

H. R. 1

Social Security Amendments of 1972

Opening Statement of Senate Debate

COMMITTEE ON FINANCE
UNITED STATES SENATE
RUSSELL B. LONG, *Chairman*



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SOCIAL SECURITY AMENDMENTS OF 1972

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Mr. PRESIDENT: H.R. 1, as reported by the Committee on Finance, represents the most massive revision of the social security laws that the Congress has ever undertaken. The bill as reported would increase Federal expenditures by more than \$14,000,000,000. This is in addition to the \$8,000,000,000 across-the-board social security benefit increase enacted into law July 1 of this year. The size of the bill, some one thousand pages, and the size of the report, about one thousand three hundred pages, give an indication of the amount of work that has gone into this bill. I believe that the committee's efforts on this bill are the equal of the legislative efforts of any committee at any time in United States history. During this Congress, the committee has held twenty days of public hearings on all aspects of social security and welfare, hearings which fill three thousand seven hundred pages of seven volumes. The committee has met in executive session almost continually since February of this year, with sixty-nine executive sessions devoted to H.R. 1.

The bill is monumental in terms of legislative effort, and it is monumental in terms of cost. In addition to the \$8,000,000,000 of social security benefits enacted earlier this year, H.R. 1 as reported by the Committee on Finance would raise social security cash benefits another \$3,500,000,000. It is estimated that at least ten million social security beneficiaries will be affected by these provisions of the committee bill, and another nine hundred thousand persons will become entitled to benefits thanks to the bill.

Medicare benefits would rise \$3,000,000,000 by 1974, due principally to extension of medicare coverage to the disabled and to the inclusion of payment for lifesaving drugs among the benefits provided under the program. Twenty-two million medicare beneficiaries, including two million disabled persons, would benefit by the improved protection.

It is estimated that more than five million aged, blind, and disabled persons would receive supplementary security income under the bill, which would set a Federal minimum guaranteed income at an added cost of \$3,000,000,000 in 1974.

But perhaps the most significant features of the bill are those seeking to reform the program of aid to families with dependent children. The committee bill offers a bold new approach to the problem of increasing dependency under this program. Under the committee bill, if the family is headed by a father or if it is headed by a mother whose youngest child has reached school age, the family would not be eligible to receive its basic income from welfare but instead would be given an opportunity to become independent through employment, including a guaranteed job and substantial economic incentives to move into regular jobs. The cost of this new guaranteed job program would be borne entirely by the Federal Government, and its cost together with the substantial increase in Federal funds for the remaining AFDC program would amount to an estimated increase of more than \$4,000,000,000 in Federal expenditures in 1974, with more than

half of this amount (over \$2,000,000,000) representing increased income to low-income working families.

AIMS OF COMMITTEE BILL

When a bill is as complicated as H.R. 1 and deals with so many complicated issues affecting as many programs as H.R. 1 does, it is difficult to characterize its aims in just a few categories. But most of the committee's actions on the bill do fit within these few broad purposes:

(1) To reward work effort for those who can be expected to work;

(2) To improve the lives of children;

(3) To assist those who cannot work because of age, blindness, or disability;

(4) To assure program integrity through administrative control where this has been shown to be needed; and

(5) To provide fiscal relief to the States and to give them more latitude to run their own programs.

REWARDING WORK EFFORT FOR THOSE WHO CAN WORK

When people look at the rapid growth in welfare in recent years, their concern is primarily with the program of aid to families with dependent children. The number of recipients under this program has more than doubled since January 1968, and the need to pay for AFDC has forced States to shift funds into

welfare that would otherwise go for education, health, and housing and other pressing social needs.

The rising AFDC rolls show that there are many children who are needy in this country. But more importantly from the standpoint of social policy, the rising rolls show an alarming increase in dependency on the taxpayer. The proportion of children in this country who are receiving AFDC has risen sharply, from 3 percent in the midfifties to 9 percent today. This means that an increasing number of families are becoming dependent on welfare and staying dependent on welfare.

A major cause of the growth of AFDC is increasing family breakup and increasing failure to form families in the first place. Births out of wedlock, particularly to teenage mothers, have increased sharply in the past decade.

Several generations ago, before there was any AFDC program, poor families improved their economic conditions by taking advantage of this country's opportunities through a commitment to work, and through the strengthening and maintenance of family ties. The social compassion that gave rise to the AFDC program—particularly in those States in which benefit levels are highest—appears to have had the effect of undermining these routes to economic betterment, with dismal consequences, particularly for the poor on welfare themselves. The House bill, with the major expansion of welfare it contemplates, would move a

giant step further along a road that has proven so unsuccessful up to now.

But another approach is possible to improving the lives of low-income families. As President Nixon has stated:

In the final analysis, we cannot talk our way out of poverty; we cannot legislate our way out of poverty; but this Nation can work its way out of poverty. What America needs now is not more welfare, but more "workfare" a new work-rewarding program.

The committee agrees with the President that work should be rewarded and its value to the worker increased. Under the committee bill, over \$2,000,000,000 in additional income would be paid to low-income working persons in 1974. A number of other provisions are included in the committee bill which reflect the committee's aim of increasing the benefits of working.

