

SUPPLEMENTAL SECURITY INCOME PROGRAM

HEARING
BEFORE THE
COMMITTEE ON FINANCE
UNITED STATES SENATE
NINETY-THIRD CONGRESS
FIRST SESSION

ON

THE NEED FOR PROTECTING AGED, BLIND, AND DISABLED
WELFARE RECIPIENTS FROM SUFFERING A REDUCTION IN
BENEFITS WHEN THE NEW FEDERAL SUPPLEMENTAL
SECURITY INCOME PROGRAM BECOMES EFFECTIVE IN
JANUARY 1974

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SUPPLEMENTAL SECURITY INCOME PROGRAM

TUESDAY, JUNE 19, 1973

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, D.C.

The committee met, pursuant to notice, at 10 a.m., in room 2221, Dirksen Senate Office Building, Senator Russell B. Long (chairman), presiding.

Present: Senators Long, Ribicoff, Bentsen, Bennett, Dole, Packwood, and Roth, Jr.

OPENING STATEMENT OF THE CHAIRMAN

The CHAIRMAN. The hearing will come to order.

The Congress last year enacted a new supplemental security income program for aged, blind, and disabled persons. Under this program, the Federal Government will guarantee a minimum income of \$130 to aged, blind, and disabled individuals beginning January 1974.

While many people will receive higher benefits under the new program than they do now, we have become aware that in a number of situations, persons now receiving aid to the aged, blind, and disabled will face a reduction in their payments when the new program goes into effect next January. Some persons now eligible for medicaid benefits will face a loss of medicaid eligibility.

The Congress certainly did not intend cutting the benefits of aged, blind, and disabled persons, and I am confident we will take the legislative action necessary to prevent a cut.

It is the purpose of our hearings today to hear suggestions on what we might do to prevent current recipients of assistance from getting a cut next January or from losing medicaid benefits.

Our first witness will be the Honorable Caspar W. Weinberger, Secretary of the Department of Health, Education, and Welfare.

STATEMENT OF HON. CASPAR W. WEINBERGER, SECRETARY OF THE DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Secretary WEINBERGER. Mr. Chairman and members of the committee, I am pleased to be here today to discuss with you our progress in implementing the new Federal/State Supplemental Security Income program and its possible effects on current welfare recipients. I am accompanied by Frank C. Carlucci, Under Secretary, DHEW; Stephen Kurzman, Assistant Secretary for Legislation, DHEW; and Arthur Hess, Acting Commissioner for Social Security Administration, DHEW.

It was this committee which provided the leadership, through enactment of the Social Security Amendments of 1972, P.L. 92-603, in establishing the Supplemental Security Income program (SSI). You purposely designed a new system in which the Federal Government would assure a basic income level and the States would retain responsibility for meeting special needs relating to higher living costs in some States and to particular situations of some of their citizens, a partnership concept.

You further provided that this would give fiscal relief to the States since the entire cost of the basic floor—\$130 for each eligible individual and \$195 for each couple—would be financed entirely by the Federal Government, providing a total of \$2.2 billion new Federal dollars during the first full year of operation.

You provided another measure of fiscal relief and cemented the Federal/State partnership in this new program by providing for protection against increased costs if the States chose Federal administration of any State supplement provided. This included a hold harmless to the State's calendar year 1972 level, plus the full assumption of all administrative costs in those States choosing Federal administration. We have responded by providing a maximum of flexibility in administration of the supplement, with a sufficient number of variables to allow the States to meet the different levels of need of their aged, blind and disabled recipients.

You provided that persons receiving payments under this program would be treated equally in all States. The basic floor assures equal minimum payments for all needy aged, blind and disabled citizens. You have provided uniform eligibility tests related to income, assets, and resources, including more liberalized income disregards and a disregard of limited outside income. We believe this will allow equity in a program under which individuals have been treated differently in every State, and indeed differently within the same State.

This law was enacted in October 1972. Since that time this Department, through the Social Security Administration, and with the cooperation of the States, has diligently planned and begun field preparation for full implementation beginning January 1, 1974, as you directed.

In 21 States, bills have been passed and signed by the Governor, or are filed and on their way through the legislative branches. Almost without exception every State and its officials are aware of and working on this legislation—and many of them have said that no present recipient in their State would receive reduced payments, that the State would do its share. The Governor of Minnesota, for example, so declared in his budget message to the legislature.

As a result of this legislation and the actions underway in every State:

More than 1,150 existing State and county welfare programs of cash assistance to the needy aged, blind, and disabled persons will be converted to a single national system.

The numbers of persons who will benefit will nearly double those who currently receive payments under the existing State systems, from 3.4 million to 6.2 million people.

Nearly a million and a half of those now receiving benefits will get an increase.

The program will bring significant amounts of new money into every State and will free substantial amounts of State funds which have previously been used to finance the State share of the adult categories. The Federal share will increase by \$1.7 billion and an additional \$900 million in State dollars will be freed.

Congress did not direct that the money freed should be placed entirely in the State treasury. In providing for State supplementation, you realized that some of these funds would be used to meet special needs in some States or for across-the-board supplementation in those States with uniformly higher levels of assistance. With the exception of three or four, the States will be better off fiscally under this program, serving double the caseload, even if they hold every individual harmless against a loss over current payments. This would include consideration of increased medicaid costs, as well.

This committee received material from my office on the medicaid options available to the States for recipients of the SSI program. Again, we provided the States a number of options for medicaid coverage, which we believe will generally give the States the ability to exercise a reasonable control over costs and to protect most current beneficiaries. Most of that relatively small number of persons that could lose federally matched medicaid payments face this situation because of Congressional changes in eligibility for the basic cash assistance program. These changes have an indirect effect on medicaid.

The reactions to the implementation efforts now underway have been positive. At the National Governor's Conference held recently in Lae Tahoe, many Governors were outspoken in their support of the uniform national program in partnership with the States. The Governors intend to implement the program in a way that will disadvantage few, if any, persons. Governor Cecille D. Andrus of Idaho the Vice-Chairman of the Committee, who presented the report to the Conference, said:

We in Idaho will supplement, if necessary, to see that none of our recipients lose any money in the transition of the responsibility from the States to the Federal Government. It is my feeling that most, if not all of the Governors, share my feelings that none of the people covered by this act shall lose money in the transition from State to Federal government. We have been working very diligently since the conferees completed their action and are on a tight schedule which will bring checks to recipients by January, 1974.

For the record, I have a telegram from Governor Otis Bowen of Indiana. His State views with great concern the delays of Public Law 92-603 contemplated by Congress. His State has already acted after careful consideration of sessions of House and Senate.

[The telegram referred to follows:]

The State of Indiana views with grave concern the possibility that delays in implementation of the benefits of Public Law 92-603, title XVI for its aged, blind, and disabled, are contemplated by Congress.

Indiana already has acted through its legislature to gain these benefits, after careful consideration and an unprecedented February 17, 1973, joint session of the House and Senate which dealt only with welfare matters. The meeting was attended by both U.S. Senators and our Indiana congressional delegation, as well as by State and Federal officials.

The legislature adopted the necessary laws which has the effect of cancelling out existing State laws relating to assistance for the aged, blind, and disabled, effective January 1, 1974.

Indiana followed the intent of Congress by implementing title XVI, which will increase benefits to some 25,000 aged, blind, and disabled citizens now on our

welfare rolls. It will provide first-time benefits for 85,000 others in marginal-income categories.

Indiana's 92 county welfare departments have based their budgets on the promise of coming on line with the Federal program. Any change at this point would peril their budgets, in view of Indiana's statutory restrictions on property tax rates and levies.

But most important, Indiana made changes in its laws to permit it to cooperate fully with the Federal program. For Congress to discard these provisions would leave us without a State welfare program to cover these categories of recipients at a time when budget commitments for the 1973-1974 fiscal biennium already have been made by the general assembly.

I would be critically concerned over any changes made now by Congress which would delay the full implementation of Public Law 92-603. Such a delay would do harm and great injustice to the 60,000 Indiana citizens who have great need for the added benefits the new program would provide.

I am also concerned about any proposed changes in Public Law 92-603, title XVI, which would call for vastly increased Federal expenditures. This might reopen the entire program to critical and delaying debate because of possible tax increases and serious Federal budget considerations and might thus likely endanger the current law and the good which it is intended to accomplish.

I recognize that the Supplemental Security Income program does have different effects in various States. I feel that most governors would not oppose carefully planned amendments which would maintain its current timetable and goal of added help for the aged, blind, and disabled, and would reasonably strengthen coverage and clarify intent where currently obscure in Public Law 92-603.

However, we strongly believe Public Law 92-603 is basically sound and commend the Congress and the President in enacting it. I would strongly urge and request full implementation as planned January 1, 1974, if not nation-wide, then certainly for those States that are so committed by legislative action taken in good faith on actions of the U.S. Congress. Certainly it seems that those States that have formally committed themselves to implementation of Public Law 92-603 should be allowed to proceed without massive and exceedingly disruptive congressional alterations of the law.

As an alternative, States which have taken steps to participate might be allowed to continue the program as a cooperative Federal-State experiment.

Kindest Personal regards,

OTIS R. BOWEN, M.D.,
Governor of Indiana.

Secretary WEINBERGER. Before I go into greater detail about the efforts in the field, I would like to comment briefly about the proposed delay of Federal administration of this program for a year. They have taken necessary action that their people remain in the same or a better position than they are now.

The law was enacted less than one year ago and, as I said previously, there has been a major joint Federal-State effort since that time to have the program operational by January 1, 1974. To alter the program in any major way would jeopardize plans for implementation on time. Every week is a critical one in our operational process. Any talk of delay in Congress is bound to create confusion in the field. Indeed it already has caused some uncertainty and unnecessary confusion. We cannot allow this to happen if we are going to get this program into effect on time. The most important consideration of my Department is that our needy aged, blind, and disabled individuals, including the 2.8 million newly eligible, receive their checks on time. We must not jeopardize this through any Congressional uncertainty. I might interpolate that we regard this as the biggest single civilian effort the Government has been called upon to make since enactment of Medicare.

Let me now describe our efforts to prepare for administration of the new program. It should be emphasized that what is involved is far

more than just a Federal assumption of assistance programs formerly administered by the States. The new Federal program will cover many more people than the Federal-State programs for a number of reasons:

1. The uniform Federal assistance levels—\$130 for an eligible individual and \$195 for an eligible couple—are higher than those presently applicable in almost half of the States.

2. Lien laws and relative responsibility are not applicable under the new program.

3. The law includes income disregards which allow for the receipt of limited income without any reduction in supplemental security income.

About 90 percent of the newly eligible aged and 15 percent of the newly eligible disabled will be social security beneficiaries. Thus, in many cases, the Social Security Administration can use data in its records for evaluating SSI eligibility factors such as age, marital status, income from social security benefits, etc.

The more immediate problem of implementing the new program concerns the very large, one-time job of converting present recipients from State to Federal rolls. This large-scale operation, involving the conversion of approximately 3.4 million current recipients, has already started.

Before January 1, 1974, all recipients on the State and local welfare rolls will have their records reviewed and revised so as to provide the Social Security Administration with complete records for the entire caseload and identification of persons to be transferred, and necessary additional information about persons for whom State supplementary payments are going to be made.

May I emphasize that the planning stage is over. Right now the Social Security Administration is working with State and county welfare agencies throughout the Nation on an all-out, urgent basis. The law requires that we complete the highly complex administrative responsibility of implementing the new program by next January, and we will.

This program right now is rolling on that kind of a schedule that will result in payment of the checks on January 1974. We already have hired about 8,000 new employees—this is about half of what we will anticipate with approximately 15,000 new employees; devoted nearly 100,000 manhours to SSI program training in the field; opened over 100 new facilities throughout the country in order to help the recipients to be better served; expanded Social Security Administration's field telecommunications capability; printed and distributed field procedure manuals; completed preparations of application forms; and completed many other administrative preparation tasks.

Yesterday, we started taking applications from people who will be eligible or thought to be. Within weeks of the passage of the Act, we met with all the States' welfare directors and their staffs in Baltimore, and a week later with the State budget directors. In January, SSA met with legislators from all States, with many returning for further discussions last week. The National Legislative Conference meeting in Washington last week passed a resolution endorsing no delay in this program.

We have met with welfare officials regularly—with all of them during regional meetings in the past 3 weeks. Just yesterday our people

were in Juneau, Alaska, and Boston, Mass., meeting with State officials.

Throughout the country we are well past the halfway point. Furthermore, we are ready to begin accepting applications next Monday from those who may be newly eligible next January. In short, we fully accepted the mandate imposed on us by the Congress when it passed H.R. 1 last year. We certainly did not interpret that mandate as an uncertain confused suggestion that we start delivery of checks to 6.2 million persons next January. I think we would have been subject to criticism if we had not done what things we have done or faltered and say we can't make it. Fortunately, we don't have to say that.

While we cannot speak for the States about what their decisions will be, our best judgment is that nearly all States can and will insure that no recipient is disadvantaged at the same time that the State can enjoy a net reduction in adult assistance expenditures. The law, of course, does not include any means by which the Federal Government can provide an absolute guarantee that no recipient will be disadvantaged by some State action.

We must leave this matter to be resolved by the States. The question is one of willingness to apply part of their gross "savings" that are freed as a result of the SSI program to protecting recipient incomes. It does appear, however, that in just a few States which have increased payments considerably since January 1972, a net increase in State expenditures may be required in order to protect all recipients. As you can see, the Social Security Administration and the States are well along on preparations to put SSI into effect on January 1, 1974.

