficiency and economy with which the medicare and medicaid programs of the Department of Health, Education, and Welfare are administered.

Waiver of Nursing Requirements in Rural Hospitals

Several members of the committee were concerned about the problem created by the need to assure the availability of hospital services of adequate quality in rural areas and the fact that existing shortages of qualified nursing personnel generally make it difficult for some rural hospitals to meet the nursing staff requirements in present law. The committee

has attempted to resolve this problem by including in the bill a provision that would allow the Secretary, under certain conditions, to waive the medicare requirement that a hospital have registered professional nurses on duty around the clock. This requirement could be waived only if (1) the hospital has at least a registered nurse on the daytime shift, (2) has made, and is continuing to make, a real effort to hire enough nurses to meet the requirements, and (3) is unable to employ qualified personnel because of nursing shortages in the area. Also, the hospital must be located in an isolated geographical area in which hospital facilities are in short supply and the closest other facilities are not easily accessible to people of the area. And finally, it must be known that nonparticipation of the hospital would seriously reduce the availability of hospital services to medicare beneficiaries living in the area.

The Secretary would, of course, regularly review the situation with respect to each of these hospitals and the waiver would be granted on an annual basis for a period of only one year. This waiver would apply only to the nursing staff requirement and would expire on December 31, 1975.

Proficiency Testing of Health Personnel

In 1967 the committee recommended that the Secretary of Health, Education, and Welfare consult with appropriate

professional health organizations and State health agencies to explore, develop, and apply appropriate means—including testing procedures—for determining the proficiency of health care personnel otherwise disqualified or limited in responsibility under regulations of the Secretary.

The Department has taken little or no action, except with respect to directors of clinical laboratories, in developing proficiency testing and training courses. The personnel problems which existed in 1967 and which the committee sought to correct have been aggravated as a result of the Department's continued inaction.

We are all aware of the acute shortage of nursing personnel in America. This has forced many hundreds of nursing homes to cover some shifts with "waivered" practical nurses. These are practical nurses, who do not have the required formal training, and who, in many States, have been licensed on a waivered basis. Undoubtedly, a substantial proportion of these practical nurses, who have years of experience, are competent, but they do not meet the medicare and medicaid charge-nurse requirements. Therefore, unfortunately, many otherwise-qualified nursing homes are being or soon may be forced out of the medicare program because of the unavailability of a registered nurse or a licensed practical nurse who meets the Medicare requirements.

Similar problems exist with respect to physical therapists, medical technologists, and psychiatric technicians.

The committee has therefore added to the House bill a provision which requires the Secretary to explore, develop, and apply appropriate means of determining the proficiency of health personnel disqualified or limited in responsibility under present regulations. The committee expects that the Secretary will regularly report to it and to the Committee on Ways and Means of the House of Representatives concerning the progress in this area.

Reimbursement of Physicians in Teaching Hospitals

The committee is aware that a major problem—of almost scandalous proportions—in medicare administration is the payment under part B on a fee-for-service basis for the services of "supervisory" physicians in teaching hospitals—services which in many instances were never rendered by the physician in whose name they were billed. We estimate these payments to be more than $100,000,000 annually and in general, such payments were not made prior to medicare. It certainly was not the intent of Congress that medicare cover noncustomary charges. The Comptroller-General of the United States has sent several disturbing reports to the committee that document and detail the problems in this area.

The House bill attempts to deal with this problem by

providing for payment under part B (physician's bills) for services of certain teaching physicians on a cost rather than a charge basis. Payment on a fee-for-service basis would only be made if there is general billing for such services to all patients and collection from those able to pay.

The committee believes, and has amended the House bill to provide, that payments for services furnished by supervisory physicians in teaching hospitals should be made on a cost basis under part A (hospital insurance), unless the patient is truly a private patient or unless the hospital since 1965 has charged all patients in full, including the medicare deductible and coinsurance amounts, and has collected from at least half of them. For donated services of teaching physicians a salary cost would be imputed equal to the average cost of salaried physicians.

Limits for Determining Reasonable Charges for Physicians' Services

Another specific concern of the committee has been the threat that continuing increases in physicians' fees pose to the effectiveness of the medicare program. We certainly recognize that there are complex reasons for these increases. Part of the problem is that more and more people are seeking medical care and the number of doctors is not increasing fast enough to keep up with the demand. But something must be done.

The House bill which the committee approves without change moves in the direction of an approach to reimbursement of physicians that ties recognition of fee increases to some reasonable index that reflects what is happening in the rest of the economy, thereby limiting recognition of increases in charges to amounts that economic data indicate would be fair to all concerned. Under this approach, recognition of fee increases would continue, but only in relation to things that are happening in other parts of the economy that have a bearing on the physician's cost of doing business. What is proposed is not a limit on what a physician may charge under the medicare program, but rather a limit on what the program will recognize as the prevailing fee in the locality. Thus, a limitation would be imposed only where a physician's charges are significantly higher than the usual or prevailing charge in the locality for the same service, or where a physician raises his customary charge significantly above former levels.

This is not an effort to penalize any group in the health care delivery system or to interfere with anyone's right to receive just compensation for their services. The objective is to move toward a system of determining reasonable charges which will be related to the general state of the economy. Indexes will be developed to give recognition to such things as the cost of producing medical services, costs of living, and

earnings of other professional people. This approach should provide the individual physician with an objective measure of the fairness of increases in his charges.

Limits on Reimbursement for Capital Expenditures

The committee also approved the provision in the House bill that would authorize the Secretary of Health, Education, and Welfare to withhold or reduce reimbursement amounts for depreciation, interest, and other expenses related to capital expenditures for plant and equipment in excess of $100,000 where such expenditures and equipment are determined to be inconsistent with State or local health facility plans. This feature is similar to a provision in the committee bill of 1967. Under this program, the Secretary would make agreements with States to utilize the services of qualified health planning agencies to help in administration of this provision. The agencies will submit findings and recommendations with respect to proposed capital expenditures that are inconsistent with the plans developed by these agencies.

The committee amended the provision to provide for appeal at the State level when negative decisions are made by the planning agencies. This provision would not impede the growth and expansion of hospitals and skilled nursing homes but would provide guidance to assure that future growth is achieved in a sensible, orderly manner. It should

have little or no effect on most hospitals and nursing homes since additional facilities are generally constructed only in response to a need of the community. But this provision should discourage a hospital from acting without regard for the needs of the community.

Limitation on Costs Recognized as Reasonable

Under present law, providers of services are paid on the basis of reasonable cost. However, there are a number of problems that inhibit making a decision that the costs for a particular provider are not reasonable.

The committee is mindful of the fact that costs can and do vary from one institution to another as a result of differences in size, in the nature and scope of services provided. type of patient treated, the location of the institution, and various other factors affecting the efficient delivery of needed health services. It is also true, however, that costs can vary from one institution to another as a result of variations in efficiency of operation, or the provision of amenities in plush surroundings. The committee believes that it is undesirable, to reimburse health care institutions for costs that are the result of gross inefficiency in operation or provision of expensive services that are not medically necessary. These costs cannot properly be considered "reasonable" for purposes of payment under medicare and medicaid.