Ten percent work bonus.—Low-income workers in regular employment who head families would be eligible for a work bonus equal to 10 percent of their wages taxed under the social security (or railroad retirement) program if the annual income of the husband and wife is \$4,000 or less. For families where the husband's and wife's annual income exceeds \$4,000, the work bonus would be equal to \$400 minus one-fourth of the amount by which their income exceeds \$4,000. The

work bonus, administered by the Internal Revenue Service, would cost about \$1,000,000,000 in 1974, and would provide work bonus payments to about five million families.

Wage supplement.—Persons in jobs not covered by the Federal minimum wage law, in which the employer paid less than \$2 per hour but at least \$1.50 per hour, would be eligible for a wage supplement. Any employee who is the head of a household with children and who is working in one of these jobs would be eligible for a wage supplement equal to three-quarters of the difference between what the employer pays him and \$2 per hour (for up to forty hours a week). Thus if an employer pays a wage of \$1.50 an hour, the Federal subsidy would amount to 38 cents an hour, three-quarters of the 50-cent difference between \$1.50 and \$2.00. In addition, the 15-cent work bonus the employee receives would bring the value of working one hour from the \$1.50 presently paid by the employer up to \$2.03. No supplement would be paid if the employer reduced the pay for the job; no jobs presently paying the minimum wage would be downgraded under the committee bill, and the minimum wage law itself would not be affected.

Guaranteed job opportunity.—Since welfare programs are based on need as measured by income, decreased work effort results in a higher welfare benefit. This is not the case under the work bonus or the wage supplement under the committee bill, which are directly related to work effort. Similarly, the third

basic feature of the committee's employment program rewards work effort directly. This third element is the provision of a guaranteed job opportunity for persons not able to find employment in a regular job. Persons considered to be employable—able-bodied male heads of families, as well as mothers with school-age children only—would no longer be eligible to receive their basic income under the welfare system that has failed both them and society, but instead would be guaranteed an opportunity to earn \$2,400 a year. An individual could work up to thirty-two hours a week at \$1.50 per hour and would be paid on the basis of hours worked. A woman with school-age children would not be required to be away from home during hours that the children are not in school, unless child care is provided. She may be asked, however, in order to earn her wage, to provide afterschool care to children other than her own during the hours she is at home.

Unlike the present welfare program and the House-passed bill, the committee bill would not penalize participants for outside employment. An individual who is able to find part-time employment in addition to the hours worked in the guaranteed job will be able to keep 100 percent of his or her earnings with no reduction in the wages earned in the guaranteed job.

State supplementation.—To assure that the work incentives proposed under the committee bill are not undermined by State welfare programs, the committee bill would require States with welfare benefits of more than \$200 monthly to supplement

wages earned by families headed by women participating in the employment program. Furthermore, in determining the amount of the supplementary payment, the State would not be permitted to reduce the payment on account of any earnings between \$200 a month and \$375 a month—the amount an employee would earn, including the work bonus, working forty hours a week at \$2 an hour—to insure that the incentive system of the committee bill is preserved.

Food stamps.—Individuals participating in the employment program would not be eligible to participate in the food stamp program. However, States would be reimbursed the full cost of adjusting any supplementary benefits they might decide to give to participants so as to make up for the loss of food stamp eligibility. In order to avoid having States provide assistance to an entirely new category of recipient not now eligible for federally shared aid to families with dependent children, the committee provided that the Work Administration, which administers the guaranteed job program, would pay families headed by an able-bodied father the amount equal to the value of food stamps, but only to the extent that the State provides cash instead of food stamps for families which are now in the aid to families with dependent children category.

Child care.—Lack of availability of adequate child care represents perhaps the greatest single obstacle in the efforts of poor families, especially those headed by a mother, to work their

way out of poverty. It also represents a hindrance to other mothers in families above the poverty line who wish to seek employment for their own self-fulfillment or for the improvement of their family's economic status. The committee bill incorporates a new approach to the problem of expanding the supply of child care services and improving the quality of these services through the establishment of a Bureau of Child Care within the Work Administration. In addition to arranging to make child care available, the committee bill would authorize appropriations to subsidize the cost of child care for low-income working mothers.

Other supportive services.—Services needed to continue in employment, including family planning services, would be provided participants in the employment program by the Work Administration.

Medical care.—Under the committee bill, families participating in the employment program who would be eligible for medicaid except for their earnings from employment would remain eligible for medicaid for one year. At that time they could choose to continue their medicaid coverage by paying a premium equal to 20 percent of their income (excluding work bonus payments) in excess of \$2,400 annually. Families participating in the employment program who would be ineligible in any case for medicaid could also voluntarily elect to receive medicaid benefits by paying a premium equal to 20 percent of

their income (including work bonus payments) above \$2,400. The committee bill includes an estimated \$200,000,000 in additional Federal payments representing the difference between the value of health care received by these working persons and the cost of the premiums they would actually pay.