Your committee has made suggestions for a "grandfather clause" designed to continue into the SSI program the payment amounts applicable under the old State matching programs. Under one alternative, these payment amounts would be grandfathered in for recipients on State rolls in December 1973, with the Federal Government paying the entire cost, and the SSI levels of \$130 and \$195 applicable for new cases.

We would be very much opposed to such an approach. It would cost an additional \$900 million of Federal moneys just to relieve States of sharing the cost of assistance to the people now on their caseloads. There would be serious administrative implications arising out of the fact that for many years—as long as the "grandfathered" people remain on the rolls—there would have to be a case-by-case approach to maintaining the payments that would take into account the multitude of special provisions in the States and local jurisdictions. It was one of the things that this committee was very rightly concerned about and very anxious to stop—the examination of budgets by caseworkers. This is avoided by this program and postpones the decision of the entire program.

Your second suggested alternative calls for postponing Federal administration for a year and continuing the State and local programs with current payment levels at full Federal cost, and with minimum \$130 and \$195 payment levels required for current and future recipients. This proposal also merely shifts to the Federal Government costs formerly shared by the States.

This does not appear to us to be a real alternative, because at the end of the one year it contemplates Federal administration with the same "grandfathering" required under the first proposal. Resolution

of the problems inherent in the transition is merely delayed for a year. Meanwhile, the cost to the Federal Government during that year would be \$100 million more than the cost of SSI as enacted, but far fewer than the expected 6.2 million SSI recipients would benefit because the more restrictive income disregards, asset limits, and other provisions of State programs would continue with the new Federal benefits not coming into effect for a year.

Any change in direction now or any uncertainty as to the commitment of the Federal Government to the program would disrupt the progress of the many Federal, State, and county officials who are deeply engaged in accomplishing the conversion. Even more important, any vacillation would, in our judgment as responsible administrators, seriously jeopardize the receipt of checks in January 1974 by some 6 million needy aged, blind, and disabled people.

For these reasons, the administration would strongly oppose any delay in implementation of SSI or any change under which the Federal Government would finance payments which, in accordance with the basic philosophy of the approach as enacted by Congress, were intended to be the responsibility of the States. It is important that we do not allow the situation in a few States to obscure the fact that the SSI program will provide increased income to a potential 4 million aged, blind, and disabled Americans, and that nearly all States will be better off financially under the program.

Mr. Chairman, the time for debate was last Fall—it was debated and enacted.

In closing I would like to offer my assurance that we can and will be ready to offer complete implementation of the program by January 1, 1974; neither I nor anyone else can give you that assurance if, at this crucial stage, you should make any basic changes in the law.

The CHAIRMAN. Mr. Secretary, the States were of the impression when we were working on H.R. 1 last year that the Federal Government was proposing to take over either all or a major part of the burden of welfare that was being borne by the States at that time. When the news release went out, that the agreement had been reached before the Senate and the House conferees on H.R. 1, many people gained the impression that I personally gained, that we had agreed to a proposal that would not only make a lot more people eligible to receive payments, but that we had included a sort of grandfather approach in which at the Federal level we were going to assure that no one received a cut. I must confess that as one of the conferees under the pressure of the Congress to adjourn I gained the impression that we were doing more to help the States and the aged than we in fact did under that bill, so I can't blame any State administrator or any Governor for having the same impression that I myself had when I sat right there in that room at the time it was discussed. And it was suggested by Mr. Veneman and perhaps others from your Department that we could work out some sort of a grandfather arrangement to assure that these people would not receive reduction.

Secretary WEINBERGER. I was certainly not aware that there was any suggestion from anyone in our Department (and I just checked very briefly with Mr. Kurzman who was there at the time) that there would be any grandfathering clause. The thing that strikes me, if I might say so, that disproves the contention that a lot of States were under a dif-

ferent impression, is the number of States that have acted since the enactment of this Act to supplement. A number of States have acted not to add supplemental payments. That seems to my mind to disprove the idea that there was any serious misunderstanding as to the fact that a partnership was still contemplated and that there would have to be State actions taken.

The CHAIRMAN. There was obviously not a meeting of the minds, Mr. Secretary. The reason I say this is that I am only now fully understanding how this so-called grandfather clause is supposed to work, and if a man who served as chairman of the Senate conferees could be confused about the matter then it is easy enough to understand how someone 1,000 miles away from Washington could be confused about it. I gained the impression when we were talking about trying to assure these people that no one would receive a cut, that the Federal Government was going to undertake to pay the expense of assuring that these aged people would not have a reduction. Now the way this grandfather clause is written I am sure is the way that your people understood it, after all I think that they probably provided the draftsmanship to do the detail work. When we read the language and study it, the way the law is drafted it comes out that if the State will pay to the Federal Government the amount which it was paying in aid to the aged, blind, and disabled, then the Federal Government will pay the additional amount necessary to assure the States that these aged people would not suffer a reduction. Now, I believe most States had the impression which I had.

Mr. Secretary, the principal concern for some of us on this committee is the prospect that a number of aged people, having been led to believe that we are going to have a more generous program, will receive not an increase, but a reduction if things proceed the way they are going. That is a matter of grave concern for all of us who have a substantial number of those people within our States. What is your estimate of how many people will receive a reduction if things proceed the way they are going right now?

Secretary WEINBERGER. Mr. Chairman, that will depend on the actions that States take. There was never any suggestion, as I understood it, that the Federal Government was going to both adopt a more generous expanded system and at the same time guarantee that all of the States would take the necessary action to insure that any lapse caused by the peculiarities or differences of their laws would be covered. With the amount of money that I mentioned that was freed to come to the States, there is no reason for any State to have any person disadvantaged, and only one or two States would be required to pay additional amounts of money to insure that most States would receive a net benefit, or there would be at the very least, a very substantial amount of new Federal dollars coming into that State.

The CHAIRMAN. Now I believe most States had the impression which I had at the time, that they were not to be required to contribute the amount that they had been contributing. In fact, I think most of them felt that they could reprogram the money they had been using for the disabled and the aged and could put it in medicaid because with a large number of people being made eligible for payments it would be hoped that those—

Secretary WEINBERGER. They can do it.

The CHAIRMAN [continuing]. That those people could be made eligible for medicaid benefits as well as SSI. We did provide a savings clause. So that if the States do not have the money, they could limit their medicaid eligibility to those persons who were on the rolls prior to the time that the SSI program went into effect.

Secretary WEINBERGER. They are able to do that. The conferees did specifically grandfather the blind and the disabled recipients into the SSI program; thus, they can be covered under medicaid by whichever option the State chooses. But the option of the States to use the money that was freed by the Federal assumption for additional State medicaid benefits was there, and many States have done that. Some States, however, have taken that money and diverted it for other purposes. This was within their authority to do.

If this brings them out with the need to then spend additional money to bring their medicaid recipients back up again, that is still open to them. If they divert the freed money, that should not, we think, be a basis for the Federal Government in effect to do both for them.

The CHAIRMAN. Mr. Secretary, first let me ask you this question: based on the plans and the laws that States have made—and I am not talking about somebody's good intentions, I am talking about something upon which we can rely with reasonable certainty—can you give me an indication now as to how many aged people on assistance would suffer a reduction as of January?

Secretary WEINBERGER. Well, the largest group, that at this point will apparently be receiving less money because of the failure of States to take certain actions is the group of the so-called "essential persons." This group consists of persons who are not themselves eligible for SSI, but whose presence in the family is essential to the well-being of one who is eligible. That group, as far as we know now, with respect to State actions that have not yet been taken, numbers in the 100,000 category. This is to be contrasted with 3,200,000 people who will receive additional benefits and who would not receive those additional benefits if any postponement occurs.

The CHAIRMAN. Well, Mr. Secretary—

Secretary WEINBERGER. Of course, there is no reason why the essential spouses cannot be included in the State supplementary provisions, and many will be. So the figure I am giving is just the outside total. There is no reason at this point to believe that there will be 100,000 people who will get less than they are getting now. There is every reason to believe the contrary, and there is ample ability within the State governments to provide for that.

We are talking about a very few situations in which States saw some funds free and instead of applying those funds for additional medicaid benefits, applied them for other purposes. Now they are saying that the Federal Government should allow them to use those free funds for other purposes and make up some additional medicaid benefits.

The CHAIRMAN. Well, Mr. Secretary, what we have before us now is the law, the way it stands right now.

Secretary WEINBERGER. Yes, sir.

The CHAIRMAN. But as a person who was in on the act at every stage from the time the bill reached the Senate, I would say it has some

unintended consequences. It is not the bill that we would have drafted if we had known then what we know now.

Now, just to give you some examples. We started out with an alternative in the Senate that would have paid a lot more than you are paying in these checks. We were going to allow a larger disregard of social security and other income than finally became law.

Now, the figure that we had was high enough for a cashout of the food stamps without the result of people suffering a reduction in their checks.

After we compromised in conference on a lower figure, we could see that there was not going to be enough there to guarantee those people as much income, in many cases, as they had been receiving, and that is why the grandfather situation became so important.

Now, we see that the grandfather clause does not work out the way that some of us assumed that it would, we see that the food stamp cashout was not funded in many situations. Recently, now the Senate has passed a bill that would undertake to restore food stamps to these people so that might solve that part of the problem.

There was another oversight. We failed to take care of the essential spouses problem that we find in the law.

Secretary WEINBERGER. But that, of course, can be done under the State supplementation. A great many States have already provided for this.

The CHAIRMAN. Now that takes us to the next point. A great number of States felt that the Federal Government was proposing to take this program over and add a great number of additional people to the rolls, and hopefully to assure that no one was going to receive a cut.

Now it is only after studying the law that we see where many people are going to be reduced. At this point you cannot estimate how many and I cannot either. But in my State, I am informed, for example, that of about 85,000 on the rolls, about half will get a cut.

Secretary WEINBERGER. Mr. Chairman, if I might point out the details of that. Louisiana, on an annual basis, will have a net gain of \$30 million. The problem is, as you know, that the Louisiana Legislature allocated that money to a different program; and for that reason, it is not available to bring the people who were benefiting back up to the previous payment level.

There is no reason why they could not have used that \$30 million for that purpose. Had they done so, they would have been \$9 million ahead. In the case of one or two States that used the freed money for other purposes, what is being sought is, in effect, another Federal allocation. It is not the law and it is not the administration of the law that has caused some people to come out, at this point, with a possible lower payment. It is the way in which that particular State decided to use their surplus funds that is the cause.

The CHAIRMAN. Well, they aren't the only ones, Mr. Secretary. I will get on to that in a few minutes. But I believe you would find that they are in the majority rather than in the minority.

Taking into account the view, that the Federal Government is going to take this program over, these States are prepared to let the Federal Government take it over, and they are going to simply notify their caseload come December that the Federal Government has moved in and is taking this program over. The States will continue to do the best

they can to provide medicaid to people who need it, and I understand that is where they have programed most of the savings that will come their way. I think a lot of other States have done that, feeling that the Federal Government has proposed to take the program over, well, fine, let them take it over, and this proposal that the States should pay into the Federal Government an amount so that the Federal Government can then pay it back to the recipients in those States has not met with uniformly favorable response.

As a matter of fact, a lot of the States tend to view it as revenue sharing in reverse.

Now, personally, if I had been aware of this last year, if I had known then what I know now, I would have said that if we only had this number of dollars to work with, we couldn't afford to be quite so generous in adding new people to the rolls at the expense of those who are already on the rolls.

Secretary WEINBERGER. Well, Mr. Chairman, if I might respond, there were some people who opposed the bill last fall. But in the case of a bill of this magnitude, that calls for this amount of administrative detail and the implementation effort that has gone into it, I think that we have to accept that bill. There are certainly some changes that can be made in it after the full experience is developed, and after we know what all the States are going to do. Some changes might well be considered. But to fall back at this point is roughly equivalent, in my mind, in view of the magnitude of the task, to the situation of having launched all of the invasion boats and, after they are three-quarters of the way across the channel, of suddenly hauling them back and waiting a year. That is certainly not practical in view of the degree of activity and effort that has gone into this, the length of the track that we are down to get this thing started by January as we were directed to do.

Certainly, there was no misunderstanding on the part of a great many States. A number of States have already acted, and our figures show that there are only three States, at this point, where the legislatures are not presently in session that have not already made decisions as to which way to go, either to supplement or not, or to put it into other activities. It is quite possible that those three States will be called back into a short special session devoted to this particular problem if they wish to do so.

There is a problem in Texas because of a constitutional difficulty there. That is the same problem that existed before the act was passed and it still exists, and that is a difficulty. But other than that, there are only the two States where the legislatures are not in session and where they have not taken action or do not have the opportunity to take action.

The CHAIRMAN. Well, Mr. Secretary, we have been trying to find out on this committee how many States have moved to supplement, an action you think would be desirable.

Secretary WEINBERGER. We have those figures, sir.

The CHAIRMAN. Now, here is what our summary shows up to this point. We have had answers from 33 States. Of that number, 13 have told us that they are planning to supplement. That is about two out of five States. In three States out of five—

Secretary WEINBERGER. You understand, of course, Mr. Chairman, that half of them don't need the supplement at all, that the Federal minimum is higher than what they are now receiving. So that fully 24 or 25 States do not need any supplementation to pay at a higher level with the Federal minimums.