Accordingly, the committee approves the House provi-

sion which would give the Secretary new authority to set limits on costs recognized for certain classes of providers in various service areas. This new authority differs from existing authority in several ways and meets the particular problems identified above. First, it would be exercised on a prospective, rather than retrospective, basis so that the provider would know in advance the limits to Government recognition of incurred costs and have the opportunity to avoid incurring costs that are not reimbursable. Second, relatively high costs that cannot be justified by the provider as reasonable for the results obtained would not be reimbursable. Third, provision would be made for a provider to charge the beneficiary for the costs of items or services in excess of or more expensive than those that are determined to be necessary in the efficient delivery of needed health services.

Advance Approval of Care in Extended Care Facilities and Home Health Care

One of the key problem areas in medicare has been the substantial number of retroactive denial of benefits for care provided in extended care facilities. I know that I have received many heartbreaking letters from people faced with tremendous bills for services they thought were covered by their medicare insurance.

To deal with the problem, the committee has modified

the provision in the House bill which authorizes the Secretary of Health, Education, and Welfare to establish presumptive periods of coverage on the basis of a physician's certification for patients admitted to an extended care facility or started on a home health plan. Under the committee amendment, to the greatest extent possible, prior review and approval of physicians' certifications of patient need for extended care would be required. Unless the doctor's certification was specifically disapproved in advance, medicare coverage would apply and payment would be made for the lesser of (a) the initially certified and approved period, (b) until notice of disapproval, or (c) ten days. The committee bill also provides for a similar advance approval approach to the determination of coverage and payment for home health services. The committee hopes that this amendment will help to solve the problem of retroactive denials that have been so burdensome to medicare beneficiaries.

Additional Safeguards

The committee bill adds a number of significant features to the statute to protect the medicare program from abuses. One of these facilitates the recovery of overpayments by authorizing a lien in favor of the Government in the amount of the overpayment.

Another provides specific penalties for fraud and abuse

of the program and makes it a criminal offense to solicit, offer, or accept brides or kickbacks—including the rebating of a portion of a medicare or medicaid fee or charge for a patient referral.

Still another would give the Secretary authority to terminate payment for services rendered by an abusive provider of health and medical services—those who have made a practice of furnishing inferior or harmful supplies or services, engaged in fraudulent activities, or consistently overcharged for their services.

Along with these structural improvements in the medicare program the committee bill proposes new rules governing the reimbursement of physical therapists, speech therapists, occupational therapists, and other specialists such as social workers, medical records, librarians, and dieticians. Under the bill payment to these providers will be limited to a "salary-related" basis. In effect their payment will not be on a fee-for-service basis, but will be limited to the amount generally equal to the salary such a person would reasonably have been paid if he were an employee. Of course, adjustments are authorized for expenses incurred by these people as self-employed persons—office expenses, travel expenses, and the like.

A new system of publicizing deficiencies in health care facilities is also included in the committee bill. This infor-

mation would enable physicians and patients alike to make sounder judgments about their own use of available facilities in the community and should also serve to speed up the process of correction of the deficiencies.

Health Maintenance Organizations

The bill as passed by the House would provide medicare beneficiaries with an option to have all covered services furnished or arranged for by a health maintenance organization (a group practice or other prepayment capitation plan). The administration has strongly advocated this approach to health care payment and arrangement expressing the view that it would provide incentives to hold medicare costs down. Existing prepayment plans such as Kaiser in California and HIP (Health Insurance Plan) in New York have demonstrated an ability to provide comprehensive health care of good quality efficiently and economically. The administration in urging this amendment expressed the hope that it would expand availability to older people of the desirable characteristics of prepaid comprehensive health care.

The committee has been concerned that this new medicare option without sufficient controls could turn out to be an area of potential abuse of the program rather than a new benefit for older people. Therefore, the committee has amended the provision substantially to include safeguards with respect to reimbursement to health maintenance orga-

nizations and, of great importance, safeguards to protect and assure that the interests of medicare beneficiaries who choose this option are fully protected.

The committee amendments, generally speaking, are technical in nature but their combined effect is to plug potential loopholes in the plan before they develop. With these amendments and with the direction to the Inspector General to oversee the implementation of the health maintenance organization's services the committee agrees that the cost-saving potentials of health maintenance organizations should be fully explored.

Additional Medicare Benefits

The committee bill again recommends that the Senate add certain services of optometrists and chiropractors to the benefits available under medicare. In both instances of safeguards are provided to assure no deterioration in the quality of care provided under the program.

In addition, the bill provides that aged persons not eligible for hospital insurance may "buy in" to the program, paying the full cost of this new protection—$27 per month at the beginning. State and local governments could also buy in for their aged employees or retirees.

We have also provided for payment of doctor's bills associated with hospitalization in a Canadian hospital. This change should be quite helpful to people living along the border where local hospitals are not available.

Administrative Simplification

The committee bill contains several features intended to ease and simplify the administration of the medicare program. An important example of this sort of change is the provision calling for uniform standards for nursing homes under medicare and medicaid. Under this provision a single set of health, safety, environmental, and staffing standards would apply and a single State agency would certify the facility both for medicare and medicaid. This change reflects the essential similarity between the care provided on a short term basis in extended care facilities under medicare and that provided on a long-term basis in skilled nursing homes under medicaid.

Another considerable simplification concerns the present complex reimbursement formula for paying extended care facilities on a cost basis, with retroactive adjustments which cut back on allowances and makes everyone mad. Under the committee bill, the medicare program would be authorized to apply medicaid's skilled nursing home reimbursement rules to its own extended care facilities.

This rule would be available where medicaid's rates are reasonably related to costs. It will give nursing home operators advance assurance of the amount of pay they can expect to receive for caring for medicare beneficiaries.

The committee bill also provides for experimentation

with prospective reimbursement methods which might offer incentives to hold costs down or to produce services in the most efficient and effective manner. If these experiments are successful much of the difficulty with today's retroactive payment rules could be solved.

Limitation on Medicaid Reimbursement

Like the House, the Committee on Finance is concerned with the rapidly rising costs of medicaid and the overutilization of medicaid services. However, the approach taken by the House, of cutting off Federal matching funds for long-term hospital and nursing home stays, seemed unnecessarily harsh. An alternative suggested by the committee would authorize the Secretary of Health, Education, and Welfare to reduce selectively the Federal matching rates for institutional care where professional review and medical audit procedures are inadequate or ineffective. States employing utilization review and medical audit functions properly would not be affected by this cut-back provision. This appears to be a more equitable way of containing the costs of long-term institutional care under medicaid than the House provision which would have automatically reduced Federal matching funds now available to the States for financing long-term institutional care in general hospitals, mental hospitals, tuberculosis hospitals, and nursing homes without permitting the Secretary to exercise discretionary judgment.

Intermediate Care Facilities

Another amendment, authorizing intermediate care under medicaid rather than under title XI, as at present, emphasizes that intermediate care facilities are institutions providing health-related services below the level of skilled nursing homes. For the first time, it would make such care now limited to those receiving or eligible for cash assistance available under medicaid to the medically indigent. Intermediate care would cover those requiring institutional care beyond residential care and who would, in the absence of such care, require placement in a skilled nursing home or mental hospital. These facilities would be required to have at least one full-time licensed practical nurse on their staffs. Additionally, subject to appropriate requirements, intermediate care would also be available to mentally retarded persons in public institutions. Because the committee felt that present review requirements are insufficient, States would be required to provide assurance to the Secretary that appropriate and effective utilization review and medical audit procedures are being applied to intermediate care, as is already required for patients in skilled nursing homes.