Transportation assistance.—The committee recognizes that a major reason for jobs going unfilled in metropolitan areas is the difficulty individuals face in getting to the job. The committee bill would authorize the Work Administration to arrange for transportation assistance where this is necessary to place its employees in regular jobs.

Developing jobs.—In order to develop job opportunities in the private sector, the committee bill would extend (in a modified form) the present tax credit, for employers who hire participants in the work incentive program, to employers who hire persons in guaranteed employment. In order to create additional employment opportunities, the committee bill would extend the credit to private persons hiring participants.

Special minimum benefit for long-term workers under social security.—For longtime low-income workers, the committee bill contains a provision guaranteeing a minimum social security benefit equal to \$10 per year for each year in covered employment in excess of ten years. Thus, a worker with thirty years of covered employment would be assured of a social security benefit of at least \$200 a month; the minimum payment to a couple would

be \$300 a month. A worker retiring in 1972 who has worked all his life at the Federal minimum wage applicable during his employment would be eligible for a monthly benefit of about \$160 today. Under the committee bill, his benefit would be increased 25 percent to \$200, well above the poverty level. Thus, the committee bill would achieve the original aim of the Social Security Act of 1935, to provide regular long-term workers with an income that would free them from dependency on welfare. Under this provision of the committee bill, an estimated seven hundred thousand persons would get increased benefits beginning next January, and \$152,000,000 in additional benefits would be paid in the first full year.

Increase in the earnings limit.—Under the committee bill, the amount that a social security beneficiary under age seventy-two may earn in a year and still be paid full social security benefits for the year would be increased from the present \$1,680 to \$2,400. For each \$2 of earnings above \$2,400, benefits would be reduced by \$1. An estimated one and two-tenths million beneficiaries would receive higher benefit payments under this provision, and five hundred and fifty thousand persons would become entitled to benefits for the first time. About \$1,100,000,000 in additional benefits would be paid in 1974.

Increased benefits for delayed retirement.—The House bill provides for an increase in social security benefits of 1 percent for each year after age sixty-five that an individual fails to receive

social security benefits because he continues to work instead of retiring. The House bill would apply only to persons beginning to receive social security after the enactment of H.R. 1. The committee felt that the principle of increasing benefits for delayed retirement should apply as well to persons already receiving social security. Under the committee bill, five million persons would get increased benefits totaling about \$200,000,000 in the first year.

Income disregard for low-income aged, blind, and disabled persons.—Under present law, each dollar of social security benefits received generally reduces welfare payments by \$1. The committee felt that persons receiving social security should receive an economic benefit for the taxes that they paid when they worked to earn entitlement to social security benefits. Accordingly, under the new supplemental security income program in the committee bill, aged, blind, and disabled persons who receive social security would be assured a minimum monthly income of at least \$180 for an individual and \$245 for a couple (as compared with \$103 and \$195 for individuals and couples with no income other than supplemental security income). In addition to providing a monthly disregard of \$50 of social security or other income, the committee approved an additional disregard for aged, blind, or disabled persons of \$85 of earned income plus one-half of any earnings above \$85. This will enable those persons

who are able to do some work to do so without suffering a totally offsetting reduction in their supplemental security income.

IMPROVING THE LIVES OF CHILDREN

The program of aid to families with dependent children began and remains a program to help needy children; the basis of eligibility for AFDC payments was and remains the presence of a child. The committee bill seeks to improve the lives of children in a number of areas: by providing a higher income for low-income working families with children; by providing for improved health care; by arranging for better child care; by increasing support for child welfare services designed to strengthen family life and to keep the family together; by supporting foster care for children when the child's home is not suitable; by arranging for protective payments to insure that funds are used in the best interests of the child; by providing a mechanism to insure the child's right to have the paternity of his father established and to obtain support payments; and by making special provision for emergency assistance to children in families of migrant workers.

Higher income for working families.—The provisions of the committee bill outlined in the preceding section show how the committee bill would provide more than \$2,000,000,000 in additional income to low-income working families. In addition, ending the cycle of dependency that now links generation to genera-

tion is a major goal of the committee bill, and one which should have a profound effect on the lives of children.

Health care for children.—Under the committee bill several million low-income working persons now eligible for Government health benefits would be eligible to buy subsidized health care protection for their families. Their premium, equal to 20 percent of their income (excluding work bonus payments) in excess of \$2,400 annually, would pay part of the cost of this protection, with the Federal Government paying the remaining \$200,000,000 in estimated cost. Some million children not now covered under the medicaid program could receive health protection under this provision if their parents elect coverage.

Another provision of the committee bill extends for two years the program of special project grants for maternal and child health. The project grant program has been utilized primarily to bring comprehensive health care to children of low-income families in urban areas.

In 1967 the Congress required that States begin screening all children under age twenty-one for handicapping conditions. States have failed to meet this requirement, and HEW regulations require States to provide health care screening only to children under age six. The committee added a provision to the bill reiterating that screening services must be provided to all eligible children between ages of seven and twenty-one by July 1, 1973. To insure that children receive the screening the Congress

intends, the committee provision would reduce Federal grants for AFDC by 2 percent beginning July 1, 1974, if a State fails to inform parents receiving AFDC or participating in the employment program of the availability of child health screening services; to actually provide or arrange for such services; or to arrange for or refer for appropriate corrective treatment, the children disclosed by such screening as suffering illness or impairment.