The CHAIRMAN. Well, you may have a higher payment than those States pay for basic needs, but there are many cases of special needs, cases involving the essential spouse where she is below age 65, where the State pays more than your SSI payment. For someone whose wife is below age 65, for example, it is not going to help him that the State pays less to someone else that SSI does.

Secretary WEINBERGER. But they can be included in—

The CHAIRMAN. He and his wife are getting a big cut in their check.

Secretary WEINBERGER. But the essential spouse under 65 that you mentioned can be included in the State supplementation, and many States have decided to supplement. But there has been—

The CHAIRMAN. I am not saying the States cannot supplement. I know they can supplement, Mr. Secretary.

Secretary WEINBERGER. But the supplementation can be made out of the savings that result to the State from the Federal assumption, and that still leaves them in many cases, in most cases, with a net gain just as it did Louisiana. So that there is no reason to disrupt at this stage the basic Federal-State partnership aspect of the program that was an integral part of it last fall when it was enacted.

The CHAIRMAN. Well, that is just part of the problem, Mr. Secretary. We give the impression that the partnership is over with, that the Federal Government is going to take this program over and pay for it and, having done that, we say, well, a lot of people would receive a reduction, and so to avoid that, we will call upon the States to supplement.

Now it would seem to me, rather than try to call upon 50 States to supplement, it would be better at this point for the Federal Government simply to find a way to take care of the difference.

Secretary WEINBERGER. Well, the difference, Mr. Chairman, is a difference that involves complete abandonment of any partnership aspect. The term "supplement" should not be understood as meaning that States will be paying more than they have paid before. In all but a very, very few instances the State supplementation can be made within the savings that occur to States and accrue to States through the assumption of the basic payment by the Federal Government. The only States that are required to spend a bit more than they did in previous years would be States that have made substantial benefit increases in the calendar year 1973 or 1974, they have had full notice since October 1972, and, through the conferences that I described in my statement, the full opportunity to become aware of the problems involved and the courses of action that they would have to take.

The CHAIRMAN. Now, let's consider those States that are trying to care for all of those who are under the SSI program with medical care under the medicaid program. Would not most of them be needing most if not all of the savings that are available to them as a result of the SSI program in order to extend the medicaid to those people.

Secretary WEINBERGER. That is clearly not correct, Mr. Chairman. Mr. Carlucci has with him some tables on that question.

Mr. CARLUCCI. We can go down the list of States, Mr. Chairman, but, by and large, the majority of States can insure that no one is disadvantaged either under the basic program or, indeed, in their medicaid if they utilized the freed up State money to enlarge the medicaid benefits. We have, in our letter that went out to Governors, specifically given States a great deal of flexibility in the medicaid area so that they do not need to over-extend their financial resources if they do not choose to do so.

The CHAIRMAN. Are you telling me that the money is available, in 50 States or even a majority of them, to extend medicaid benefits to all these beneficiaries newly made eligible for payments under the SSI program? In my State that is a doubling of the number of people on the rolls. If that is the case of the average State across the country, are you here to tell me that the savings that the States receive are adequate to extend medicaid benefits to all the aged, blind, and disabled that are already on the rolls, plus the new ones?

Mr. CARLUCCI. Two points: first, under the flexibility we have given them, they do not have to extend the medicaid benefits.

The CHAIRMAN. I understand that, but assuming they do extend the benefits, that is the question now.

Mr. CARLUCCI. But assuming they do, we still estimate that the vast majority of States will have sufficient freed up funds to make sure that the beneficiaries are covered under medicaid.

The CHAIRMAN. All right, now assuming they do that, assuming then that they extend medicaid to all these people newly made eligible under the SSI program, how much does that then leave them to pay these grandfather benefits to the people who otherwise would have a reduction in their welfare checks?

Mr. CARLUCCI. We are assuming, in making these calculations, that no one would be disadvantaged.

Secretary WEINBERGER. There would not be any people to be grandfathered under the conditions Mr. Carlucci has just mentioned, Mr. Chairman, because there would be enough money left in the vast majority of States to do that. New York and California are probably the two that will have to make some additional net outlays because of the additional benefits they have voted in the past year.

But in the vast majority of States, this will not be required, and there would be nobody to be grandfathered because, by definition, everyone will be covered at the same or higher rate.

The CHAIRMAN. Well now—

Secretary WEINBERGER. If the States wished to do so. That is the point.

The CHAIRMAN. Well now, would you provide me with what is going to cost in 50 States and the District of Columbia, to extend medicaid benefits to these people newly made eligible for this program; and then having done that, how much would it cost these States to provide these grandfather supplements to all the people who otherwise would suffer reduction on the rolls?

We would like to have your estimates; would you supply that?*

*At presstime, June 22, 1973, the material requested had not been received.

Mr. CARLUCCI. Mr. Chairman, two premises. One, we estimate in terms of making certain that no one presently receiving benefits is disadvantaged, the States, by and large, with a couple of exceptions, will have sufficient freed up resources.

The second premise which you are addressing is new, and that involves extending medicaid benefits to a completely new group. There we do not have detailed figures, but there are still sufficient amounts of money that have been freed up that the States could use to extend medicaid benefits should they choose.

Secretary WEINBERGER. You keep going back to the Louisiana case, Mr. Chairman, and I want to point out, for no other purpose other than that it is quite illustrative, that there the State gets a net saving of \$30 million. Had that been used to make everybody covered, the State would still have come out \$9 million ahead. But what Louisiana did was take that \$30 million and apply the whole amount to another program in the State. So now it is said that Louisiana needs \$9 million to make up the amount that it would otherwise have cost. The question is should the Federal Government pay that along with the \$30 million Louisiana used for another purpose last fall.

The CHAIRMAN. Would that \$9 million have been enough to have extended medicaid benefits to all the beneficiaries newly made available under your SSI program?

Secretary WEINBERGER. That is my understanding.

Mr. CARLUCCI. No, I don't think it would have been sufficient to extend medicaid to all the newly eligible people in the State of Louisiana.

The CHAIRMAN. That is my question.

Mr. CARLUCCI. That is your question.

It would have required additional money. But once again you are contemplating an extension of benefits and you are not talking about holding people harmless. You are talking about extending medicaid to an additional population that is not covered.

The CHAIRMAN. That is just the point. I know that you cannot spend the same dollar twice, that is, you can't have your cake and eat it, too. When you spend a dollar it is gone, and that is the point I am asking about. It seems to me, that States could logically have been expected to take the money that they would think would be saved to them by Federal take-over of the program, and to reprogram this money into other phases of their welfare program.

Secretary WEINBERGER. I guess our dispute is with your statement.

The CHAIRMAN. Medicaid in particular.

Secretary WEINBERGER. I think the State could logically be expected to understand the situation because many States did understand it the other way, Mr. Chairman. There should not have been any misunderstanding of the legislation as it emerged from the Congress. Enactment was a long, complicated process, but it was enacted, and it was explained on the floor. We have been implementing it ever since in the way in which it was enacted.

The CHAIRMAN. Well, these misunderstandings do occur, Mr. Secretary. It is not something new.

There is plenty of misunderstanding in the social services area, and also plenty of room for misunderstanding in this program. We want to see what can be done about these misunderstandings.

I have monopolized the time to try to get certain things straight in my mind, and I will call upon Senator Bennett next.

Senator BENNETT. Thank you.

I have a completely different understanding of what we were doing than the chairman did because, in the course of the committee discussions, we were constantly focusing in on the idea that we wanted a basic, uniform Federal welfare benefit that in most cases would be higher than the benefits being paid under the old program, and that basic uniform Federal benefit was to be the same across the United States, but we would leave the States the privilege of supplementing that benefit if in their States the amount that the welfare recipients had been receiving was higher than the uniform Federal benefit.

Secretary WEINBERGER. That was our understanding, Senator.

Senator BENNETT. That was my understanding very, very clearly, and that is where we have come out.

Now the question is: In a State where either some of its beneficiaries or for all of its beneficiaries are paid more than the figure of the uniform Federal benefit, does the Federal Government have the obligation to pay that money to those people in that State and thus destroy, in my opinion, the equal Federal treatment of all recipients?

It seems to me that the Federal Government, as the Federal Government, has no right to use the taxpayers' money and pay more to a welfare recipient in Louisiana or New York than it pays to my constituents in Utah. I would object very strongly, and I think we all understood that when this thing was done.

Now what we are arguing about is the fact that, apparently in some States, the State officials have decided that they will take the money that they had been relieved of, \$130 per beneficiary for a single case and \$195 for a family. They believe all of that money is available to them.

Now that the amount of supplement above those levels is, I would say, in most cases except one or two, much less than what they were paying before.

Do we have an obligation, as the Federal Government, to allow them to decide how much supplement their people are going to get above the minimum and then impose on us the obligation to pay it? If you accept that principle we are going to see another run-away program to increase benefits State against State, and then pressure on us to fund the decisions that they make in which we have no part.

Now, we may have made some mistakes in our definition, in our basis of eligibility, and this "essential persons" thing may be one of those, and I would prefer to correct it as a correction in the definition rather than to establish a principle that any State has the right to have an open drawer on the Federal Government because it has the right to decide what additional benefits its people are going to get.

I think we cannot legislate except on the theory that as far as the Federal Government is concerned every welfare beneficiary is going to get the same amount.

Now, if in time we want to change the figures, if \$130 and \$195 are not enough, let's talk about that.

But when we do it, let's talk about it for every welfare beneficiary in the United States, not just for a selected group of people who, on the

basis of the decision of State welfare directors, either got more than the other beneficiaries in that State or their State got more than the amount of the Federal floor.

At the time this was done, welfare directors were delighted to have this big burden taken off them, and I think we should leave it that way.

I think we are walking into a bigger trap than we are trying to get out of, if we set a precedent that the States can demand full Federal funding on uneven bases in different States and for different people. So this thing worries me from that point of view.

Now, each State has the right, having some funds freed up, to decide whether it is going to continue these supplements or whether it is going to use the funds for something else. But I think the States should face the fact that it is the State's decision and not the Federal Government's decision that allocates those funds, and I don't think the States have a right to come back at us and say, "Well, we have decided that these people who got \$150 a month instead of \$130 before you came along should still have \$150. We are going to take the \$130 we used to pay them that you now pay and we are going to do something else with that. We will build houses or roads or we will put it into a children's program or a drug program, we are going to be free to do anything we want with it, but you have got to put up that additional \$20 for these people in our State." and thus create an uneven balance among welfare recipients.

I think the only basis the Federal Government can proceed on is equal funding for people who qualify everywhere in the United States. That is not a question. It is a long speech, Mr. Chairman.

I think we are also heading into another little bit of conflict. The staff has prepared, and we have here, a list of States indicating those that will supplement and those that have not decided. Has the Department a similar list?

Mr. CARLUCCI. Well, we do not have a list in precisely this form, but we have been in communication with all of the States, and we would be glad to put into the record our understanding of what the situation is.

Senator BENNETT. I would like to see a list, State by State, if it is possible, showing the amount by which the States are going to supplement, not just whether or not they will supplement.

Mr. CARLUCCI. Well, some of those decisions, of course, Senator Bennett, have not been made but we will be glad to put into the record all the information that we have presently available to us.*

The committee understands, of course, that the States have not, until very recently, had the necessary decision from HEW on what the adjusted payment level would be, what variations would be allowed under Federal administration to allow them to make firm decisions. Now they have this information under cover of a letter from the Secretary, and every indication that we have is that they are moving very vigorously to act on this information.

Senator BENNETT. Let me ask you another question. The chairman has made the point that, as a result of this new Federal assumption, the number of welfare recipients in his State have approximately

*At presstime, June 22, 1973, the material requested had not been received.

doubled. I am not—I do not care about the exact figure, is it approximately double, Mr. Chairman?

The CHAIRMAN. About that. Not quite that, but about—

Mr. CARLUCCI. We estimate from 133,000 to 223,000.

Senator BENNETT. That is an increase of about 60 percent.

The CHAIRMAN. About 70 percent, more like 70.

Senator BENNETT. So the total money going into the welfare system for the benefit of the aged, blind, and disabled in that State is going to be 60, roughly 60 percent higher, is it not?

Mr. CARLUCCI. That is right, and we estimate there will be some \$16 million in new money going to the State of Louisiana. That is new money to cover those people.

Senator BENNETT. The State does not have to supplement it. It goes there.

Mr. CARRUCCI. It goes there.

Senator BENNETT. And some of those benefits are provided for people who got no benefits under the old program.

Mr. CARLUCCI. That is correct.

Senator BENNETT. And that State realized \$30 million in free funds.

Mr. CARLUCCI. We estimate that the amount of freed up money in the State of Louisiana would be \$29.6 million, to be precise.

Senator BENNETT. Why do you reduce that to \$9 million; what happened to the other 21?

Mr. CARLUCCI. We would assume that some \$6 million would be used to cover present recipients of medicaid. That would be in addition to Federal money. There is an additional \$9 million which would be used to take care of what we call State complement. This would cover essential persons, and that then reduces it by \$14 million. So then we are talking about a gain of somewhere in the neighborhood of \$17 million for the State of Louisiana, a net gain if they were to cover present recipients.

Senator BENNETT. And, as I understand your testimony, you estimate that if they maintain the benefits above the Federal level, to those people who are receiving them, that the \$9 million would more than cover the costs.

Mr. CARLUCCI. Well, we could cover the cost, and the State of Louisiana would have a net savings of some \$9 million.