Mentally Ill

One area where we have put off too long the provision of Federal aid for badly needed hospital care concerns the treatment of mentally ill children. Many of these poor unfor-

tunates could be helped to a better life if adequate care is provided for them in their youth. I am pleased that the committee agreed with me when I offered an amendment to provide medical treatment for them. Under this amendment Federal matching payments would be authorized under medicaid to States for care of mentally ill children under 21 years of age in public mental institutions. Such funds would be available where States maintained their present fiscal effort, for patients in accredited mental hospitals who are undergoing a program of active medical treatment. Presently, such Federal matching is authorized only for persons 65 or over.

Medicaid's Uniformity Rules Revised

Under present law, all medicaid recipients in a State must be eligible for the same scope of services, and the services must be available throughout the State. Present title XIX requirements for "statewideness" of amount, duration, and scope of benefits have created problems for States who want to contract with organizations, such as neighborhood health centers or prepaid group practices, to provide services to title XIX recipients. The services are often broader in scope than those available under medicaid, but are not available throughout the State.

A committee amendment facilitates arrangements with comprehensive health organizations and health groups offer-

ing services different from those in the regular State medicaid plans.

It also makes it possible for States to utilize reasonable uniform deductibles and copayment features in their medicaid plans for the medically indigent without requiring that they also apply to the welfare recipients covered by the plan. This will help make it possible to control excess utilization if a State requires the medically indigent to share a reasonable part of the cost of their own care.

Medicaid Maintenance of Effort

The committee approved the provision in the House bill to repeal the requirement that all States must move toward a comprehensive medicaid program by 1977. In addition, the committee bill would repeal the provision requiring that States maintain their efforts by not cutting back on the amount they spend for medicaid from one year to the next. The committee believes that States should be allowed to decide how extensive a medicaid program they desire.

Protection Against Catastrophic Illness

The Committee on Finance is concerned about the devastating effect which a catastropic illness can have on families unfortunate enough to be affected by such an illness. Over the past decades science and medicine have taken great strides in their ability to sustain and prolong life.

Patients with kidney failure, which until recently would have been rapidly fatal, can now be maintained in relative good health for many years with the aid of dialysis and transplantation. Patients with spinal cord injuries and severe strokes can now often be restored to a level of functioning which would have been impossible years ago. Modern burn treatment centers can keep victims of severe burns alive and can offer restorative surgery which can in many instances erase the after effects of such burns.

These are but a few examples of the impact which recent progress in science and medicine has had. This progress, however, has had another impact. These catastrophic illnesses and injuries which heretofore would have been rapidly fatal and hence not too expensive financially, now have an enormous inpact on a family's finances.

To deal with this situation, the committee has added to the House bill which would establish a catastrophic health insurance program beginning in January 1972 for all people under age 65 who are insured under social security, as well as their spouses and minor children. People under 65 who receive monthly social security benefits would also be eligible. People over 65 would not be covered since they have medicare which substantially meets the needs of all but a very small minority of beneficiaries.

It is estimated that only 20 to 30 per centum of our

people under 65 have insurance against the costs of catastrophic illness through major medical or comprehensive medical plans. I am very proud to be the sponsor of this amendment which I believe will go a long way towards lifting the financial burden from those who are already carrying the heavy load of sickness and despair.

The benefits provided under the catastrophic health insurance program would be the same as those currently provided under parts A and B of medicare, except that there would be no upper limitations on hospital days, extended care facility days, or home health visits. The major benefits excluded from medicare, and consequently excluded from this proposal, are nursing home care, outpatient prescription drugs, dental care, and full inpatient and outpatient psychiatric coverage.

The deductibles in the plan would parallel the deductibles under parts A and B of medicare. There would be a hospital deductible of sixty days' hospitalization for each person and a supplemental medical deductible initially established at $2,000 per family.

After an individual is hospitalized for sixty days in one year, he would become eligible for payments toward his hospital expenses beginning on the sixty-first day of his hospitalization. Any posthospital extended care services which he subsequently received during that year would also

be eligible for payment. After the hospital deductible is met, the program would pay hospitals substantially as they are presently paid under medicare, with the individual being responsible for a coinsurance payment equal to one-fourth of the inpatient hospital deductible as determined for medicare purposes. Extended care services would be subject to a daily coinsurance amount equal to one-eighth of the inpatient hospital deductible as determined for medicare purposes. If the program were in effect in January 1971 the coinsurance for a hospital day would be $15 a day, and for extended care services $7.50 a day.

The medical deductible would apply to the entire family. After a family had incurred expenses of $2,000 for physicians' bills, home health visits, physical therapy services, laboratory, and X-ray services, and other covered medical and health services, the family would become eligible for payments toward these expenses. After the $2,000 medical deductible has been met, the program would pay for 80 per centum of eligible expenses, with the patient being responsible for coinsurance of 20 per centum.

As in the medicare program, these coinsurance features are intended to limit program costs and to control the utilization of services.

The program would be administered by using carriers and intermediaries as in the present medicare program.

Medicare's quality standards for institutions would also apply. Social security, with the cooperation of carriers and intermediaries, would determine when the deductibles have been satisfied. To keep the paperwork down, bills would not be accepted under the supplemental plan until they totaled $2,000 per family.

The committee estimates that more than one million families of the approximately forty-nine million families in the United States incur medical expenses which will qualify them to receive benefits under the program. The first year's cost of the program is estimated at $2,200,000,000 on a cash basis. A separate catastrophic insurance trust fund with its own employer-employee top would be established to focus public and congressional attention closely on the cost and the adequacy of the financing of the program. Like the benefits, the top would become effective January 1, 1972.

For people on public assistance and the medically indigent the catastrophic illness insurance program would be supplemental to the medicaid program in the same way that it will be supplemental to private insurance for other citizens. The benefit structure of medicaid varies from State to State, but in general it is a basic rather than a catastrophic benefit package.

I want to thank my fellow committee members for the

very fine cooperation and assistance they have given me on this amendment. I believe this is a major step forward that will benefit all Americans.

Financing Provisions

At the present time, the social security cash benefits program is in close actuarial balance, while the hospital insurance program has an actuarial deficiency. Unless hospital insurance taxes are raised substantially, the hospital insurance trust fund will be exhausted in 1972. To meet the cost of the cash benefits program as it would be expanded by the bill and to bring the hospital insurance program into actuarial balance, the contribution rates for the programs would be adjusted and the contribution and benefit base—the maximum amount of annual earnings subject to contributions and used in computing benefits—would be increased.

Increase in the contribution and benefit base.—The bill provides for an increase in the ceiling on taxable and creditable earnings to $9,000, effective for 1971. This increase would take account of the increases in earnings levels that have occurred since 1968, when the $7,800 ceiling on earnings went into effect and would cover the total earnings of an estimated 79 per centum of all workers—the same percentage as the $7,800 base covered when it went into effect.

People earning amounts between $7,800 and $9,000 a year will pay taxes on an additional $1,200 of earnings. In

return, of course, they will get credit for more earnings and will thus get higher benefits. The higher creditable earnings resulting from the increase in the ceiling on eranings will make possible benefits that are more reasonably related to the actual earnings of workers at the higher earnings levels. If the base were to remain unchanged, more and more workers would have earnings above the creditable amount and these workers would have benefit protection related to a smaller and smaller part of their full earnings.

Changes in the contribution rates.—Under the schedule of contribution rates for cash benefits contained in the bill, the contribution rates for employers and employees scheduled for 1971–72 would be decreased from the 4.6 per centum provided for under present law to 4.4 per centum each.