Medicaid coverage of mentally ill children.—Under present law, Federal matching for the treatment of mentally ill persons under the Medicaid program is limited to persons sixty-five years of age or older. The committee bill would for the first time extend Federal financial participation to inpatient care in mental institutions for children eligible for Medicaid. Federal matching would only apply if the care consisted of a program of active treatment, was provided in an accredited medical institution, and provided that the State maintains the level of expenditures it is now making for mentally ill children.

Child care.—The committee bill will significantly improve the care that thousands of children receive while their parents work. Care provided under the committee bill will have to meet Federal standards designed to assure that adequate space, staffing, and health requirements are made. In addition, facilities used will have to meet the life safety code of the National Fire Protection Association.

Protection of children.—The committee bill would require,

rather than merely permit, States to assure that welfare payments are being used in the best interests of the children for whom they are intended. When a welfare agency has reason to believe that the aid to families with dependent children payments are not being used in the best interests of the child, it must provide counseling and guidance services so that the mother will use the payments in the best interests of the child. This failing, the agency must make protective payments to a third party who will use the funds for the best interests of the child.

Failure to pay rent leads to eviction and disruption of a child's life. The committee therefore provided that if the parent of a child receiving AFDC has failed to make rent payments for two consecutive months, the welfare agency may, depending on the circumstances of the case, make a rent payment directly to the landlord if he agrees to accept the amount actually allowed for shelter by the State as total payment for the rent.

Under the employment program, mothers in families with no children under age six would generally be ineligible to receive their basic income from the aid to families with dependent children program. It is possible that a few mothers will ignore the welfare of their children and refuse to take advantage of the employment opportunity. To prevent the children from suffering because of such neglect, the Work Administration would be authorized to make payment to the family for up to one month if the mother is provided counseling and other services aimed at per-

suading her to participate in the employment program. Following this, the mother would either have to be found to be incapacitated under the Federal definition (that is, unable to engage in substantial gainful employment), with mandatory referral to vocational rehabilitation agency; or, if she is not found to be incapacitated, the State would arrange for protective payments to a third party to insure that the needs of the children are provided for.

Child welfare services.—The committee bill would increase the annual authorization for Federal grants to the States for child welfare services to \$200,000,000 in fiscal year 1973, rising to \$270,000,000 in 1977 and thereafter. These figures compare with a \$46,000,000 appropriation in 1972. While it is expected that a substantial part of any increased appropriation under this higher authorization will go toward meeting the cost of providing foster care, the committee carefully avoided earmarking amounts specifically for foster care so that wherever possible States and counties can use the additional funds to expand preventive child welfare services with the aim of helping families stay together, thus avoiding the need for foster care. The additional funds can also be used for adoption services, including action to increase adoption of hard to place children.

The committee bill also provides for establishing a national adoption information exchange system designed to assist in the

placement of children awaiting adoption and to make it easier for parents wishing to adopt children to do so.

Child support.—Family breakup and failure to form families in the first place are major factors in the very rapid growth in the AFDC rolls in recent years. New provisions were written into the law in 1967 which unfortunately have proven ineffective in stemming the trend. The committee believes that an effective mechanism for assuring that fathers meet their obligation to support their children, in addition to the immediate effect of reducing welfare costs, will provide a strong deterrent to fathers who might otherwise desert—a deterrent that will keep families intact and will thus have a significant impact on improving the lives of children in the families.

Under this mechanism a mother, as a condition of eligibility for welfare, would assign her right-of-support payments to the Government. Under the leadership of the Attorney General, States would establish programs of obtaining child support (including the determination of paternity where this is necessary). State expenses for the collection unit established under the committee bill would be provided 75 percent Federal matching instead of 50 percent as under present law. Any information held by the Internal Revenue Service, the Social Security Administration, or other Federal agency would be available to help locate the absent father. This location service could be used by any

mother seeking support from a deserting father, even if the family does not receive welfare.

The State collection unit would generally find it desirable to encourage the father to reach a voluntary agreement for making regular support payments. Where the voluntary approach is not successful, the committee bill provides for stronger legal remedies including the collection mechanisms available to the Federal Government such as the use of the Internal Revenue Service to garnishee the wages of the absent parent. The welfare payments to the family would serve as the basis of a continuing monetary obligation of the deserting parent to the United States.

If the civil action to obtain support payments is unsuccessful, the committee bill provides for Federal criminal penalties for an absent parent who has not fulfilled his obligation to support his family when the family receives welfare payments in which the Federal Government participates.

Child's right to have paternity established.—The committee believes that a child born out of wedlock has a right to have his paternity ascertained in a fair and efficient manner, and that society should act on the child's behalf to establish paternity even where this conflicts with the mother's short-term interests. As part of its comprehensive approach to obtain child support, the committee bill includes several provisions designed to lead to a more effective system of establishing paternity.