Now, to go back to the chairman's point, I think we ought to acknowledge that that \$9 million would not be sufficient to add new recipients to the medicaid rolls. But there was no intent in the legislation to grandfather in or to extend these kinds of medicaid benefits. We have allowed the States, as stated in the letter the Secretary sent out, flexibility to include medicaid recipients. They could apply some of that \$9 million to that.

Senator BENNETT. Let me ask again, and I am trying to get this straight in my own mind, is it your assumption then that the roughly \$20 million will cover all the costs and hold the present welfare recipients at the present level?

Secretary WEINBERGER. Yes, that is right.

Senator BENNETT. Without any new law, and they would still have \$9 million left over?

Secretary WEINBERGER. \$9 million left over. If they wished to extend benefits, they could use that \$9 million for the extension of benefits or for other purposes.

Senator, as you know, this is not a grandfathering process we are talking about. This is a problem of the Federal Government, underwriting the extension of benefits for one State, as you pointed out.

Senator BENNETT. That is right.

Mr. CARLUCCI. I think it should pointed out also, if they choose to use that \$9 million to extend medicaid benefits, the Federal Government also participates in the funding of the medicaid program.

Senator BENNETT. How much additional money would the Federal Government put up against that \$9 million?

Mr. CARLUCCI. Well, usually 70 percent in Louisiana. So we would provide 70 percent should they choose to use that money to extend medicaid coverage.

Senator BENNETT. You say the State puts up 28 percent and the Federal Government puts up 72?

Mr. CARLUCCI. That is correct for medicaid in Louisiana.

Senator BENNETT. So the \$9 million could draw against the Federal Government for about \$27 million.

Mr. CARLUCCI. That is approximately right, yes, sir.

Senator BENNETT. Now would that cover the costs of extending medicaid, that is \$36 million?

Secretary WEINBERGER. That would cover the cost of extension of medicaid benefits in the amount of \$9 million.

Mr. CARLUCCI. We estimate that Louisiana now spends about \$18 million in State funds for all adults in medicaid, so it would not quite cover it.

Senator BENNETT. I see. If you double the number of people or approximately double the number of people and gave them the same benefits, you would have to have a total of something like \$18 million and you have got \$9 million.

Mr. CARLUCCI. That is approximately correct, yes, sir.

Secretary WEINBERGER. But that assumes an extension of benefits.

Senator BENNETT. Yes, I understand.

The CHAIRMAN. Let's just understand what we are talking about here so we understand this problem. If the Federal Government were privileged to spend the money which the State is no longer putting in for a matching program, and if the Federal Government could spend that on behalf of the State the way the Federal Government would like to spend it for a particular program, the probabilities are that they could meet most of this problem. Let's understand that you are presuming at the Federal level to tell the States how they are going to spend their money.

Secretary WEINBERGER. No, sir, we are not. It is exactly the opposite.

The CHAIRMAN. Well, you are saying that if the States would spend the money the way that you would believe to be desirable for this purpose, then they could keep these people from having a reduction.

Secretary WEINBERGER. No, sir, we make no value judgments at all. What we say is that if a State, on its own initiative, decides to spend their freed money for something else, that is a State decision. But that should not carry with it an automatic guarantee that the Federal Gov-

ernment will make up the cost of what the State might have done, but decided not to do.

The CHAIRMAN. Well, the point that I have in mind is that the people around this country, including a lot of State administrators, a lot of Senators, and a lot of Congressmen, have been given the impression that the Federal Government is going to move in here with a broader program. When we voted on a bill last year, we were led to believe, and I know I was one of those who had the impression, that the people now on the rolls were not going to get a cut; that the Federal Government was moving in here and was going to spend, according to your own figures, another \$2.2 billion in this area—

Secretary WEINBERGER. We are.

The CHAIRMAN [continuing]. And the people on the rolls were not going to be cut. At least I certainly had that impression. I hoped they were going to get an increase, by the time all things were considered. And a lot of additional people were going to be added to the rolls and the States were going to have a lot of money freed up, a lot of which could be expected to go into medicaid for people who deserve it, but were not then getting it. Now, instead of that, we are in the prospect of having about a million people take a cut which will just lead to the Federal Government blaming the States and the States blaming the Federal Government. But as regards the man or woman who got a cut, it is not going to do them any good, with the cost of living going up, to have their check cut while everybody was blaming somebody else.

Secretary WEINBERGER. Mr. Chairman, I don't like—

The CHAIRMAN. What I would like to see is that that doesn't happen in the first place.

Secretary WEINBERGER. Mr. Chairman, I don't like to interrupt, but there is no possibility that a million people will take a cut under any possible variation of this program. I, for the life of me, don't understand how the misapprehension or the incorrect impression developed. Certainly no one in our Department put out any incorrect version of the bill, and certainly the people who enacted it, and the great majority of the States, with whom we are in contact, by their very actions have demonstrated that they understood it. There is no suggestion that anyone need be required by any Federal action whatever to take any loss. There are a small number of people who, if there is State inaction or State diversion of some of the freed funds to other programs, may receive less medicaid benefits. But there is no suggestion that it is anywhere near a million people, and there is no suggestion that it need happen at all if the few States involved will take the actions that a great many States have taken.

We do not say they have to. If they wish to use it for other programs, that is their decision. But the dollars are there, so that they need not require any additional outlay. In many cases, they will have a net savings. Only in a very few cases will there be an additional net outlay, and those are primarily in New York and California.

The CHAIRMAN. Well, it is my understanding that HEW has not even issued regulations yet on the SSI program, and that a major HEW—

Secretary WEINBERGER. We have advised all of the Governors and all of the State social welfare directors of the details of the program.

We did it within a very few days of the time we acquired the necessary information from the States.

That is one of the reasons, one of the strong arguments, for not postponing this thing further. It takes a long time to get accurate information from each of the jurisdictions involved. As soon as we have that, we put out the letters. You have a letter. I think, before you, this one happens to be addressed to Governor Mandel, but that is just for illustrative purposes. It is dated May 25 and it went out to all the Governors at that same time. Prior to that time we had had very thorough discussions with the States and with the Governors and their representatives. So there was no misunderstanding and indeed the Louisiana action that I mentioned earlier took place many months ago.

The CHAIRMAN. Well, my understanding is that—

Secretary WEINBERGER. We would like at this point since there is a reporter to enter this information into the record.

[The letter referred to follows:]

THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE,
Washington, D.C., May 25, 1973.

Hon. MARVIN MANDEL,
Governor of Maryland,
Annapolis, Md.

DEAR GOVERNOR MANDEL: On January 1, 1974, the new Supplemental Security Income Program created by P.L. 92-603 will go into effect. Under this program the Federal Government will administer a direct payment to the aged, blind, and disabled poor. The law provides that States may supplement the basic Federal payment. The law also provides that the States may elect, under certain conditions, to have the Federal Government administer their supplement. For those States that choose Federal administration there is a "hold harmless" provision to protect against increased costs resulting from larger caseloads.

The purpose of this letter is to inform you of certain of our basic views relating to the "hold harmless" level, to Medicaid eligibility, and to Federal administration of State supplements. Detailed regulations will be published for comment, but I want you to know about our thinking now because the basic policy is important in determining your State's budget, and in developing any plans you may have to supplement the Federal payment.

An elaboration of our views is in enclosures to this letter. Although some of the decisions may not be relevant to your State, I have included them so that you may have a comprehensive view of the process. In sum, our thinking is:

1. *Adjusted Payment Level.*—The Adjusted Payment Level will be set at an average of the State's money payments to individuals without any income on January 1, 1972, for basic needs, special needs, and, at State option, domiciliary care. Imputed income will be considered as income under the law so that reduced grants made to persons with imputed income will not bring down the average.

2. *Variations in State Supplement.*—Where States choose Federal administration of the supplement, States will have the following choices:

A. *Geographic.*—States may vary payments between two geographic areas. Where the State can demonstrate a need to have a third geographic variation, it will be permitted but three is an overall limit.

B. *Living Arrangements.*—States may vary payments to persons in five different living arrangements, such as living alone, with an ineligible spouse, or in certain types of care facilities (e.g., a nursing home).

3. *Medicaid.*—The law provides a number of important options on Medicaid eligibility. Our interpretations of these provisions will allow maximum flexibility so that States can exercise control over Medicaid costs and caseload increases.

On the general issue of State flexibility, the law and its legislative history enable me to agree to variations affecting the State Supplemental payments if I can do so without materially increasing costs of administration and if the variation is consistent with the objectives of the program and its efficient administration. I believe that these interpretations provide for State flexibility in a way which is consistent with legislative intent.

As I am sure you are aware, the implementation of this Act is a very large administrative undertaking, perhaps the largest civilian operation the Federal Government has undertaken since Medicare. Our principal responsibility must be to insure an orderly transition which will enable us to get payments to recipients on time. Hence, we must set a reasonable limit on variations consistent with our ability to initiate the SSI program effectively and efficiently by January 1, 1974.

If States find that the variations we have allowed do not meet their immediate requirements they can, of course, administer their own supplement initially. After the program is underway we will probably be able to allow additional variations, at which time additional States might wish to opt for Federal administration of their supplement.

It is most important that we work out as soon as possible mutually agreeable implementation plans. I have asked my Regional Director to contact your office as soon as possible to arrange for whatever discussion or staff assistance would be helpful. If you plan to choose Federal administration of your supplement we will need to know by no later than August 1 what variations your State would like to include in its supplementation program. After you and your staff have had adequate opportunity to consider these matters and we have arrived at an implementation plan that meets both Federal and State concerns, I believe it will be desirable to work out a mutual program of public communication.

I deeply appreciate your cooperation and the invaluable support of your staff in moving forward the implementation of P.L. 92-603. The conversion process, I am happy to report, is ahead of schedule primarily because of the cooperate efforts of Federal, State, and local employees. I look forward to continuing our close working relationship in the future. Building upon the experience and dedication of State and local employees, we will, together, meet the requirements of the law and begin the Federal program on January 1, 1974.

Sincerely,

CASPER W. WEINBERGER,
Secretary.

POLICY REGARDING STATE SUPPLEMENTATION

BACKGROUND

On January 1, 1974, the new supplemental security income program as provided under P.L. 92-603 will go into effect. This program, administered by the Social Security Administration, will replace the present public assistance programs for the aged, blind, and disabled. Covered under the new program will be most persons receiving assistance plus many persons newly eligible under the provisions of the Federal program.

The new program provides up to \$130 per month for individuals and up to \$195 for couples. These payment levels are higher than are being paid in many States today. However, while many new persons will be made eligible for assistance under the new program, in a number of States payments to present recipients are higher than provided under the Federal program. The law provides for optional supplementation by the States which can be administered either by the State, or, if certain requirements are met, by the Social Security Administration.

Each State has a number of options to exercise with respect to supplementing the Federal benefits. The first option is to not supplement at all. This option, as a practical matter, will probably be exercised only by those States where payments under present programs are less than under the federalized program.

A second option is to have a supplement administered by the State and/or local jurisdictions. A state administered payment does not have to meet Federal rules, but the States must absorb the full cost of providing the supplement.

Regardless of whether a State pays present recipients at a level above \$130/\$195, an election for Federal administration of a supplement can be made, as long as Federal requirements are met. For States making payments above the \$130/\$195 level, protection against increased costs because of the expanded caseload is provided through what is called the "hold harmless" provision which is covered in Section 401 of the law.

The hold harmless provision

If the supplement is Federally administered, the amount of a State's liability for any fiscal year will not exceed the non-Federal share of assistance expendi-

tures for the aged, blind, and disabled programs as paid in calendar 1972. However, this protection applies only to supplemental payments which on an average do not exceed a State's "adjusted payment level."

The adjusted payment level is made up of three elements, the key element being the January 1972 "money payment." The other two items are the "payment level modification," available to States that were not paying the full need standard in January 1972, and the food stamp bonus that would have applied to the money payment in January 1972. The money payment will be calculated as the average money payment made in January 1972 to individuals within each category, including: (a) the basic needs and miscellaneous special needs (excluding domiciliary care payments, personal needs payments to recipients in nursing homes, and essential person payments) for individuals living alone with no other income, or (b) the average of payments within each category made for basic needs, miscellaneous special needs (excluding nursing home personal needs payments and essential person payments) and domiciliary care payments to individuals with no other income.

The computation can apply to the aged, blind, and disabled categories combined in States having a title XVI program or can be computed for each category for those States having separate programs for the aged, blind, and disabled. Thus, different adjusted payment levels may be established for the aged, blind, and disabled *individuals*, and different adjusted payment levels for the aged, blind, and disabled *couples*.

Payment level modification

Payment level modification permits States at their option to make an upward adjustment in the January 1972 payment level for purposes of hold harmless provision. A payment level modification is the amount by which a State could have increased its payments to individuals without income by reducing the need standard and raising the payments so that the increased payments equaled 100 percent of need, without increasing the non-Federal share of expenditures under titles I, X, XIV, or XVI for calendar year 1972.

Bonus value of food stamps

States at their option may also make an upward adjustment in the payment level to take into account the bonus value of food stamps. This provision applies whether or not a State actually participated in the Federal food stamp program. The bonus value is determined for each category by taking the face value of the coupon allotment which would have been provided to an individual or couple for January 1972, and subtracting the charge such an individual or couple would have paid for the coupon allotment if their income was equal to the State's January 1972 money payment including any payment level modification.