The bill provides for increases in the contribution rate schedule for the hospital insurance program. The contribution rate scheduled for 1971–72 would be increased from 0.6 per centum each for employees, employers, and the self-employed to 0.8 per centum for 1971–72. The additional taxes for this part of the program will go far toward removing the large actuarial deficit of the hospital insurance program and would make that program financially sound.

The bill also provides for a contribution rate schedule to fully finance the catastrophic illness insurance provision added to the bill by the Finance Committee. The contribution

rate schedule for catastrophic illness for 1972–74 would be 0.3 per centum each for employees, employers, and the self-employed.

For the benefit of Senators and others who are concerned with the long-range financing aspects of the social security and hospital insurance programs the following charts compare the combined tax rates and maximum tax payable under the committee bill, the present law and the House bill. I call attention to the fact that the rates under present law applies to maximum earnings of $7,800, while both the House bill and the committee bill apply to a wage base of $9,000.

SOCIAL SECURITY TAX RATES AND MAXIMUM ANNUAL TAXES UNDER PRESENT LAW, THE HOUSE BILL AND THE COMMITTEE BILL

Period	Tax rates (percent)			Maximum taxes		
	Present law	House bill	Committee bill	Present law	House bill	Committee bill
EMPLOYER-EMPLOYEE, EACH						
1971	5.2	5.2	5.2	$405.60	$468.00	$468.00
1972	5.2	5.2	5.5	405.60	468.00	495.00
1973–74	5.65	5.2	5.6	440.70	468.00	504.00
1975	5.65	6.0	6.35	440.70	540.00	571.50
1976–79	5.7	6.0	6.35	444.60	540.00	571.50
1980–85	5.8	6.5	7.0	452.40	540.00	630.00
1986	5.8	6.5	7.6	452.40	585.00	684.00
1987 and after	5.9	6.5	7.6	460.20	585.00	684.00
SELF-EMPLOYED						
1971	7.5	7.3	7.4	$585.00	$657.00	$666.00
1972	7.5	7.3	7.7	585.00	657.00	693.00
1973–74	7.65	7.3	7.8	596.70	657.00	702.00
1975	7.65	8.0	8.35	596.70	720.00	751.50
1976–79	7.70	8.0	8.35	600.60	720.00	751.50
1980–86	7.8	8.0	8.50	608.40	720.00	765.00
1987 and after	7.9	8.0	8.50	616.20	720.00	765.00

Let me also note for the record that the combined rate for cash benefits and hospital insurance is the same under the committee bill as under present law for 1971 and 1972 and is less than present law for 1973 and 1974. The cata-

strophic insurance tax is a new feature, which of course adds to the rate.

We have been assured that the financing provided under the committee bill is adequate to pay for all of the benefits—both the benefits provided under present law and the new benefits provided under the bill. Moreover, each of the separate trust funds will be soundly financed and over the next few years the total income to the program will be nearly $6,000,000,000 more than outgo, as compared with the more than $21,000,000,000 excess which would accrue under present law.

The following table compares the income, and outgo, of the social security funds over the next three years under present law and under the committee bill.

PROGRESS OF THE OLD-AGE AND SURVIVORS INSURANCE, DISABILITY INSURANCE, HOSPITAL INSURANCE, AND CATASTROPHIC INSURANCE TRUST FUNDS, COMBINED, UNDER PRESENT LAW AND UNDER FINANCE COMMITTEE BILL, 1971-73

[Cash basis; in billions of dollars]

Period	Income		Outgo		Net increase in funds		Assets, end of period	
	Present law	Committee bill	Present law	Committee bill	Present law	Committee bill	Present law	Committee bill
Fiscal year 1972	$49.0	$52.8	$43.0	$50.5	$6.0	$2.3	$51.0	$44.9
Calendar year:								
1971	47.0	49.0	41.7	47.6	5.3	1.3	46.3	42.3
1972	50.0	55.3	44.2	53.3	5.7	1.9	52.0	44.2
1973	56.9	59.7	46.7	56.9	10.2	2.8	62.2	47.0

Financing the automatic provision.—As I mentioned earlier, benefits would be automatically adjusted to take account of increases in the cost of living. The cost of this increase would be met by increasing both the contribution and benefit base and the contribution rates so that each increase would meet one-half of the cost. The Secretary of

Health, Education, and Welfare would determine how much the contribution and benefit base would have to be increased in order to finance one-half of the long-range cost of the proposed benefit increase, and how much contribution rates would have to be increased in order to finance one-half of the long-range cost of the proposed benefit increase. The Secretary would then publish in the Federal Register both the new, higher base and the revised contribution rate schedule, to be effective beginning January 1 of the year for which the benefit increase is effective.

Mr. President, now let me describe the additional matters contained in the committee bill.

THE TRADE ACT OF 1970

The committee approved the basic provisions of the House trade bill as an amendment to H.R. 17550, the social security legislation, the principal exceptions concern the export tax incentive called DISC and the repeal of the American Selling Price system of valuation.

Now, I will discuss the basic provisions of the amendment dealing with the foreign trade which was approved by the committee.

Trade Agreement Authority

The first aspect of the amendment deals with the extension of further tariff cutting authority to the President. The President has been without authority to reduce tariffs under

the Trade Expansion Act since July 1, 1967. This new authority would not be used to enter into another major round of trade negotiations. None are planned. But, there is another reason why this authority is needed. Under the rules of the game in international trade, whenever one country must increase duties or impose quotas in order to protect a domestic industry which is being injured by imports, that country must also offer compensatory tariff reductions on other imports of equivalent value to the country whose exports would be adversely affected by the increased duty or quota. The alternative would be to face retaliation on the part of those adversely affected countries. It is clear that, under other provisions of this bill, the United States will be imposing some limited restrictions on the imports of other countries. For this reason, it was felt necessary to extend to the President the authority to cut tariffs by 20 per centum in two stages. The committee made clear that it does not believe the President should offer "compensation" to countries which themselves have illegal tariff or non-tariff barriers against United States exports, for which the United States has not been "compensated". In other words, in those situations we should go to the bargaining table and work out a mutually satisfactory solution to the question of compensation.

Revise Unfair Trade Practice Statutes

The trade bill also deals with three unfair trade practice statutes. It revises section 252 of the Trade Expansion Act to give the President further authority to cope with foreign nontariff barriers restricting United States exports in industrial as well as agricultural trade. This is what he asked for and the reason is this: Under present law, the authority is confined mainly to agricultural products. This additional authority, requested by the administration, will strengthen the President's hands in negotiating nontariff barriers with other countries. It will serve as a clear warning that the United States is no longer able to turn the other cheek when foreign countries impose new nontariff barriers against United States products.

In addition, the Senate amendment agrees with the House that in antidumping and countervailing duty cases, the Treasury should have some time limits imposed upon it in making its determination regarding the imports involved. The Antidumping Act deals with injurious price discrimination, and countervailing duty statute deals with foreign subsidies. In the case of the antidumping staute, the Treasury would have four months to reach a tentative decision on the question of whether or not there has been price discrimination, except in extraordinarily complicated cases in which the Secretary may take up to seven months. In cases under the

countervailing duty statutes, the Secretary of the Treasury would have one year to make decisions. Both the House and the Senate Committee agree that these time limits will give assurance that decisions will be reached promptly on matters of vital concern to domestic industry.