First, a father not married to the mother of his child would be required to sign an affidavit of paternity if he agreed to make support payments voluntarily in order to avoid court action. Most States do not permit initiation of paternity actions more than two or three years after the child's birth; the affidavit would serve as legal evidence of paternity in the event that court action for support should later become necessary.

Second, there is evidence that blood typing techniques have developed to such an extent that they may be used to establish evidence of paternity at a level of probability acceptable for legal determinations. Moreover, if blood grouping is conducted expertly, the possibility of error can all but be eliminated. Therefore, the committee adopted a provision to authorize and direct the Department of Health, Education, and Welfare to establish or arrange for regional laboratories that can do blood typing for purposes of establishing paternity, so that the State agencies and the courts would have this expert evidence available to them in paternity suits. No requirement would be made in Federal law that blood tests be made mandatory. The services of the laboratories would be available with respect to any paternity proceeding, not just a proceeding brought by, or for, a welfare recipient.

Emergency assistance to migrant families with children.—

Under existing law, emergency assistance may, at the option of the States, be provided to needy families in crisis situations, and it may be provided either statewide or in part of the State. Emer-

gency assistance programs have been adopted in about half of the States, and they receive 50 percent Federal matching. Under the law, assistance may be furnished for a period not in excess of thirty days in any twelve-month period in cases in which a child is without available resources and the payments, care, or services involved are necessary to avoid destitution of the child or to provide living arrangements for the child. The committee bill requires that all States have a program of emergency assistance to migrant families with children; requires that the program be statewide in application; and provides 75 percent Federal matching for emergency assistance to migrant families.

Social security provisions related to benefits for children.—The committee bill contains several provisions related specifically to children's benefits, which would: Extend social security coverage to certain grandchildren not adopted by their grandparents; provide childhood disability benefits if the disability began before age twenty-two rather than before age eighteen as under present law; and liberalize the eligibility requirements for children adopted by social security beneficiaries.

AIDING AGED, BLIND, AND DISABLED PERSONS

The committee continues to place primary reliance on the social security system to provide income to aged, blind, and disabled persons, and as in the past considers it appropriate for workers to contribute during their productive working years as they build up entitlement to retirement, disability, and survivor

benefits. The social security program has succeeded remarkably well in its original intention of replacing old age assistance. The proportion of aged persons receiving social security has mounted steadily since 1940 until the program is now nearly universal, while at the same time the proportion of the aged population receiving welfare has declined from 23 percent of the elderly thirty years ago to 10 percent today. Building on the 20 percent benefit increase already enacted into law, the committee bill would create a new supplemental security income program, administered by the Social Security Administration, which would set a Federal guaranteed minimum income level for aged, blind, and disabled persons, with higher incomes guaranteed for those entitled to social security benefits.

Benefits for widows.—The committee bill would provide benefits for a widow equal to the benefit her deceased husband would have received if he were still living. Under the bill, a widow who begins receiving benefits at age sixty-five or after would receive 100 percent rather than 82½ percent of the amount her deceased husband was receiving at his death, or the amount he would have received if he had begun getting benefits at age sixty-five. Under this provision, \$1,100,000,000 in additional benefits would be paid to three million eight hundred thousand persons in 1974.

Extension of medicare to the disabled.—The major provision in the committee bill affecting blind and disabled social security

beneficiaries would extend medicare coverage to one million seven hundred thousand disabled social security beneficiaries at a cost of \$1,500,000,000 in the first full year for hospital insurance and \$350,000,000 for supplementary medical insurance.

Reduction in waiting period for disability benefits.—Under present law, an individual must be disabled throughout a full six-month period before he may be paid disability insurance benefits. Under the committee bill, the waiting period would be reduced two months to a four-month period. An estimated nine hundred and fifty thousand beneficiaries would become entitled to \$274,000,000 in additional benefits under this provision in 1974.

Disability benefits for the blind.—The committee bill substantially liberalizes the provisions of present law relating to blind persons. In particular, the committee bill would make blind persons with at least six quarters of coverage eligible for disability benefits, and permit blind persons to qualify for benefits regardless of their capacity to work and whether they are working.

Coverage of drugs under medicare.—The cost of outpatient prescription drugs represents a major item of medical expense for many older people, especially those suffering from chronic conditions. The cost of such drugs are not presently covered under the medicare program. The committee bill would cover under the medicare program the cost of certain specified drugs purchased on an outpatient basis which are necessary in the treatment of the most common crippling or life-threatening chronic disease

conditions of the aged. Beneficiaries would pay \$1 toward the cost of each prescribed drug included in the reasonable cost range for the drug involved.

Limiting the premium for supplementary medical insurance.—During the first five years of the supplementary medical insurance program it has been necessary to increase the monthly premium almost 100 percent—from \$3 per person in July 1966 to a \$5.80 rate in July 1972. The Government pays an equal amount from general revenues. This increase and projected future increases represent an increasingly significant financial burden to the aged living on incomes which are not increasing at a similar rate.

The committee bill would limit the premium increase to not more than the percentage by which the social security cash benefits had been generally increased since the last premium adjustment. Costs above those met by such premium payments would be paid out of general revenues in addition to the regular general revenue matching.