Flexibility of federally administered supplementation

The Secretary will enter into an agreement with a State to administer supplemental payments that can vary according to certain specified circumstances. A State, at its option, may have two supplemental payment amounts to take into consideration—geographic variations in the cost of living as long as the geographic areas for each can be identified by county or zip code. If special justification can be shown, a third geographical variation might be allowed.

A State may also have up to five different payment levels to fit different living arrangements, living alone; living with an ineligible spouse, or living in certain types of care facilities (e.g., nursing home).

The law provides that a State may, in addition to the income exemption set by the new law, provide exemptions of other types and amounts of income and may also impose a residency requirement for the supplemental payment.

Interrelationship of the adjusted payment level and variations in supplementation

Variation in supplementation payment levels can be reconciled with fiscal protection afforded by the "hold harmless" provisions by allowing a credit for the payments below the adjusted payment level to apply toward the payments above the level. To the extent that payments above the adjusted payment level do not exceed the amount that payments are reduced below the adjusted level, all payments would apply toward the hold harmless.

State lien and relative responsibility laws

Where a State opts for Federal administration of the SSI supplement we believe there would be a significant legal problem if such a State intended to

impose lien and/or relative responsibility laws to the supplement. In light of the legal complications States have the option of avoiding complications by administering their own supplements.

If, however, a State still wants Federal administration of its supplement and intends to impose such law we will agree to administer the supplement, if (a) the Federal Government is not involved in the administration of the laws—will not vary check amounts, and (b) no Federal money is subject to such laws, that is, no part of the basic \$180 nor any part of the State supplement financed by hold harmless funds, and (c) our General Counsel determines that such laws and their enforcement are consistent with the SSI program purpose of providing unencumbered cash payments to recipients.

CONDITIONS OF MEDICAID ELIGIBILITY FOR THE AGED, BLIND, AND DISABLED

The Social Security Amendments of 1972 result in significant changes in the conditions of Medicaid eligibility for aged, blind and disabled persons.

Under the current program, a State must provide Medicaid to all recipients of cash assistance. In addition, they have the option to cover:

(a) persons eligible for cash assistance who are not actually receiving a payment, or persons who would receive a payment except that they are a resident in a medical institution;

(b) persons who would be eligible for cash assistance except for the level of their income and resources (the medically needy).

These options remain open to a State. They may provide Medicaid coverage to all persons receiving an SSI payment and, subject to some conditions, to persons receiving a State supplementary payment. They may cover other optional groups such as the medically needy. However, a State also now has a new option to restrict coverage.

When the Supplemental Security Income program goes into effect on January 1, 1974, a State will no longer be required to cover all recipients of cash assistance. Although they may cover all SSI recipients, alternatively, coverage for the aged, blind and disabled may be limited by applying any eligibility factor from the January 1, 1972 medical assistance standard which is more restrictive than the conditions of eligibility established for SSI. A State which limits coverage in this way must, however, for those aged, blind and disabled with incomes above the 1972 standard, deduct medical expenses from income in determining eligibility; this is required in the law. Beyond this requirement, however, States will be allowed maximum flexibility in applying more restrictive eligibility standards to limit coverage, whether that restriction results from a lower income standard, less generous income disregards, a lower resource standard, a more restrictive definition of disability, or any other limiting factor in the January 1, 1972 medical assistance standard. A State will have the option of returning to any one or more of the factors in their 1972 standard which result in a limitation of coverage; that is, they may return to factors in their standard selectively. Further, they may set their standard for Medicaid eligibility at any point between the more restrictive 1972 level and the standards of eligibility of SSI. The State may return to this 1972 standard only for the disabled, or only for the blind, or only for the aged, or for all of these classifications of recipients. They will be required to deduct medical expenses from income in determining eligibility only for the classification of recipients for which they are limiting coverage.

Although a State may limit coverage by applying any restrictive 1972 criteria, States are also limited in how far they can extend coverage. Federal matching for Medicaid will be available only for services to persons who can qualify for the title XVI program, or who could qualify except for their income and resources. That is, a person must be aged, blind or disabled as defined in title XVI to be eligible for Medicaid. Individuals who are grandfathered into the SSI program will be treated as SSI eligibles for purposes of Medicaid. However, persons who cannot qualify under the SSI definitions, and who are not grandfathered into the cash program, will no longer be Medicaid eligible even if they currently receive Medicaid services. Certain disabled persons who may qualify under a current State definition of disability but not under the SSI definition, and who do not receive cash payment because they are in a medical institution or medically needy, will lose their Medicaid coverage. Essential persons who are not eligible for SSI will also lose eligibility for Medicaid since title XVI does not recognize an ineligible spouse for purposes of determining the amount of the SSI benefit.

With these exceptions, however, most persons currently eligible for Medicaid can continue to be eligible if the State wishes to continue coverage, and designs its program accordingly.

No State will be required to provide Medicaid to persons who are not receiving a Federal SSI payment. States may at their option, however, provide Medicaid to persons receiving a State supplementary payment. Federal matching will be available for such coverage provided:

- (a) the person is aged, blind, or disabled as defined in title XVI;
- (b) the supplementary payment is regular, in cash and based on need;
- (c) the supplementary payment is made to some reasonable classification of persons;
- (d) the payment meets the full standard of eligibility for the supplement, and that standard does not exceed 133 $\frac{1}{2}$ percent of the adjusted payment level provided for under title XVI.

The following constitute reasonable classifications for this purpose: the blind, the disabled, the aged, persons in institutions (both medical and domiciliary), persons receiving a cash payment as of a given date, persons who would be eligible for cash payment under the standard of payment as of a given date, or any combination of these groups. The Department may establish additional classifications. If the State opts to provide Medicaid coverage, persons receiving a supplementary payment under these conditions would be eligible for Medicaid on the same basis as any person receiving a Federal SSI payment providing coverage to them would not require the existence of a program for the medically needy. Federally-matched Medicaid would be available regardless of whether the supplementary payment is administered by the State or by the Federal Government.

If a State provides Medicaid to everyone receiving an SSI payment, the Federal Government will agree to determine Medicaid eligibility for those persons, if the State requests that it do so. The State must continue to determine Medicaid eligibility for any optional groups that are covered under Medicaid, however, such as persons in institutions not receiving an SSI payment, persons receiving a State-administered supplementary payment, or the medically needy. In addition, if a State chooses to limit Medicaid coverage by returning to any restrictive factor from its 1972 medical assistance standard, the State would be responsible for these Medicaid eligibility determinations. A more detailed statement of the conditions under which the Federal Government will determine Medicaid eligibility will be available shortly.

The changes discussed above do not alter the conditions of Medicaid eligibility for families with dependent children, or the limitation on the medical assistance level for the medically needy to 133 $\frac{1}{2}$ percent of the AFDC payment for purposes of Federal matching.

The CHAIRMAN. Louisiana's letter on State supplementation was issued a few weeks ago. I think you said in May, in the form of a letter to the Governors. At that point, many of the State legislatures had already gone home.

Secretary WEINBERGER. Well, we have a complete list of State legislatures indicating whether they are in session.

The CHAIRMAN. All I want to see is that come next January, we are not going to have a lot of people taking a cut rather than receiving an increase while a lot of new people are being added to the rolls, and then have the Federal Government blame the States and the States blame the Federal Government. We have between now and January hopefully to see to it that we are not going to have a lot of people getting the worst of it.

Now it came as a surprise to me to find out that out of about 85,000 people on the rolls in Louisiana, about half of them were in prospect of receiving a reduction. I hope that is not the case in other States.

Secretary WEINBERGER. This is only because Louisiana decided to use the newly available freed money for other purposes.

The CHAIRMAN. You are blaming them, and they will blame you. They will say the Federal Government came in here and said, "We

are taking over. If you have a medicaid problem, come see us, we are handling that program."

Secretary WEINBERGER. No one else understood, Mr. Chairman, that I know of, that the Federal Government was going to take over the entire costs of the entire program plus all the new additional people who were made eligible. What the Federal Government was going to do is rather clearly spelled out, and the Federal Government is embarked on a path that will fulfill that to the letter. I am not blaming Louisiana. I am simply saying Louisiana had the option, and they chose to act in a different way.

The CHAIRMAN. You are not going to find this problem in Louisiana alone, Mr. Secretary, but the others can testify to that.

Senator Ribicoff.

Senator RIBICOFF. I am just wondering, Mr. Secretary, as you are listening to Senators Long and Bennett and answering their questions from a different point of view, does it occur to you that maybe the patchwork approach to welfare and social security is bound to lead to these misunderstandings?

Secretary WEINBERGER. Well, I do not think it is bound to lead to misunderstandings, Senator, but it is not an easy program. Nevertheless, the action that was taken last fall was a coherent action, an action that was comprehensive with respect to the adult categories, and the purpose of it, as I understood it, was exactly as Senator Bennett said. It was to substitute a program of uniform Federal administration up to a certain payment level minimum, and the States were perfectly free to make additions to that thereafter if they wished, and many States have. I have the letter from Governor Meshill here that indicates that they have taken the action necessary to insure that there will be funding for all the recipients at the prior level. So that is the necessary State action, and that has been taken. That has been taken in a great many States.

Senator RIBICOFF. You see, you do have the differences and my guess is—or may I ask you the question, are there more States in the position of Louisiana than there are in the position of Utah?

Secretary WEINBERGER. No, sir.

Senator RIBICOFF. Utah represents a minority.

Secretary WEINBERGER. A very small minority, yes, sir.

Senator RIBICOFF. Now, I have your May 22 bulletin, No. 073-11701 in which you point out that out of the 5 million people coming under SSI, 71 percent are social security beneficiaries.

Secretary WEINBERGER. I do not have the bulletin that you have before you.

Senator RIBICOFF. You might have it, it is a research and statistics note dated May 22, 1973.

Secretary WEINBERGER. Published by?

Senator RIBICOFF. By HEW.

Secretary WEINBERGER. I do not have that particular one before me.

Senator RIBICOFF. In the summary it says:

Estimated proportion of SSI eligibles who are also Social Security beneficiaries varies depending on marital status and living arrangements. Generally an estimated 71 percent will be beneficiaries.

I just read out from the bulletin.

When social security was enacted it was assumed over a period of years social security would be able to take care of the aged so we would eventually entirely eliminate the need for the aged to be on welfare.

Now we have social security with its escalator clause raising benefits by January 1, 1975, and when you had a 3 percent increase in the consumer price index that would automatically trigger a raise in social security benefits.

Now, in the last year the Consumer Price Index rose over 5 percent, so the social security beneficiaries are caught in a real tough squeeze. If we raise the social security payments in accordance with the escalator as of January 1, 1974, would we be able to remedy some of the problems that Senator Long finds with his constituents in Louisiana?

Secretary WEINBERGER. Well, I have to disagree with one or two of the assumptions you made. The social security benefits have gone up 52 percent in just over the last 2 years. There is now, in addition to that increase, which is a major increase, the escalator cost of living increase that you mentioned.

Senator RIBICOFF. It begins, though, January 1, 1975.

Secretary WEINBERGER. It does indeed, yes, sir.

Senator RIBICOFF. All right.

Secretary WEINBERGER. But the previous history, I think, should be before you and that indicates there has been this increase of just under 52 percent in the past 2 years.

Senator RIBICOFF. That is correct. I may say, Mr. Chairman, I do intend to introduce an amendment to move up the escalator to January 1, 1974, the next time we have such a bill before us. The cost of living has gone up so rapidly that I do not think any of us, when we put in the January 1, 1975, date, thought that the rise in the cost of living would accelerate so rapidly. If we put that escalator clause in on January 1, 1974, instead of January 1, 1975, you might find that many of the people under SSI might be able to get off the welfare rolls.

Now, I would appreciate if HEW and our staff would give us the figures indicating the results of putting the escalator clause in on January 1, 1974, instead of January 1, 1975. Would this eliminate many of the problems that the chairman is concerned with?

I don't have the figures, Mr. Chairman. You see what I am driving at here?

The CHAIRMAN. Yes.

[The committee staff furnished the following information:]

Between June 1972 and June 1973, the Consumer Price Index increased an estimated 5.6 percent. A 5.6-percent increase in social security benefits would provide for additional benefits of \$3.2 billion in the 12-month period.

Secretary WEINBERGER. There is another statistic in this bulletin, Senator, right beyond the one you read. The sentence reads:

However, of just over a million aged persons eligible for a State payment only based on SSI eligibility decisions, 96 percent are Social Security beneficiaries.

Senator RIBICOFF. Yes, but the problem is——

Mr. HESS. Senator Ribicoff, many of the people who are eligible for SSI and social security benefits are getting quite low social security benefits. They are aged widows or persons who had very marginal coverage. A quick check with our people here suggests that if we project the cost of living increase that is expected in 1974, we would

take off about $\frac{1}{4}$ million social security beneficiaries from SSI. In other words, they are close enough to the \$130 level that a cost of living change would put them over it, but it would not by any means take care of the great bulk of those people in that class.

Senator RIBICOFF. Let's take it independently. How would you react to having the escalator clause on social security go into effect January 1, 1974, instead of January 1, 1975?

Secretary WEINBERGER. I do not think it would solve any of the problems you are talking about, Senator, but we have not yet had any opportunity to analyze that particular proposal. The escalator was part of a coherent pattern in which a major increase in benefits was made last year, a 20-percent increase, and 1975 was settled upon as the date to initiate the cost of living escalator.