Revised Aspect Clause and Adjustment Assistance Provision

A third major area which the committee dealt with was in revising the stringent criteria in present law for providing adjustment assistance and tariff adjustment (escape clause) relief to firms, workers, and industries which are seriously injured by import competition. With respect to the escape clause which deals with industrywide injury, present law provides that tariff concessions must be found to be *the major cause* of increased imports, and increased imports must be found to be *the major factor* in causing serious injury. These two tests have proven so difficult that only one industry out of over twenty applicants has qualified for relief since 1962. The executive branch agrees that these tests are too rigid.

The Finance Committee substantially altered both tests to make it easier for a domestic industry to receive relief. The Senate amendment would require that increased imports must be related in whole *or in part* to tariff concessions. This was the same test that existed for eleven years from 1951 to 1962, and it worked well. The committee agrees with the

House that a "substantial cause" relationship between increased imports and serious injury was fairer to all than either the present law or the administration's recommendation, of substituting the concept of "primary" cause for "major" cause in the statute.

The committee considered that the "escape clause" had a substantial cause-test for eleven years, between 1951 and 1962, and it also worked well. We did not feel that another possible misinterpretation of our intention by using the word "primary" instead of "major" would be worth risking. In fact, it appears there is a distinction without a difference in the two terms.

The committee also felt that the definition of industry should permit separate consideration to be given to those segments of a multiproduct corporation for producing one product which might be seriously injured by imports, even though other product areas may not be. This is called the "segmentation principle" and it too was on the books for eleven years without any difficulties between 1951 and 1962.

There is one area in the escape clause which the committee did take action on and which is new, and that is the so-called "acute or severe" injury test. Under the committee's amendment, the Tariff Commission must determine whether on the basis of the substantial cause-test an indus-

try is being seriously injured by imports. That would be the first finding. Having made that determination and assuming it was positive, the Commissioners finding serious injury would also determine whether the injury was acute or severe or acute. The term "acute or severe" denote a degree of injury which is a level higher than serious injury and which could, if not immediately corrected, threaten the very existence of an industry as a viable economic entity in the United States. Now, under either the initial determination of serious injury or the subsequent acute or severe injury determination, the Tariff Commission would recommend a remedy. If only the initial serious injury was found, the President would consider the remedy suggested by the Tariff Commission but would be allowed to proclaim any import restrictions *he deemed necessary* to prevent serious injury, unless he determines it is not in the national interest to impose such restrictions. In the latter case, he must provide adjustment assistance to those firms and workers which are being seriously injured. If there are two affirmative findings by the Tariff Commission—one of serious injury and another of acute or severe injury—the President would have to impose the remedy recommended by a majority of the Tariff Commission making those determinations, *unless he determines it is not in the national interest to do so.* In other words, the second test puts a little more pressure on the President to ac-

cept the Tariff Commission's findings, but the President retains his flexibility. But if he does not accept the Tariff Commission's recommendation he must provide adjustment assistance. The committee deemed that this flexibility was necessary.

With respect to adjustment assistance, it is only necessary to determine that imports are contributing to unemployment or underemployment in the case of groups of workers, or to serious injury in the case of firms.

Textiles and Footwear

Now let me turn to the textile and footwear provisions in the bill.

The textile industry is the larger manufacturing industry in the United States with 2.1 million employees, many of them disadvantaged. The industry moved from the North to the South, and now may move across the Pacific unless relief from low-wage imports is provided. All the European countries have negotiated voluntary agreements with Japan and other Asian textile producers to limit imports of man-made fiber and woolen textile articles into the European market. That is the intent of this bill. The United States has been striving to get a similar agreement, because we have become the "dumping ground" for cheap imports, and our producers are facing severe hardships. But the Japanese do not appear willing to give us the same consideration that they gave the Europeans.

The nonrubber footwear industry has also been hurt by growing imports. Thus, the bill provides for quantative limitations on the imports of certain textile and footwear articles equal to the average annual imports for the three calendar years, 1967 through 1969.

However, there is a great deal of flexibility in the bill. For example, the President is authorized *to exempt* any product from the statutory import quotas: (1) which he determines *are not disrupting* the United States market, (2) when he determines that the *national interest* requires such action, and (3) when the supply of any article in the domestic market is insufficient to meet the demand at reasonable prices, or (4) when voluntary agreements are entered into with foreign producing countries.

The President is specifically authorized to negotiate agreements with foreign countries under which imports of textile and footwear articles would be voluntarily controlled. As I have stated imports covered by such voluntary agreements would be exempt from the mandatory quota provisions of the bill. The main thrust of the legislation, therefore, is to share our market with foreign goods, hopefully on a voluntary basis, so that industry and labor would not be severely injured by foreign competition.

Textile and footwear imports into the United States have been increasing very rapidly. The average imports

of manmade fiber amounted to 1,390 million square yards in the 1967–1969 base period, and for wool textile products it was 184.5 million square yards. As of June 1970, imports of manmade fiber textiles are running at an all-time record of 2.4 billion square yards. Apparel imports are also sharply up, and in some product areas, such as sweaters and shirts, imports have practically taken over the market. For example, in 1965 imports of sweaters of manmade fiber were 501,000 dozen. In 1969, imports of such sweaters had increased to 6,974,000 dozen. That is more than a tenfold increase in the space of four years. Such increases in imports year after year are devastating our textile and apparel firms. Many responsible individuals realize this. In an article appearing in the September issue of Fortune magazine the former Minister of Finance in Japan, the Honorable Nobutane Kuichi made this wise statement:

> "Confrontation between us and the world is no good. I'd like to see the growth-rate of our exports decline from last year's 22 percent to no more than 10 percent, ideally 7 percent. I have told this to the Prime Minister and he doesn't like it because everything is geared to exports."

Let us not forget that other countries have much more severe barriers to imports than the United States. Japan, for example, has quotas on ninety-eight products, Western

Europe controls its imports through border taxes and variable levies, and, in addition, has quantitative restrictions on Japanese and other Asian textile products, which serve to divert them to the United States. For example, we take 50 per centum of Japan's apparel exports; all Western Europe takes only 5 per centum.

Under these circumstances, they should not point their finger at us as starting a trade war. We don't want a trade war. But we can't stand idly by and watch our industries go under and our labor force decimated by foreign imports. These provisions will ensure that American industry and American jobs will be protected while, at the same time, ensuring an equitable share of our market for foreign goods.

National Security Provision

Another area covered by this bill is the revision of the national security provision of the Trade Expansion Act. Under the present law, if the Director of the Office of Emergency Preparedness makes a finding that imports of a particular article are threatening to impair the national security, he shall so report to the President. If the President agrees with this finding, he shall impose whatever restrictions he deems necessary to remedy the situation.

The House believed, and the Finance Committee concurs, that wherever national security findings are involved, a quota would be a more suitable device for controlling im-

ports than a tariff. In the first place, the quota would provide assurance that imports could be kept at a level consonant with the national security objectives, whereas no tariff could give that assurance.

If the tariff were set too low, imports would come pouring in to depress our market; if the tariff was very high, it could shut off imports completely or involve very high costs to the United States consumer. In the case of oil, there is the additional problem of tanker rates, which are extremely volatile. A tariff set on Monday might be inappropriate on Friday if tanker rates had moved up sharply in the meantime. We cannot adjust our tariffs to accommodate the fickle nature of these tanker rate variations, or to the whims of Arab potentates who have effective control over prices.