Medicare coverage for spouses and social security beneficiaries under age sixty-five.—Under present law, medicare coverage is restricted to persons age sixty-five and over, but persons age sixty through sixty-four (including retired workers, their spouses, widows, or parents) find it difficult to obtain adequate private health insurance at a rate which they can afford. The committee bill would make medicare protection available at cost

to spouses age sixty to sixty-four of medicare beneficiaries and to other persons age sixty to sixty-four entitled to benefits under the Social Security Act.

Extended care facilities and skilled nursing facilities.—Serious problems have arisen with respect to defining and providing the skilled nursing home benefit under medicaid and the extended care benefit under medicare. To remedy these problems, the committee bill would establish a single definition and set of standards for extended care facilities under medicare and skilled nursing homes under medicaid. The bill also redefines the medicare extended care benefit to make it more equitable and suitable to the posthospital needs of older citizens, as well as to avoid the problem of retroactive denials of coverage. Additionally, by July 1, 1974, States would be required to have proper cost finding systems whereby skilled nursing and intermediate care facilities would be reimbursed under medicaid on a reasonable cost-related basis. To assure compliance with statutory requirements as to conditions of safety and quality of care, the Secretary of Health, Education, and Welfare would have final authority to certify facilities for participation in both medicare and medicaid.

Waiver of beneficiary liability for certain disallowed medicare claims.—Under present law, whenever a medicare claim is disallowed, the ultimate liability for services rendered falls upon the beneficiary. Under the committee bill, a beneficiary

could be "held harmless" in certain situations where claims were disallowed, but where the beneficiary was without fault. In such situations, the liability would shift either to the Government or to the provider of services—dependent upon whether, for example, the provider exercised due care in applying medicare policy.

Payments to health maintenance organizations.—Certain large medical care organizations seem to make the delivery of medical care more efficient and economical at times, than the medical care community at large.

Medicare does not currently pay these comprehensive programs on an incentive capitation basis, and consequently any financial incentives to economical operation in such programs have not been incorporated in medicare.

The committee bill provides the potential for greater usage of these organizations, with qualified organizations being eligible for incentive reimbursement. The committee bill includes provisions designed to assure that only health maintenance organizations with a capacity to provide care of proper quality would be eligible to participate under the incentive reimbursement approach. These provisions are designed primarily to protect medicare beneficiaries and to avoid indiscriminate expenditure of public trust funds.

Protecting aged, blind, and disabled welfare recipients from loss of medicare eligibility.—The committee bill includes a provision to assure that aged, blind, and disabled welfare recipients

who are currently eligible for medicaid will not lose their eligibility for medicaid benefits solely because of the recent 20 percent social security benefit increase. The amendment will protect about one hundred and eighty thousand aged, blind, and disabled welfare recipients against loss of this valuable protection.

Supplementary security income for the aged, blind, and disabled.—Under present law, aged, blind, and disabled persons are eligible for welfare benefits under the various State assistance programs, with the State setting the payment levels. The committee bill would substitute instead a new federally administered program of supplemental security income for aged, blind, and disabled persons. Under this program, aged, blind, and disabled individuals would be assured a monthly income of at least \$130 for an individual or \$195 for a couple. In addition the committee bill would provide that the first \$50 of social security or other income would not cause any reduction in amount of the supplementary security income payment.

As a result, aged, blind, and disabled persons who also have monthly income from social security or other sources (which are not need related) of at least \$50 would, under the committee bill, be assured total monthly income of at least \$180 for an individual or \$245 for a couple.

Use of trust funds for rehabilitation.—Under present law, up to 1 percent of the amount of social security trust funds paid to disabled beneficiaries in the prior year may be used to pay for

the costs of rehabilitating disabled beneficiaries. In order to provide additional funds for rehabilitating these disabled persons, the committee bill would increase by 50 percent the percentage of the trust funds which could be used for rehabilitation.

Rehabilitation of alcoholics and addicts.—The committee is particularly concerned that persons who are disabled because of alcoholism or drug addiction be provided rehabilitative services under a program of active treatment rather than simply being provided income with which to support their addiction or alcoholism. Accordingly, alcoholics and drug addicts under the committee bill would be able to receive maintenance payments only as part of a program of active treatment.

IMPROVING PROGRAM INTEGRITY AND ENHANCING QUALITY OF CARE

The committee bill includes a number of provisions designed to improve administrative control and quality of care assurance in the medicare and medicaid programs and to restore the integrity of the welfare programs.

Establishment of professional standards review organizations.—The committee has found substantial indications that a significant amount of health services paid for under the medicare and medicaid programs would not be found medically necessary under appropriate professional standards. In some instances, the services provided are of unsatisfactory professional quality.