Senator RIBICOFF. But I am sure that Mr. Mills and Chairman Long when they put this in, by solid support from both Houses, never imagined that when we were talking about 3 percent inflation we would see a 7-percent cost-of-living hike. It is something that I think we should contemplate. I haven't discussed this with the chairman but it is something that concerns me, Mr. Chairman, and I will be putting in an amendment so the Finance Committee can consider it.

Now, getting to something else, you have got a system that you are putting into effect with a lot of problems and you have no leadership. When are you going to appoint a Commissioner of Social Security? When did Bob Ball leave?

Secretary WEINBERGER. Mr. Ball left in mid-March, but we have a Commissioner of Social Security, an extremely able man in Mr. Hess, who has been with the program since the beginning and is doing a splendid job in helping us implement this program. Before you came in, Senator—

Senator RIBICOFF. Has he been appointed Commissioner?

Secretary WEINBERGER. Before you came in, you did not have an opportunity to hear the steps that have already been taken to implement this program. They involve the employment of 8,000 new employees against a total of about 15,000 that we will have to have. This is in contrast to 32,000 State employees doing the job now. We have opened 100 new facilities and offices around the country to serve the beneficiaries better. We have connected these into our field telecommunications system. We have devoted about 100,000 man-hours to this program and it is because of the extraordinarily capable job that Mr. Hess has done and is doing that we are able to tell you this morning that if you do not make major changes in this law, you will have the checks mailed in January. As were required by the act of last fall.

Senator RIBICOFF. I am a little puzzled. Are you announcing now that Mr. Hess has been appointed Commissioner?

Secretary WEINBERGER. No, we have not been able to persuade Mr. Hess to stay on beyond the implementation of this program in full. But I am telling you that the program is not leaderless in any sense of that term.

Senator RIBICOFF. All right. Mr. Hess is an outstanding man; I would applaud his appointment as Commissioner of Social Security, but when are you going to appoint a Commissioner of Social Security?

Why should such a vast program of such importance basically be leaderless and have only an acting director?

Secretary WEINBERGER. It is not leaderless at all, Senator, and I believe it is doing a great disservice to Mr. Hess to keep referring to that term. I expect the appointment of a permanent Social Security Commissioner will be made, within 2 or 3 weeks. I also expect and am delighted to anticipate that Mr. Hess will stay on in his present capacity so that this program can be implemented as the Congress directed last fall without any hesitation, without any break. But it is entirely due to the leadership that Mr. Hess has been able to provide that we are able to be as far along the track as we are, and that is so far along the track that to make any major changes in the law would create monumental confusion and would deprive 3,200,000 new beneficiaries of those new benefits that the Congress, we believe, clearly intended last fall.

Senator RIBICOFF. Where did you get the 8,000 employees, the new 8,000 employees?

Secretary WEINBERGER. They have been recruited from the best people we can find available across the country.

Senator RIBICOFF. How many of those did you take out of present employees in these programs in the 50 States and counties and cities.

Secretary WEINBERGER. I will have to ask Mr. Hess to respond to that.

Mr. Hess. Mr. Ribicoff, most of the first batch of new employees were recruited from civil service registers because we had to bring on more claims representatives immediately, not just for the SSI program but for the greatly increased workload that we had as a result of various other H.R. 1 changes. We have, out of this first group, something in the neighborhood of 500 State employees.

The problem is that, first of all, we cannot raid the States or encourage a movement from the States as long as the conversion is going on. They are working under contract with us now on conversion.

There will be 4,000 or 5,000 State employees who will be working on a continuing basis under contract with us on the disability aspects of the program. So the present State employees who might be disadvantaged or dislocated will have several options in the coming fiscal year.

As the Secretary said, we have about 6,000 more employees to recruit, and we are holding a substantial number of those jobs that we will recruit available for whatever dislocation there may be. I must say it is on a very spotty basis. As we look around the country, there are not going to be large numbers of State employees who will need to come over to the Federal side of the program.

Senator RIBICOFF. That is another thing, another proposal, that I will push in this committee, to protect the rights of State employees who for years under State programs have been administering the aged category. Suddenly these people who have given loyal and dedicated service in our 50 States find themselves in a new program and are out of a job. I would say those employees certainly are entitled to priority when these new positions are created in the respective States. They have worked in the States, and I think they should be protected in the recruitment policy for this program.

Secretary WEINBERGER. Of course, Mr. Chairman, one of the assumptions that the Congress had in mind in enacting this proposal was that there would be substantial savings in personnel because of the economies of scale that the Federal Government would be able

to bring to bear upon it. Those economies of scale mean that we will be able to do what 32,000 employees now do for the States with, hopefully, less than 15,000 Federal employees, as Mr. Hess indicated, it is likely there will be a very small number of actual dislocations among the States because, as seems to be typical of government in all levels, no matter how much is saved with certain transfers of programs, the personnel have a way of surviving.

Senator RIBICOFF. We do not want any additional employees, Mr. Chairman. But to the extent that there are new employees hired, priority should be given to the State employees in whatever jobs there are, whether they are—

Secretary WEINBERGER. During the first year, with the conversion problems involved, there is only one way to make the program work. That is to hire some new people so that we can work with the people in the States who are experienced, as you say, to help in the conversion process.

Senator RIBICOFF. You say, Mr. Hess, you are putting them under contract, but the fact remains if they know it is going to be federalized employment, a man who has worked, whether in Oregon or Delaware or Utah or Connecticut or Louisiana, knows that if he wants to stay in this particular field, then he should have a right to apply to the social security system so he will become a Federal employee. It would seem to me that that type of person should be given priority.

Mr. HESS. We can take them on non—

Senator RIBICOFF. Whether it is 8,000 or 14,000 jobs.

Mr. HESS. We can take them on a noncompetitive basis now, and that is exactly what we are planning to do. We are in close touch with the State agencies and with the county governments and the unions, and we have had consultations in those places where there is an expectation of any appreciable dislocation of employees. We have them identified. While we cannot give an absolute guarantee, to the extent that we have jobs in this coming fiscal year, we will be giving consideration to qualified State employees.

Secretary WEINBERGER. Might I add, Mr. Chairman, and Senators, that there is a much more serious personnel problem. What happens to the 8,000 people we have already hired if the implementation is delayed a year?

Senator RIBICOFF. We are talking about two different things. How many of those 8,000 employees were State employees in the same field?

Mr. HESS. I would say about 500 of them.

Senator RIBICOFF. 500 out of 8,000?

Mr. HESS. The rest of them are newly recruited claims examiners.

Senator RIBICOFF. 7,500 newly recruited, but did you give notice to the State employees there was an opportunity for them to shift over to the Federal program?

Mr. HESS. Yes. We have not given widespread encouragement in this first go-around, as I said, because they have a whole year to go on the conversion. Neither we nor the States could afford to see the dismantling of these adult assistance programs at this point in time, sir. The payments have to continue; these programs are in action for the rest of this calendar year. So the question as to what employees will be excess at the end of the year is one that takes very fine tuning in

terms of whether or not there is going to be an expansion or a need for qualified people in the States. The States have a big turnover; they have attritions and have expansion of vocational rehabilitation programs. For a State employee remaining may be much more advantageous, if he is under a State pension system or if he has tenure. He has all kinds of reasons why he would want to continue to be a State employee. It may be much more advantageous to see, first of all, whether he can be taken care of in a State context toward the latter part of his years.

Senator RIBICOFF. But that, sir, is if you give him the choice. It could very well be that he may not have the choice. He might find that he cannot shift into a State job. After spending 20 or 25 years in a State program, he may find it more difficult to shift to a Federal program, and after 20 years, he is left out of a job. I still think the State employee should be given preference in the hiring.

Senator BENNETT. Mr. Chairman, will you yield to me? This question of the chairman's interpretation bothers me very much. I hate to disagree with my chairman. So I have gone back to the report of this committee before it went into conference. There are two sentences I would like to read. The first on page 384 says:

Under the new supplemental security income program persons 65 or over, blind persons and disabled persons, would be assured an income of \$130 for individuals and \$195 a month per couple.

It does not say that they would be assured of their present income, it says they would be assured of those figures.

Then, on page 389, there is another sentence. I searched through the report for reference to the question of State supplementation, and I find only this, which is a little bit backhanded.

The bill also includes a provision under which payments provided on the basis of need by a State or local government, including the Indian tribes, to supplement the Federal benefits provided under this program, should be excluded from income.

Now, it obviously states, or it says to me, that we expected the States to supplement the income. We recognize it and say when they do, these supplements should be excluded from income for the purpose of determining eligibility.

So, putting these two together, it seems to me that when the bill left this committee, we understood that the extent of the Federal Government's obligation is \$130 or \$195 for a couple. We expected the States to supplement the income if that was not adequate.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator Packwood.

Senator PACKWOOD. I was not on the committee last year, Mr. Secretary, but this figure of \$130 and \$195 is in the bill, is that right?

The CHAIRMAN. Yes.

Secretary WEINBERGER. Yes.

Senator PACKWOOD. I heard what Senator Bennett said. If \$130 is in the statute, where did anyone in the States get the impression they would get more?

Secretary WEINBERGER. I have no idea except, as Senator Bennett said a moment ago, it was contemplated that States if they wished to do so, were free to supplement. There could be Federal administration of that supplement. Those provisions are in the bill.

Senator PACKWOOD. Maybe I could ask the chairman. Why did they assume they would get more than that figure?

The CHAIRMAN. There is a grandfather clause in this bill but unfortunately, the way the grandfather clause works out, the State must pay, as I understand it, as much as they had been paying for their aid to the aged program previously. The Federal Government then assumes the responsibility to see that no one takes a reduction. In a great number of cases, the States feel, because that the Federal Government is taking over this program, the money they had been putting into it, could be put into medicaid—

Senator PACKWOOD. There is no way they could draw that conclusion from the law, is there, or out of the report?

Secretary WEINBERGER. The hold harmless the chairman has mentioned is the hold harmless that arises only after a State decides to supplement. The hold harmless means that the Federal Government will pay the amount the State had previously paid for that purpose. But you do not even reach that unless you get to a decision to supplement, and over half the States will not be supplementing because the Federal \$130-\$195 is above what they are now paying.

Senator PACKWOOD. Let me ask you about the question the chairman poses on medicaid. Assuming there is \$900 million in savings to the States and they applied that to supplement benefits above \$130 and \$195, the chairman asked if there would be enough to extend medicaid coverage. I think Mr. Carlucci said no, but the cost would be for new coverage that would not be a cost the Federal Government was paying.

Secretary WEINBERGER. That is exactly right.

Senator PACKWOOD. But that is an unfair question. We could say it could take care of a variety of benefits they never had before intended to be paid for out of that savings.

Secretary WEINBERGER. That is correct. Obviously, as the chairman said, there are limits beyond which \$900 million will not go and one of them is to adopt the whole raft of new programs in addition to blanketting in all the others.

Senator PACKWOOD. It seems to me that we would have an analogous case if we were to promise to pick up \$400 for students for primary and secondary education. The States might use the money saved for some other purpose and then would come back and say, "You promised us \$400." And we would pay the \$400, the entire costs.

Secretary WEINBERGER. That is a good analogy.

Senator PACKWOOD. I have no other questions.

The CHAIRMAN. We will get the committee report of the bill recommending a higher benefit level. In our bill, furthermore, in the family program there was also a great savings for the States which, when the bill was pared down in conference and title IV was dropped out, did not materialize. So the States did not receive near the savings they were expecting, nor did the beneficiaries have the benefit of the level that we intended.

Senator BENNETT. May we get this straight, because this is a very interesting thing. Our original proposal was \$180 for an individual with other income, including a \$50 disregard, which meant \$130 for an individual with no other income. That is where the \$130, I guess, got into the program.

The CHAIRMAN. The disregard was reduced from \$50 to \$20.

Senator PACKWOOD. I still cannot quite put my hand on it. You read those figures, but surely the States would not be so naive as to act upon a bill coming out of the Senate on the assumption that would be the law. I think Senators might, but not the States.

Where do the States draw out of the conference report or out of any legislative history that they would get any more payment than what the law said they would get?

The CHAIRMAN. Well, why do we not let the States answer that when the State administrators come in?

Senator BENTSEN.

Senator BENTSEN. Thank you very much, Mr. Chairman.

Mr. Secretary, you made the statement that the vast majority, certainly the average State, would not suffer and those who qualify would not suffer under the Federal Government take over. Well, I cannot help but think of that old analogy of the fellow who could not swim and wanted to cross the stream. They told him the average depth was 18 inches, but they did not tell him about those 10-foot holes.

I just feel like the needy people of Texas have been pushed into that 10-foot hole, and I want to talk about it just a little bit.

I want to talk about section 51(a) of our constitution in Texas with which you have some familiarity.

Secretary WEINBERGER. Yes.

Senator BENTSEN. Our State legislature wanted the supplement, voted the funds, and was then told by our attorney general's office that these State funds were not matchable funds, because the Federal money went directly to the recipient rather than to the State. They were told that there is no way that the State funds could be considered to be matchable under our State constitution, and they must by law be matchable. I have thousands of people in Texas, people who are receiving over \$130 a month who are going to take a loss. I do not know how to take care of them, and I am concerned about them, and I do not know how to do it without grandfathering this in so the State continues to administer these programs at least for a period of time. I am not as concerned about the liberalizing the program to take in more recipients as I am taking care of those people who are already dependent on a set amount and can just barely make the cut as it is. That is what I am trying to take care of.