The Director of the Office of Emergency Preparedness stated before the Finance Committee that a tariff would tend to increase the cost of oil to the consumer much more than a quota. The Secretary of State, the Secretary of Defense, the Secretary of the Treasury, the Secretary of Commerce, and the Director of the Office of Emergency Preparedness all agree that a tariff is *not* a suitable instrument for controlling oil imports, and have so advised the President. The President has accepted that recommendation. The committee bill reflects the same conclusion.

WELFARE AMENDMENTS

Introduction

The goal of working out progressive and productive proposals in the area of public welfare has occupied the committee for many months.

Looking at the overall structure of our public assistance system, the committee concluded that two different approaches were called for. First, there is no pressing need to completely throw out our present programs for the aged, blind, and disabled and start a new program. These programs, on the whole, have been working well. They have been responsive to the needs of poor people, and the rolls have remained fairly steady. The committee therefore determined to make desirable improvements in these programs, but not at this time to change their basic direction.

The situation with regard to the program of aid to families with dependent children is far different. The AFDC caseload has tripled in the last ten years, and we now have approximately nine million AFDC recipients throughout the country. The rate of growth is continuing unabated, and every State is feeling the consequences. Equally disturbing is the nature of the growth in the program. Most of the families being added to the rolls are eligible because of the absence of the father from the home. These are cases largely resulting from desertion, separation, and illegitimacy. Fully

three-fourths of the families now receiving AFDC are families in which the father is absent, and this percentage will be increasing if present trends continue.

Faced with this situation, the committee felt compelled to develop workable and greatly needed improvements in those programs created by the Congress to help AFDC families and to get at the root cause of dependency. The bill would make possible immediate improvement in the work incentive and child care programs, thus assisting many families to move toward economic independence. Along with these proposals to solve problems which are amenable to rapid improvement, the committee is advocating a broad program of testing which is aimed at finding long-range solutions to the overall problem of welfare dependency.

At this point I would like to describe in greater detail just what the committee bill includes.

Assistance to the Aged, Blind, and Disabled

First of all, the bill proposes a national minimum income level which would provide a considerably higher level of assistance for a large percentage of recipients of aid to the aged, blind, and disabled. Many of these people, who are among the most hopeless and helpless of all the poor in our country, are currently receiving assistance which is obviously inadequate for their needs.

We think it is urgent that increased assistance be given

to those who are living in States where payments are very low. Thus, the bill would require States to provide a level of assistance sufficient to assure persons in these categories a total monthly income of at least $130 for a single person, or $200 for a couple. States would, of course, have the option of maintaining or establishing a higher standard for residents of their State.

To give some idea of the impact of this new minimum, let me point out that in the aged category, this provision would result in increased assistance for eligible single-aged individuals in about thirty-one States, and for eligible aged couples in about thirty-six States.

The committee bill would also, in effect, give needy persons in the adult categories more money in lieu of food stamps. We all know that many of them have suffered loss of dignity and pride by having to use food stamps when they go out to the local grocery store to do their shopping. This bill will give them cash, which they can use as they want, and when they want.

In addition, the committee wanted to make sure that those social security beneficiaries who are also public assistance recipients would share in the benefit of the social security increases which are provided in the bill. If present law remained unchanged, any increase in a social security check would mean an offsetting decrease in the recipient's

public assistance check. Therefore, the committee bill requires States to raise their standards of need for those in the aged, blind, and disabled categories by $10 per month for a single individual, and $15 for a couple. These recipients would in this way be guaranteed an increase in total income of at least these amounts.

Recognizing that the rapid growth in welfare expenditures in recent years has strained the fiscal capacities of the States, the committee wanted to make sure that the States would not have to bear any additional costs resulting from these new benefits in the adult categories. A certain amount of fiscal relief will accrue to the States to the extent that welfare grants are reduced because of the increases which the bill provides in social security benefits. However, this relief is not necessarily distributed in a way which reflects the relative welfare burdens of the States under present law or under the additional requirements imposed by the bill.

We have worked out a proposal which, generally speaking, would assure all States a 10 per centum savings over their expenditures for adult assistance programs in 1970. The Federal Government would pay 100 per centum of the cost of additional expenditures for the aged, blind, and disabled which are required by the committee bill.

Mr. President, it is my belief that these changes proposed in the bill will be of enormous benefit to those Ameri-

cans who are in need because of old age, blindness, or other crippling disability. We have been able to work out a way of increasing the minimum income level above the $110 per person level proposed by the administration and approved by the House, and to make other needed improvements, without going above the amounts which the administration stated it was willing to allocate for these categories of assistance.

Testing of Welfare Alternatives

Now let me turn to the problem of assistance to needy families with children. I have already outlined, and there is no need to further document, the seriousness of the growth in the AFDC program. The committee has studied the present program. It has studied the proposal, with its many variations, which the administration made for the establishment of a new family assistance plan to be superimposed on the AFDC program.

In all honesty and sincerity, I would say that the committee shares the view of Governor Hearnes of Missouri who testified during the hearings on FAP. Governor Hearnes summed up his own opinion by stating quite seriously that if you read what the newspapers said about the proposal, you would be for it, but if you read what was actually in the bill, you had to be against it.

We read the administration's bill. We had many weeks

of public hearings on it. Nearly everyone who testified endorsed the principles in the proposal, but nearly everyone also pointed out weaknesses.

As legislators, we know that the perfect law is yet to be written. We would not reject a proposal because of minor problems or oversights. These, we know, can be corrected in the course of time.

But when a proposal establishes a new direction, and goals are established which in our honest evaluation are unattainable under the measures provided, then it is our responsibility to require a more thorough examination.

The committee bill would thus require the Secretary of Health, Education, and Welfare to conduct up to five tests of possible alternatives to the AFDC program. One or two of these tests would test a "family assistance" type proposal for welfare, and one or two of the tests would test a "workfare" type proposal. In addition, the bill provides for a test in which a program of rehabilitation of welfare recipients would be administered by vocational rehabilitation personnel.

It is my hope, and the hope of the committee, that these tests would provide a sound basis for rational legislative action in the welfare area. We would also hope that each test would produce data from which there could be estimated for the various types of programs the cost, extent of participation, and effectiveness in reducing dependency on welfare

which could be expected if such programs were adopted as a substitute for AFDC. The tests should also provide valuable administrative experience which would facilitate the implementation of any of the test proposals which might eventually be enacted.

The bill would give the Department of Health, Education, and Welfare flexibility in choosing the areas in which the tests are to be conducted. However, it would require that the areas chosen should be broadly representative of the country as a whole so that the data from the tests may serve as a reliable basis for future congressional action.

The tests are also to be conducted in such a way that valid comparisons among the various alternatives can be made. The bill therefore requires that the Department conduct the same number of "workfare" tests as "family assistance" tests—either one or two of each. In each pair of tests the beginning and ending dates of the two tests must be the same, the number of participants must be approximately the same, and the areas in which the two tests are conducted must be comparable as to population, per capita income, unemployment level, and other relevant factors.

Tests would have to be conducted with State cooperation and with State sharing in the costs of the tests.

At all stages in the development of the tests and in their operation, the committee would be kept advised and the

Comptroller General would be consulted regarding the testing procedures that would be utilized.

Two matters that this Senator would like to see developed by these tests are whether wage subsidies are one effective way of increasing the incomes of the disadvantaged and whether, if they are, the one-check or the two-check approach is preferable. The one-check approach involves passing the subsidy to the employer who includes it in his wage to the worker. The two-check approach envisions a wage supplemented by a payment directly from the welfare office.