The committee bill would establish professional standards review organizations, sponsored by organizations representing substantial numbers of practicing physicians in local areas, to assume responsibility for comprehensive and ongoing review of services covered under the medicare and medicaid programs. The purpose of the amendment would be to assure proper utilization of care and services provided in medicare and medicaid utilizing a formal professional mechanism representing the broadest possible cross section of practicing physicians in an area. Appropriate safeguards are included so as to adequately provide for protection of the public interest and to prevent pro forma assumption in carrying out of the important review activities in the two highly expensive programs. The amendment provides discretion for recognition of and use by the PSRO of effective utilization review committees in hospitals and medical organizations.

Inspector General for medicare and medicaid.—There is at present no independent reviewing mechanism charged with specific responsibility for ongoing and continuing review of medicare and medicaid in terms of the efficiency and effectiveness of program operations and compliance with congressional intent. While HEW's Audit Agency and the General Accounting Office have done helpful work, there is a need for day-to-day monitoring conducted at a level which can promptly call the attention of the Secretary and the Congress to important problems

and which has authority to remedy some of these problems in timely, effective, and responsible fashion.

The committee bill would create the Office of Inspector General for Health Administration in the Department of Health, Education, and Welfare. The Inspector General would be appointed by the President, would report to the Secretary, and would be responsible for reviewing and auditing the social security health programs on a continuing and comprehensive basis to determine their efficiency, economy, and consonance with the statute and congressional intent.

Limitations on coverage of costs under medicare.—The committee bill authorizes the Secretary to establish limits on overall direct or indirect costs which will be recognized as reasonable for comparable services in comparable facilities in an area. He may also establish maximum acceptable costs in such facilities with respect to items or groups of services (for example, food costs, or standby costs).

The beneficiary is liable for any amounts determined as excessive (except that he may not be charged for excessive amounts in a facility in which his admitting physician has a direct or indirect ownership interest). The Secretary is required to give public notice as to those facilities where beneficiaries may be liable for payment of costs determined as not "necessary" to efficient patient care.

Limitation on prevailing charge levels.—Under the present reasonable charge policy, medicare pays in full any physician's charge that falls within the 75th percentile of customary charges in an area. However, there is no limit on how much physicians, in general, can increase their customary charges from year to year and thereby increase medicare payments and costs.

The committee bill recognizes as reasonable, for medicare reimbursement purposes only, those charges which fall within the 75th percentile. Starting in 1973, increases in physician's fees allowable for medicare purposes, would be limited by a factor which takes into account increased costs of practice and the increase in earnings levels in an area.

With respect to reasonable charges for medical supplies and equipment, the amendment would provide for recognizing only the lower charges at which supplies of similar quality are widely available.

Public disclosure of information regarding deficiencies.—Physicians and the public are currently unaware as to which hospitals, extended care facilities, skilled nursing home, and intermediate care facilities have deficiencies and which facilities fully meet the statutory and regulatory requirements. This operates to discourage the direction of physician, patient, and public concern toward deficient facilities, which might encourage them to upgrade the quality of care they provide to proper levels.

Under the bill the Secretary of Health, Education, and Welfare would be required to make reports of an institution's significant deficiencies or the absence thereof (such as deficiencies in the areas of staffing, fire safety, and sanitation) a matter of public record readily and generally available at social security district offices. Following the completion of a survey of a health care facility or organization, those portions of the survey relating to statutory requirements as well as those additional significant survey aspects required by regulations relating to the capacity of the facility to provide proper care in a safe setting would be matters of public record.

Limitation on Federal payments under medicare and medicaid for disapproved capital expenditures.—A hospital or nursing home can, under present law, make large capital expenditures which may have been disapproved by the State or local health care facilities planning council and still be reimbursed by medicare and medicaid for capital costs—depreciation, interest on debt, return on net equity—associated with that expenditure.

The committee bill would prohibit reimbursement to providers under the medicare and medicaid programs for capital costs associated with expenditures of \$100,000 or more which are specifically determined to be inconsistent with State or local health facility plans.

Determining eligibility for welfare.—Generally speaking, the usual method of determining eligibility for public assist-

ance has involved the verification of information provided by the applicant for assistance through a visit to the applicant's home and from other sources. For persons found eligible for assistance, redetermination of eligibility is required at least annually, and similar procedures are followed.

The Department of Health, Education, and Welfare has required States to use a simplified or "declaration method" for aid to aged, blind, and disabled, and has strongly urged that this method be used in the program of aid to families with dependent children. The simplified or "declaration method" provides for eligibility determinations to be based to the maximum extent possible on the information furnished by the applicant and without routine interviewing of the applicant and without routine verification and investigation by the caseworker. The committee bill precludes the use of the declaration method by law. It also explicitly authorizes the States in the statute to examine the application or current circumstances and promptly make any verification from independent or collateral sources necessary to insure that eligibility exists. The Secretary could not, by regulation, limit the State's authority to verify income or other eligibility factors.

Recouping overpayments.—In 1970, the Supreme Court ruled that welfare payments could not be terminated before a recipient is afforded an evidentiary hearing. The Health, Education, and Welfare regulations based on the court's decision permit

the recipient to delay the hearing in order to continue to receive welfare payments long after he has become ineligible. Other regulations virtually preclude recovering overpayments.