Secretary WEINBERGER. We have a chart that covers the Texas situation, and we can recite those figures. There is a constitutional problem in Texas, but I think that if direct appropriation were sought as opposed to an attempt to match, because of the Texas constitutional provision, it may well succeed. But Mr. Carlucci would have an existing chart.

Mr. CARLUCCI. We would estimate the State of Texas, Senator, would have savings of some \$37.7 million to work with, by virtue of the Federal floor, because the State is presently only putting that amount of money into those categories.

Senator BENTSEN. I am not quarreling with that. I am saying under the Constitution and we have tried to change this provision twice and taken it to the voters and been turned down in both instances—our attorney general interprets section 51A as requiring that any State

funds for these purposes be matchable funds and that these will not become matchable funds because they go directly from the Federal Government to the recipient and not to the State.

Let me tell you the numbers of people involved. We have 14,305 persons called essential persons to take care of the needs of the aged and disabled who cannot take care of themselves. Now, presently there is an allowance in Texas for these people. Under H.R. 1 there is no such allowance.

Second, there are 16,951 recipients who require less than nursing care and more than housekeeping services. This enables them to remain in their own homes rather than causing them to enter into nursing homes or institutions. No provision for this type of care exists in H.R. 1.

Third, under HEW interpretations now being made to my State recipients in nursing homes and institutions who have a monthly income in excess of \$178 will be ineligible for continued medical coverage and SSI payments. This means that 3,804 individuals in Texas with large medical needs will no longer have medical coverage after December 1973.

I am not going to run through the other recipients but Texas estimates that at the very minimum we are going to have 75,000 people who will be disadvantaged by the presently conceived SSI program and that is of concern to me, and I do not think it is enough to just dismiss it and say, "Well, that is a State problem for these people."

Secretary WEINBERGER. We do not say that, Senator. We point out the number of dollars that are freed that Texas is now spending out of State funds, by this program. We are suggesting that it might be possible, and certainly we would have to have the opinion of your attorney general obviously concurring, but it might well be possible, by separate legislative appropriation of these funds, to cover the great bulk of these people within the State of Texas. We can possibly do this if you can get away from the attempt to use a matching fund format and simply make a straight appropriation for a Texas program that would amount to supplementation, using the dollars that are free because of the Federal assumption of the other part of this program.

Senator BENTSEN. I am not following you there but the constitution says in section 51(a) that they cannot appropriate funds for the needy unless they are matchable funds by the Federal Government.

Secretary WEINBERGER. I understood you to say that you could not appropriate these because they were matching funds.

Senator BENTSEN. No, no, it is just the other way around.

Secretary WEINBERGER. I see. Then, I misunderstood you.

Senator BENTSEN. It is just the other way around.

Secretary WEINBERGER. But has there been a decision by Texas or a ruling by the Texas attorney general that there is no way the Texas Legislature can enact a program that will benefit these people? Can the only benefit to these people come from the Federal Government under the Texas constitution?

Senator BENTSEN. I will say this, Mr. Secretary, that in the last session of the legislature they tried, and they made a good faith effort to appropriate and to accomplish this objective, and were not able to do it, and I am sure they searched out the avenues and then were told that the one they though was the best approach was not constitutional.

Secretary WEINBERGER. The only problem that does occur to me is that if a single State constitutional provision requires the Federal Government to enact a grandfather clause costing just under a billion dollars, it is at the very least quite an invitation to other States to try such a constitutional provision itself.

Senator BENTSEN. I am not asking for a grandfather clause that is going to cost \$1 billion. I am encouraging and supporting State administration of the program where we do not have great liberalization of benefits and that would cost substantially less and, as I recall, we were talking about something in the area of \$100 million that would cost us.

Mr. CARLUCCI. You would still have to address the issue after 1 year.

Secretary WEINBERGER. All we are talking about is a 1-year extension or postponement. We are pointing out—

Senator BENTSEN. At least we would have a year to find the answer and we would have the legislature back in session and those people would be able to exist without having their income cut.

Secretary WEINBERGER. Well, with a constitutional inhibition, Senator, I do not suppose a year would make any major difference. But the problem is that in doing that, 3,200,000 people who were supposed to get new benefits throughout the country would be deprived of them.

Senator BENTSEN. Well, Mr. Secretary, perhaps we could take it back again to the people in Texas. Once they saw the seriousness of the problem, if we had a year within which to do it, we might be able to get that constitutional amendment.

Secretary WEINBERGER. I recognize the real difficulty that does exist in that one State, and I mentioned that in my opening statement.

Senator BENTSEN. You told me earlier Texas had been realigned, if I remember the word you used. I felt they had been realigned and put at the end of the line.

Secretary WEINBERGER. It was not in connection with this matter at all.

Mr. CARLUCCI. During that 1 year, Senator, there would be some additional 3 million people who would otherwise come on the rolls who would not receive the benefits to which they would be entitled under existing law.

Senator BENNETT. May I make a suggestion?

Can we amend the law, just change the law, which says in those States, in any State in which these funds cannot be used unless they are considered to be matching funds, this money shall be considered to be a matching fund?

Secretary WEINBERGER. We would certainly cooperate in drafting and attempt to execute a provision of that kind because we have no desire whatever to have one State be disadvantaged because of a unique constitutional provision. I think Senator Bennett may have an excellent idea. We would certainly be delighted to help with that.

The CHAIRMAN. I am glad to see some progress. [Laughter.]

Secretary WEINBERGER. Mr. Chairman, I should say I do not know any way of giving Louisiana \$9 million without giving everybody else the same. [Laughter.]

The CHAIRMAN. You made a great concession when you indicated it is possible to solve a problem here in Washington as well as down there in the States. That is a very substantial concession from your

opening statement, Mr. Secretary, I want to compliment you in the progress you are making toward solving this problem.

Secretary WEINBERGER. I do not object to compliments, but I am not sure that is a compliment. [Laughter.]

Senator BENTSEN. I have no further questions at this time, Mr. Chairman.

The CHAIRMAN. Senator Roth.

Senator ROTH. Mr. Secretary, the extension of medicaid to the new people that would be covered under the Federal program, would I believe, be at the option of the State.

As a newcomer to the committee, I am not sure that this is a realistic option. Can you really have the two groups, those under the State program covered under medicaid and not extend the same privileges to the new beneficiaries covered under the Federal plan? Are we in position where we have practically forced the States to extend medicaid to those under the Federal program?

Mr. CARLUCCI. I think we have to recognize there would be pressures in that direction, Senator. But once again, we have tried as we indicated in the letter we put out to the Governors of the States, to give the States maximum flexibility. Indeed, as the Secretary has pointed out, the law also gives him the option of going back to January 1972 eligibility standards for all of these groups or for any group individually who is going to any level of standards between the 1972 standards and the present level of eligibility determination. So the clear intention was to give to the States flexibility to make decisions consistent with their financial ability to assume additional responsibilities.

Senator ROTH. It just seems to me as a practical matter to be very difficult to do so. I wonder if that is a realistic burden to place on the States.

Mr. CARLUCCI. As a practical matter, I think we have to recognize, I think there would be this pressure, but also to point out again that there are additional funds being freed up, while these funds might not be adequate in every case to cover all the new medicaid eligible population, they will go a long way to meeting the needs.

Senator ROTH. Thank you, Mr. Chairman.

The CHAIRMAN. I am going to submit this letter that Senator Mondale asked to have answered for the record, and I would like to pass it along to you. You can just give an answer later.

Secretary WEINBERGER. Yes, sir.

[The letter referred to follows. At presstime, June 22, 1973, the answer had not been received.]

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, D.C., June 19, 1973.

Hon. RUSSELL B. LONG,
Chairman, Senate Finance Committee,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: I deeply regret that long-standing prior commitments will not permit me to be present at the hearing on the Supplemental Security Income Program this morning.

I would deeply appreciate your requesting HEW Secretary Weinberger to review the attached letter from Minnesota's distinguished Governor, the Honorable Wendell R. Anderson, and to furnish the Committee with a point-by-point response for the record.

Governor Anderson's letter documents the great difficulties which have confronted our State in attempting to implement the new Supplemental Security Income Program and related matters, in the face of delayed and indecisive administration by the Department of HEW.

It appears to me that the absence of effective management by the Department has made the job of state government in implementing the complex provisions of H.R. 1, the Social Security Amendments of 1972, incredibly difficult.

I deeply appreciate your cooperation.

Sincerely,

WALTER F. MONDALE.

Enclosure.

STATE OF MINNESOTA,
OFFICE OF THE GOVERNOR,
St. Paul, June 18, 1973.

HON. WALTER F. MONDALE,
U.S. Senator,
Senate Office Building, Washington, D.C.

DEAR FRITZ: In preparation for the Senate Finance Committee hearing with HEW Secretary Weinberger on Tuesday, I thought you might be interested in Minnesota's experiences with the Supplemental Security Income program and some other relationships with the Department of Health, Education, and Welfare.

Since passage of legislation mandating the SSI program as a replacement for local-state-federal assistance to the aged, blind, and disabled, Minnesota has attempted to gather the type of information on which state decisions could be made in anticipation of the new arrangement to be effective on January 1, 1974. The process has been difficult and frustrating for us, and I am certain, for a number of other states as well.

Minnesota's legislature adjourned late in May, having established a state budget through June 30, 1973, without taking positions on the issues related to SSI implementation. The central questions before us are whether to supplement federal payments which are lower than present state standards; and if so, whether to supplement for old and new recipients or only for those now receiving local-state-federal assistance. These considerations are tied directly to the "hold harmless" provision in the law.

"Hold harmless" has been dangled before us for many months—spend so much and you need not spend more. But at the time our legislature adjourned, the Department of Health, Education, and Welfare had not yet defined for us how much state and local cost there would be to meet the "hold harmless" level, and the method of calculating such costs was not available to us to help us make our own estimates.

I am sure, Senator, that you can appreciate the difficulty a state administration and legislature have in setting a budget without such estimates and without knowing how many people will qualify for a major program. Over the past six months, H.E.W. and the Social Security Administration have given the state figures ranging from 30,000 to 80,000 as the number of newly eligible recipients, compared to a present caseload of approximately 31,000 in the three categories to be replaced by SSI.

Two weeks ago at the National Governors' Conference, a representative of the Social Security Administration showed me projected SSI data for Minnesota which put the anticipated number of new recipients at approximately 30,000. Yet when our Department of Public Welfare attempted to verify this figure late last week at the Chicago regional office, we were told that the latest regional SSA projections are for 87,500 eligibles.

Where and when do we obtain data on which our decisionmakers can depend, with an implementation date only six months away? I believe our legislature is justified in refusing to act without basic information.

Information on the number of eligible recipients is absolutely essential to the budgeting process. In Minnesota, each public assistance recipient is also eligible for Medical Assistance payments. We have asked repeatedly how state and local Medical Assistance costs are likely to be affected by the increased number of SSI recipients. These costs, as you know, are not covered by the "hold harmless" provisions of the federal legislation. Consistently the answer has been that details will be worked out but that we should probably count on spending additional state dollars. At the National Governor's Conference, the materials shown

to me identified—for the first time—additional yearly costs of \$12.5 million for Medical Assistance. This information was not available at the time our legislature adjourned.

Let me emphasize that we do not object to the principle of a federal takeover of assistance to the aged, blind, and disabled. Nor do we have any basic objection to increased eligibility under federal guidelines and federal financing—people who need help should be able to get it. Nor do we object to making necessary changes in state law to implement the program in Minnesota, or to providing for a reasonable state share of the costs as we prepare our budget.

But we must have adequate information. We must have adequate lead time for analysis and planning purposes. We must be in a position to assess the cost implications for the local governments with which we share funding responsibilities for public assistance in Minnesota. Otherwise the federal-state partnership anticipated in this legislation is a mockery.

At the National Governors' Conference, Assistant H.E.W. Secretary Carlucci explained that SSI information had just gone out to the states which would now make it possible for them to prepare their budgets. In the discussion period, I informed him that our legislature had recently adjourned after setting our state budget through June 30, 1975, and I asked Mr. Carlucci whether he could suggest what we might do. His response was that perhaps we could call a special session of our legislature.

The other governors broke into laughter at the response—quite appropriately. That response, in my judgment, represents either a total misunderstanding or a total disregard of the orderly processes of state government in Minnesota and elsewhere.

The Supplemental Security Income program is not our only concern. You are already well aware of the issues surrounding social services regulations, their effects on programs to keep people off public assistance in Minnesota and elsewhere, and our litigation for reimbursement of expenses for previous Minnesota efforts.

We have also had problems related to the Quality Control Review program established in the Department of Health, Education and Welfare to monitor expenditures for public assistance. The Department of Public Welfare has recently provided me with a four-page memo outlining the way in which the Federal government proposes to audit and review our spending.

I believe my record is well established as a firm believer in effective management tools to scrutinize expenditures. But I can only shake my head at a system which will require four or five levels of review for each Quality Control case. Apparently there will be auditors of the auditors of the auditors who review our audits.

With H.E.W. urging, the recent legislative session also provided for a computer-based centralized Medical Payments system in Minnesota, anticipating substantial federal support that we believed was agreed upon. Proposed regulations related to qualifying for this support have been delayed until a week ago, and our December request to transfer the highly praised Oklahoma system to Minnesota has not yet received a response.