Mr. President, we believe this program of testing is both a responsible and a responsive way of meeting our present welfare crisis. We agree that the present system is bad, but we do not agree that it is so bad that any untested alternative would be preferable merely because it is new or different. We want to find some real answers to the welfare problem. And we believe that the way to do this is through careful experimentation.

At the same time, we recognize that there are changes in the present legislation which should be made immediately, and we seek in the bill to correct some of the worst and most obvious defects.

Work Incentive Program

The committee and the administration are in substantial agreement as to the obligation of appropriate welfare re-

cipients to work. The thrust of any welfare reform proposal must encompass the basic proposition that able-bodied welfare recipients should be required to work if child care and meaningful manpower training is provided—and that actual jobs are available for such people after training.

Mr. President, I think the Congress has now reached the point where it is reluctant to support any more training programs that do not result in jobs for participants. Moreover, the disadvantaged people of this country share this disenchantment—they say in increasing numbers "no more training programs without jobs."

The committee bill adopts almost all of the administration's requests for improvement of the work incentive program. It provides more favorable matching for manpower training expenses and for welfare services which support training, including the vitally important day care. It also provides registration with the employment service as a condition of welfare eligibility and puts into effect uniform Federal standards for referral of welfare recipients to WIN. All of these elements have been cited by the administration as crucial deficiencies in the work incentive program.

But the bill goes further—and here, I would be remiss in not pointing to the great contributions of the Junior Senator from Georgia, Senator Talmadge. It comes to grips with some of the basic reasons for the failure of WIN which have

been very disturbing to the committee. The Committee on Finance was the principal architect of WIN progam and was responsible for the basic decision that the Department of Labor would administer the manpower training program. However, the committee has been greatly disappointed in the implementation of the program.

The points of emphasis the Finance Committee thought were made abundantly clear in the 1967 amendments have been paid lipservice or totally ignored. A meaningful program of on-the-job training continues to be an unfulfilled Labor Department promise. The legally required program of special work projects (public service employment) is a reality in only one State. Lack of Labor Department and Department of Health, Education, and Welfare cooperation and that of their counterparts at the local level has been a major problem in the referral process and in the provision of necessary supportive services for recipients in work and training. The main thrust of the WIN program as it exists today remains in the direction of basic education and classroom training, which our experience with manpower training over the last decade shows does not result in the placement of people in jobs, but rather in a growing skepticism of both welfare recipients and the public as to the worth of such endeavors. Mr. President, this situation must change. More effective administration must be provided and WIN's on-the-

job and public service employment components must become a vital part of the program.

The task of training welfare recipients for jobs and actually placing them in employment on a permanent basis is admittedly one of the most difficult tasks facing government. The committee believes that the changes it is proposing for WIN are important, albeit some of these could have been made without changes in the statute. But we are also aware that regardless of what the Congress does in this area the ultimate success of the program will, in large measure, be dependent on the dedication of administrators at the Federal, State, and local level and the resources they are allocated. Thus, we believe it is incumbent upon the Department of Labor to show its commitment to WIN and to provide staffing at the Federal level which is commensurate with its responsibilities as the primary administrator of the program. The WIN program must receive the kind of implementation its importance deserves.

Child Care

The bill also includes proposals which would greatly expand the availability of child care resources throughout the Nation. At the present time the lack of adequate child care represents perhaps the single largest impediment to the efforts of poor families, especially those headed by a mother, to achieve economic independence. The committee bill would

seek to remove this impediment for the poor, while at the same time promoting child care facilities for all families which need them, by creating a Federal Child Care Corporation.

Although the Committee on Finance and the Congress, through past amendments to the Social Security Act, have attempted to meet these needs, we have been unable to overcome the great lack of organization, initiative and know-how which exists in the child care area. We have provided money, but we have found that money alone will not do the job. We need a mechanism at the Federal, State, and local levels which will respond to both national and local needs for child care. We believe the Federal Child Care Corporation will be such a mechanism.

The Corporation would have as its first priority making available child care services to children of parents eligible for such services under the AFDC program, and who need them in order to participate in employment or training. However, it would also have the broader function of making child care available for any family which may need it, regardless of welfare status.

The Corporation would work in an uncomplicated way. Under the committee bill, $50 million would be given to the Corporation to provide initial working capital. This amount would be in the form of a loan by the Secretary of

the Treasury and would be placed in a revolving fund. The money would be used by the Corporation to begin arranging for child care services. Initially, the Corporation would contract with existing public, private nonprofit, and proprietary facilities to serve as child care providers. To expand services, the Corporation would also give technical assistance and advice to organizations interested in establishing facilities under contract with the Corporation. In addition, the Corporation could provide child care services in its own facilities.

Fees would be charged for all services provided or arranged for by the Corporation. The fees would go into the revolving fund to provide capital for further development of services and to repay the initial loan. They would be set at a level which would cover the costs to the Corporation of arranging child care.

We have provided in the bill for construction authority for the Corporation, and would authorize the issuance of bonds for this purpose if new construction is needed. We envisage, however, that this authority will be used sparingly, and that every effort will first be made to utilize existing facilities.

I am deeply concerned about the quality of care which children are to receive, and I therefore want to emphasize that the bill includes provision for Federal child care standards, to assure that adequate space, staff, and health require-

ments are met. In addition, facilities used by the Corporation would have to meet the Life Safety Code of the National Fire Protection Association.

The bill includes in-service training program authority, and the committee expects that this authority, along with the training programs under the WIN program, will be used to train welfare mothers, insofar as possible, to work in child care programs. This will mean that while some mothers are being freed for work, others will be provided employment directly in child care facilities.

The Corporation, while providing a mechanism for expanding the availability of child care services, would not provide funds to subsidize child care. Those who are able to pay would be charged the full cost of services. The cost of child care needed by families on welfare would be paid by State welfare agencies.

Here, too, the committee bill makes a significant improvement in present law by providing for an increase from 75 per centum to 90 per centum in the Federal matching share for child care services. The bill would authorize payment of 100 per centum of the cost of services for a temporary period if the Secretary determined that necessary services would not otherwise be available. The 90 per centum matching rate would be available to the States for child care for families receiving AFDC and also for past and potential recipients.

Family Planning Services

Mr. President, the committee bill provides for a major advance in enabling welfare recipients to obtain free family planning services by authorizing 100 per centum Federal funding for State family planning programs, including both information and the provision of medical services.

As under present law, States would be required to offer family planning services to all appropriate recipients of AFDC, including on an optional basis, former recipients and those who are likely to become recipients of welfare. Acceptance of services, as under present law, would be voluntary with the recipient.

A beginning has been made as the result of congressional action in 1967 when 75 per centum Federal matching funds was authorized for this purpose. The progress which has been made under those amendments, however, has not met the committee's expectations.

The provisions of the committee bill are consistent with the aims of the administration, as expressed by the President in a speech in July 1969:

"Most of an estimated five million low income women of childbearing age in this country do not have adequate access to family planning assistance, even though their wishes concerning family size are usually the same as those of parents of higher income groups.

"It is my view that no American woman should be denied access to family planning assistance because of her economic condition. I believe, therefore, that we should establish as a national goal the provision of adequate family planning services within the next five years to all those who want them but cannot afford them. This we have the capacity to do."