The committee bill deals with this situation by requiring State welfare agencies to reach a final decision on the appeal of an AFDC recipient within thirty days following the day the recipient was notified of the agency's intention to reduce or terminate assistance. The bill would also require the repayment to the agency of amounts which a recipient received during the period of the appeal if it was determined that the recipient was not entitled to them.

Quality of work performed by welfare personnel.—In an effort to try to upgrade the quality of work performed by welfare personnel, the committee bill directs the Secretary of the Department of Health, Education, and Welfare to study and report to the Congress by January 1, 1974, on ways of enhancing the quality of welfare work, whether by fixing standards of performance or otherwise. In making this study, the Secretary could draw on the knowledge and expertise of persons talented in the field of welfare administration, including those having direct contact with recipients. He should also benefit from suggestions made by recipients themselves as to how the level of performance in the administration of the welfare system might be improved, with a view toward ending the wide variations in employee conduct which characterize today's system, and moderating the ex-

tremes to which some social workers go in performing their duties.

Offenses by welfare employees.—Under a present Federal law there is no provision particularly directed to the question of employee conduct in the administration of the welfare program. Under the committee bill, rules similar to those applicable to Internal Revenue Service employees would apply under the welfare laws. The committee is hopeful that this provision could lead to an upgrading of the quality of performance by welfare workers in general.

FISCAL RELIEF FOR STATES AND ADDITIONAL ADMINISTRATIVE LATITUDE

The committee is well aware that the growth of the welfare rolls since 1967 has been one of the significant factors in bringing about the fiscal crisis currently facing State and local governments. Much of this growth has been due to increased Federal intervention in the control of the AFDC program by the States. The committee feels that having the Federal Government take over the control of this program is not the step that should be taken. It believes that the correct approach is in the opposite direction. Accordingly, the committee carefully designed many parts of this bill so that the State's control of the AFDC program would be strengthened rather than weakened. The committee recognizes, however, that this represents a long-range solution and that many States feel an acute need

for immediate relief from the pressures of swollen welfare budgets. Under the committee bill, therefore, the fiscal burden on the States will be substantially decreased through creation of the new Federal supplemental security insurance program in lieu of the present program of aid to the aged, blind, and disabled, through increases in the Federal funding of assistance payments to families, and through indirect fiscal relief resulting from improvements which the committee bill makes in the general structure of the AFDC program. These amounts are in addition to funds under the revenue sharing bill.

Supplemental security income for the aged, blind, and disabled.—The committee bill establishes a new program of supplemental security income for the aged, blind, and disabled, with Federal administration and, with the Federal Government paying the full cost of the program as replacement of the present Federal-State programs of aid to the aged, blind, and disabled, this new program will save States about \$800,000,000 annually.

Aid to families with dependent children.—In the aid to families with dependent children program, the committee bill changes the funding mechanism from the present formula matching to a block grant approach. The new method of providing Federal funds for AFDC results in substantial immediate fiscal relief and is also consistent with the committee's desire to return to the States a greater measure of control over their welfare programs. For the last six months of calendar year 1972 and

for 1973 the block grant would be based on the funding for calendar year 1972 under current law. Starting in 1974 the grant would be adjusted to take into account the effects of the work program.

Child welfare services.—Federal appropriations for child welfare services have remained at \$46,000,000 for the past seven years, representing about one-seventh of total State and local expenditures for child welfare services programs. The committee bill would increase the authorizations for child welfare services to \$200,000,000 in fiscal year 1973, rising to \$270,000,000 in fiscal year 1977 and thereafter.

State medicaid savings.—The provisions of the committee bill extending medicare coverage to disabled social security beneficiaries, including prescription drugs under the medicare program and providing Federal medicaid matching for the first time for mentally ill children will save States substantial amounts under their medicaid programs.

Limiting regulatory authority of the Secretary of Health, Education, and Welfare.—The Social Security Act permits the Secretary of Health, Education, and Welfare to “make and publish such rules and regulations, not inconsistent with this Act, as may be necessary to the efficient administration of the functions” with which he is charged under the Act. Similar authority is provided under each of the welfare programs. Particularly since January 1969, regulations have been issued under this general

authority with little basis in law and which sometimes have run directly counter to legislative history. Many States have attributed at least a part of the growth of the welfare caseload in recent years to these regulations of the Department of Health, Education, and Welfare.

A number of committee decisions deal with problems raised by specific HEW regulations. In addition, the committee agreed to modify the statutory language quoted above by limiting the Secretary's regulatory authority under the welfare programs so that he may issue regulations only with respect to specific provisions of the Act and even in these cases the regulations may not be inconsistent with the provisions of the Act.

Permitting States more latitude under medicaid.—The medicaid program has been a significant burden on State finances. Two requirements of present law would be deleted by the committee bill. These requirements prevent a State from ever reducing medicaid expenditures and require that a State medicaid program ever expand until the program is comprehensive.

CONCLUSION

Mr. President, this concludes my prepared statement on the committee bill. It is a comprehensive bill, and I think it is the best piece of legislation the Finance Committee has recommended to the Senate during the twenty-four years I have been a Member of this body. I urge that it be approved.