The committee shares the goal of the President and believes that this is an appropriate step in its fulfillment. It notes that, according to testimony of Planned Parenthood Federation, full family planning services can be provided for about $60 per woman per year. This seems a small price to pay for the personal, social, and economic benefits which can be achieved as the result of an effective nationwide family planning program.

Emergency Assistance to Migrant Families

Some of the most disadvantaged citizens in our country can be found among migrant workers. When children are involved, the situation calls even more urgently for action, and this action must be of a national nature which is commensurate with the national problem.

Under existing law, emergency assistance may, at the option of the States, be provided to needy migrant families with children and be provided either statewide or in part of the State. Fifty per centum Federal matching is provided.

The committee bill establishes a more meaningful program by amending existing law (1) to require all States to provide such a program; (2) to require that it be statewide in application; and (3) to provide Federal matching of its cost at the 75 per centum level.

Obligations of Deserting Father

Mr. President, when we discuss welfare reform, we should always remember some of the root causes of the present crisis.

The facts are startling:

In 1969, three out of four families receiving AFDC were eligible because of the father's absence from the home. One out of six families is on welfare because of the father's desertion. With about nine million AFDC recipients, this means that about one million five hundred thousand mothers and children are receiving welfare today because the father of the family has deserted.

An illustration of the impact of desertion on a city's AFDC rolls is New York where between 1961 and 1968 the cases of deserted or informally separated wives grew by 412 per centum.

Nationally, the largest single cause of dependency among children is illegitimacy. In 28 per centum of the families receiving AFDC, the mother is not married to the father of the child.

Congress, particularly in the 1967 Amendments, attempted to deal with this aspect of the dependency problem. These measures, however, have failed to stem the explosive growth of the welfare rolls in the past three years, a growth largely consisting of families in which there either never was a father or in which the father has deserted the family or is otherwise separated from the mother.

During the hearings on the welfare bill, Secretary Richardson was asked his opinion about direct Federal action in desertion cases. He replied:

> "We would support legislation which made it a Federal crime to cross State lines for the purpose of evading parental responsibility. * * * From the standpoint of our Department to makes this a Federal crime would help to reduce the problem, we think, and to that extent we would be for it."

The committee considers the provisions of present law useful and feels they should be retained. However, it is clear that further action is necessary to permit more extensive involvement of the Federal Government in cases where the father is able to avoid his parental responsibilities by crossing State lines.

Thus, the committee bill would make it a Federal misdemeanor for a father to cross State lines in order to avoid his family responsibilities. The penalty under this new amendment would be imprisonment for up to one year.

Second, the committee bill would provide that an individual who has deserted or abandoned his spouse, child, or children shall owe a monetary obligation to the United States equal to the Federal share of any welfare payments made to the spouse or child during the period of desertion or abandonment.

The bill also provides that information regarding the whereabouts of the deserting individual would be furnished, on request, by the Federal Government to the deserted spouse where a judgment for support has been obtained.

Daniel P. Moynihan has stated:

> "Now, a working-class or middle-class American who chooses to leave his family is normally required first to go through elaborate legal proceedings and thereafter to devote much of his income to supporting them. Normally speaking, society gives him nothing. The fathers of AFDC families, however, simply disappear. Only a person invincibly prejudiced on behalf of the poor would deny that there are attractions in such freedom of movement."

It is my hope that the measures contained in the committee bill will equate the responsibilities of a father of AFDC children with those of the father of a working-class or middle-class family.

The Court and Welfare Law

Some major changes in welfare law have been made in recent years not by the Congress, but by the Judiciary. These decisions have played a major role in the phenomenal growth of the welfare rolls in the last three years. In some cases, the Court decisions have been made on the basis of an interpretation of congressional intent and in some cases the decision has been based on an interpretation of the Constitution. Common to many of these cases seems to be an assumption that welfare is a "property right" rather than a "gratuity" granted as a privilege by the Congress and subject to such eligibility conditions as the Congress, through the legislative process, decides to impose.

Health, Education, and Welfare Secretary Elliot L. Richardson disagrees with this view of welfare as a vested right. Under Secretary Veneman disagrees with this view. The Committee on Finance disagrees with this view. Underlying the committee's understanding to the welfare amendments in the bill is the fundamental policy that the "right to welfare" is a statutory right, dependent on legislation enacted by the Congress, and not a vested, inherent, or inalienable right to benefits.

The committee's view is that the right to welfare is no more substantial, and has no more legal effect, than any other benefit conferred by a generous legislature. The welfare

system as we know it today is authorized under the Social Security Act, and the statutory rights granted under that Act can be extended, restricted, altered, amended, or even repealed by the Congress. It is this ability to change the nature of a statutory right which distinguishes it from a property right or any other right considered inviolate under the Constitution.

Consistent with this view the committee bill includes provisions reasserting the intent of Congress with respect to the residency requirements, the man in the house rules, payments of welfare benefits during appeals, the requirement that States seek to establish the paternity of illegitimate children applying for welfare and that reasonable access be provided for caseworkers to enter the homes of welfare recipients.

In addition the bill would prevent the use of Federal funds in financing future efforts to nullify any feature of the Social Security Act.

TAX AMENDMENTS

The bill also contains several tax amendments closely related to the programs dealt with by the bill.

Information Reporting

An important feature of the committee bill is the provision calling for information reports to be submitted to the

Internal Revenue Service of payments made by insurance companies to health care providers. In the case of federally financed health programs like medicare and medicaid the amendment calls for reports both of payments made direct to the provider and those made to the beneficiary in reimbursement of his bills. In the case of private insurance policies, however, the amendment would require reporting only of payments made direct to the provider.

Bribes and Kickbacks

Another committee amendment corrects an unintended effect of the Tax Reform Act of 1969 allowing a tax deduction for illegal bribes and kickbacks. The 1969 Act required that there be a criminal conviction or guilty plea before such a payment could be disallowed. The committee bill substantially restores the prior law and disallows a deduction if the payment is illegal under Federal or State law. This disallowance rule also applies to medical referral fees under the medicare and medicaid programs since another provision in the bill makes such payments illegal.

Retirement Income Credit

The committee bill also upgrades the retirement income credit—a tax relief provision for retired persons—by increasing the amount of retirement income eligible for the credit. This action, together with the recent announcement by the Internal Revenue Service that it would compute the

retirement income credit for persons who request it, should go far toward making this credit generally more useful.

Work Incentive Tax Credit

Another amendment recommended by the committee provides for a tax credit for employers of persons trained or placed through the work incentive program. The tax credit will amount to 20 per centum of the employee's salary for the first year of employment, but it would be recaptured if the employee should be discharged in the first two years of employment. The committee felt that this amendment, part of a comprehensive revision of the work incentive program, would stimulate jobs for people who today must depend on the welfare system for their sustenance.

VETERANS PENSION INCREASE

The Committee on Finance, in its deliberation on this bill, has continued, as in the past, to be mindful of the special needs of veterans. The committee bill includes the text of S. 3385, a pension increase bill introduced by Senator Herman E. Talmadge, chairman of the Subcommittee on Veterans' Legislation. The Talmadge bill, incorporated as a committee amendment, would increase pension benefits by $160,000,000 above present law, effective January 1971.

Pension benefits are related to need. As social security payments are increased, the veterans need for a pension decreases, although by a considerably smaller amount than

the rise in social security benefits. The committee amendments substantially offset these reductions.

CONCLUSION

Mr. President, this concludes my prepared statement on the committee bill. I urge that it be approved.

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