We will be happy to provide further information concerning any of these matters. Many dedicated individuals within the Department of Health, Education and Welfare have been helpful to us, and we have had many positive experiences with both the regional and national offices of H.E.W. But we are nevertheless experiencing considerable difficulty in participating in the shared decision processes that are so important to shared federal-state human program efforts.

I am hopeful that you and your colleagues on the Senate Finance Committee will benefit from this analysis of our experience, and I hope that you will seek similar analyses from the other Governors. I know that many of them share our frustration.

With warmest regards,

Sincerely,

WENDELL R. ANDERSON.

The CHAIRMAN. Thank you very much, Mr. Secretary, and your assistants. We appreciate your testimony here this morning. I will now call Mr. Garland Bonin, Mr. Raymond W. Vowell and Mr. Lloyd E. Rader. These gentlemen are directors of the welfare departments of

the States of Louisiana, Texas, and Oklahoma, and they are testifying on behalf of the National Council of State Welfare Administrators.

Mr. Bonin.

STATEMENT OF HON. GARLAND L. BONIN, DIRECTOR, DIVISION OF INCOME MAINTENANCE, LOUISIANA HEALTH AND SOCIAL AND REHABILITATION SERVICES ADMINISTRATION, ACCOMPANIED BY HON. RAYMOND W. VOWELL, COMMISSIONER, TEXAS DEPARTMENT OF PUBLIC WELFARE; AND HON. LLOYD E. RADER, DIRECTOR, OKLAHOMA DEPARTMENT OF INSTITUTIONS, SOCIAL, AND REHABILITATIVE SERVICES

Mr. BONIN. Mr. Chairman, and gentlemen of the Senate Finance Committee, my name is Garland L. Bonin of the Louisiana Health, Social and Rehabilitation Services Administration.

I appear here today representing the National Council of Welfare Administrators. The chairman of the council, Wilbur J. Schmidt, was unable to be here. Present with me are Mr. Raymond W. Vowell, commissioner of the Texas Department of Public Welfare, who is the vice chairman of the council, and Mr. L. E. Rader, director of the Oklahoma Department of Institutions, Social and Rehabilitative Services, who is the secretary of the council.

We are honored and most grateful for the opportunity to appear before this distinguished body in response to proposed alternative amendments for the implementation of the supplemental security income program. The administrators of the 50 States welfare programs are aware that many new needy persons will be benefited. We are also painfully aware that a large number of the most needy of our society now on public assistance will receive lower payments or no payments at all. The Council of Welfare Administrators also have grave concerns about the ability of the Department of Health, Education, and Welfare to implement the supplemental security income program by January 1, 1974. Six months is a short time from where we are today to the delivery of checks to the adult categories. We are faced with unprecedented problems if millions of people fail to receive their life subsistence checks on time.

The general position of the council is supportive of the second alternative proposal, which calls for the postponement of the supplemental security income program for 1 year, and during the period of such postponement the continuation of current payment levels for current recipients at full Federal cost, and a requirement for a minimum payment for current and future recipients.

OPTIONS FOR IMPLEMENTATION OF FEDERAL SSI ADMINISTRATION

During the months that followed the enactment of Public Law 92-603, the States become increasingly uneasy with the delays in essential SSI policy decisions. By April, the States had received only verbal briefings on possible policy options which would affect their decision on whether or not to supplement and how much, and whether to elect Federal administration of the supplement.

The announcements of options under consideration only served to raise more questions. Policy decisions with respect to medicaid for SSI recipients were likewise not forthcoming.

Mindful that legislatures in many States would soon end their sessions without information essential to action on these matters, and that HEW's failure to reach these decisions would preclude State budgetary and legislative action to protect those who would be disadvantaged, the council, on April 16, adopted the following resolution which was addressed to the Senate Finance Committee, the House Ways and Means Committee and the Secretary of the Department of Health, Education, and Welfare.

That the council go on record in support of a delay in implementation of the supplemental security income program for at least 1 year, during which time States would continue the administration of the adult assistance categories as they are now constituted, but with 100 percent Federal funding of the costs of administration and assistance payments at the level prescribed in title XVI of the Social Security Act, and with no added cost to the States; provided that any State would have the option of proceeding with the conversion to the SSI program on January 1, 1974.

On May 26, 1973, HEW made available to the States via a letter to the Governors the basic information which would be proposed in the Federal Register for regulations on State supplementation and medicaid eligibility. I am pleased to comment that these projected regulations, to the extent that the council has had an opportunity to consider them, seem to be constructively and carefully devised and reflect an approach responsive to the situations of the States. However, the formal notice of intent to regulate has not yet appeared in the Federal Register.

While we are well aware that the Department of Health, Education, and Welfare is unequivocal in its declaration that preparations are on schedule for the January 1974 implementation, there continues to be a sense of uncertainty on the part of most States as to whether everything will be ready.

COSTS OF ADMINISTRATION

In view of the fact that many State legislatures have adjourned for this term without making appropriations for the costs of administering adult assistance programs, it would be necessary, under the option of State administration, to provide full Federal funding for that purpose.

PREVENTING LOSS OF MEDICAID ELIGIBILITY

The provisions under consideration by your committee to prevent the loss of medicaid eligibility under SSI are urgently needed and supported by the council.

We also call attention to one further factor in this regard. If the option of continuing State administration is adopted, we assume that those additional individuals who would become eligible because of the higher payment level would be considered to be recipients of money payments from the State. Thus, it would be mandatory upon the State to include them under the medicaid program.

It is recommended that a provision be included to hold States harmless against the resulting increase in medicaid costs.

FOOD STAMP ELIGIBILITY

The council fully concurs in the committee's apparent determination to accomplish a repeal of the forfeiture of food stamp eligibility for the aged, blind and disabled.

HOLD HARMLESS FOR STATE SUPPLEMENT

In view of the fact that a number of States have increased the public assistance payment level since January 1972, we recommend that, for greater equity, the base period for computing the adjusted payment level be changed to December 1972.

Thank you, Mr. Chairman.

The CHAIRMAN. Do you other two gentlemen have a prepared statement?

Mr. VOWELL. No, sir: I am a resource person.

The CHAIRMAN. You heard the discussion here this morning. Would you gentlemen please explain to the committee what the problem seems to be with regard to the supplementation? In other words, to what extent were the States aware of the need to supplement in order to assure that no one would receive a cut, and to what extent have the States been aware of the fact that a great number of aged citizens would receive a cut unless the States act to prevent that from happening?

Mr. RADER. Mr. Chairman, the bill, of course, that went to conference from the Senate had one very important amendment which, as I recall, was presented by you to the Senate as a whole, that gave an increase in the matching formula. We are still living under the same old matching formula that we had since 1965, I believe.

When you take the bill as a whole, it breaks down into about, I believe, 18—I will not take the time of the committee to discuss Oklahoma's problems—places where the State has to spend more State money. So we would have to—Oklahoma would have to—come up with, in round figures, \$17 million additional State money to implement the program.

Senator BENNETT. How much additional money would you get for that \$17 million additional State money?

Mr. RADER. I am talking about over and above the Federal money, Senator Bennett.

Senator BENNETT. Well, you say it is additional State money because there were more matching requirements. If there are more matching requirements, the Federal Government must come up with money to match.

Mr. RADER. Yes, sir, that is true.

Senator BENNETT. The new \$17 million?

Mr. RADER. If we had \$17 million State money, we could buy through, and if we had \$20 million State money, we could buy medicaid for the eligible.

Senator BENNETT. But the Federal Government has to match that, so you have the right to force the Federal Government to give you an

equivalent amount. I did not want to leave the impression you had to come up with \$17 million in additional money, but the Federal Government did not have an additional obligation.

Mr. RADER. Yes, sir, they had an additional obligation.

The CHAIRMAN. Let me get this part straight. Do I understand that the bill, as it became law, would require Oklahoma to come up with \$17 million in addition to what Oklahoma was already spending?

Mr. RADER. Yes, sir. Cash out the food stamps and all the items; yes, sir.

The CHAIRMAN. But, now, you are assuming that this program would include broadening the medicaid program, I take it, to include the new beneficiaries under the SSI.

Mr. RADER. Yes, sir.

The CHAIRMAN. Now, where do you stand if you do not include the new SSI beneficiaries under medicaid but instead limit eligibility to those who were previously on the rolls?

Mr. RADER. We cash out the stamps, and we take care of the spouses who are ineligible, we take on new provisions that are in the bill, I have a breakdown, but I assure you, sir, that the figure I am using is correct, it will cost \$17 million more.

The CHAIRMAN. You would assume, I take it, that when they double the number of aged recipients under the SSI program it does not make too much sense to try to continue a program where half of the beneficiaries for aid to aged are eligible for medical care and the other half are not eligible for medical care.

Mr. RADER. That is right.

The CHAIRMAN. In other words, it is sort of a makeshift program. People cannot understand why those who were previously on the rolls are eligible to receive the medicaid and those who are eligible for the same program, the SSI program do not receive it.

Mr. RADER. That is correct.

The CHAIRMAN. Your thought is that if SSI is the only program providing aid to the aged, and it is not an Oklahoma program, then if you are going to have a program for medical care for the aged, all of those eligible for the SSI should receive it.

Mr. RADER. Yes, sir.

You see, the eligibility requirements are so much more liberal or they had to be or you would not double the caseload throughout the country, and it is the—I am sure the committee does not want to be burdened about Oklahoma's decision, it kind of falls in the position of Texas in a way, we have got so much State money, and it has been, it has already been the decision of the Oklahoma Legislature to take care of those adequately that we now have on the rolls.

The CHAIRMAN. Am I to understand also that this provision in the law, where the States have been taking care of essential persons, where a husband is over 65 and his wife is below 65, by inadvertence have been left out of the SSI program, so that would have to be cared for at 100 percent of State expense, is that correct?

Mr. RADER. That is right.

The CHAIRMAN. When you take care of the situations that would be, were inadvertently left out, so that those would have to be cared for 100 percent at State expense, and when you take care of the food

stamp problem and to try to prevent them from having a cut, and then when you try to cover the cost of providing medicaid to all the people newly made eligible, you say you would be about \$17 million behind in Oklahoma even if you did take all the money that was saved to you by the Federal takeover of the aged program, and put all that back into your welfare program?

Mr. RADER. Well, the State, you know, Senator, has to look at the entire welfare program, and there have been other laws enacted by the Congress which are mandatory, such as the screening of children. Now, when you screen all the children in Oklahoma at the contracted cost, you come up with approximately \$6 million. Then you are going to have to treat those children, you find a kid that needs some medical care, and not having any money to do it.

Senator BENNETT. You are taking us away from the basic subject here.

Mr. RADER. I understand, Senator Bennett, and I admit that. When you look at the money that comes back to the State you have to look at the entire segment and not one.

The CHAIRMAN. He is saying under the Ribicoff amendment you are required to screen all of these young people and then having screened them you are under a burden to provide treatment for those who are ill, and when you do that then that costs about how much?

Mr. RADER. We have not estimated that.

The CHAIRMAN. The screening along will cost \$6 million?

Mr. RADER. Yes.

Senator BENNETT. But that has been on the books since 1967.

Mr. RADER. I understand.

Senator BENNETT. That is not something added as a result of last year's bill.

Mr. RADER. It is added.

Senator BENNETT. It seems to me you are really straining to tell us that we should not require the States to make any contribution in this by going back to programs that were written into the law years ago.

Mr. RADER. Well, now, if the committee would care to listen to the figures, and they all build up, it costs \$283,140 additional for the FICA tax so you have got to put them all together, and when you pull it all together and cash out the food stamps, and the room and board payments for medical assistance funds the law requires that the nursing home payments be a total vendor payment including room and board and nursing services chargeable to medicaid, that costs an additional \$2,270,000, so when you get into the total, Senator—

Senator BENNETT. If we need to give you more money to cover those other programs, we should do it.

Mr. RADER. That is correct.

Senator BENNETT. But not in the context of the SSI program.

Mr. RADER. But the Senate did do that, Senator Bennett. It sent that type of a bill to the conference.

The CHAIRMAN. But the point you are saying is that the Senate bill that we passed—

Mr. RADER. Yes, sir.

The CHAIRMAN [continuing]. Had enough money to take care of all these things.

Mr. RADER. That is correct, Senator Long.

The CHAIRMAN. I know it because you are the man who brought me the amendment and I put it in the bill. [Laughter.]

But having gone to conference——

Mr. RADER. Lost the amendment.

The CHAIRMAN [continuing]. With a bill that would take care of all this, by the time that the House got through insisting that we reduce the cost of it, it was reduced down so that all those things were not cared for, is that not correct?

Mr. RADER. That is correct, Mr. Chairman, yes, sir.

Senator BENNETT. Excuse me, I did not mean to interrupt.

Mr. VOWELL. May I make one brief statement, Mr. Chairman? Mr. Chairman and gentlemen, the Council of State Welfare Administrators met a couple of weeks ago, yes, and after some remarks by Mr. Whittier, who is the Director of the SSI Bureau, 27 States held up their hands that they would have large numbers of people disadvantaged.

Now, I know what our State is involved with but other States have the same problem with essential persons, with people who will become ineligible in nursing homes, and other disadvantaged people.

To try to strengthen what Senator Bentsen said about Texas, there are \$136 million—legislature appropriated for a biennium—136 million additional State dollars for medicaid to cover this doubling the recipients rolls. In the savings that the Secretary and others kept talking about, public assistance State money will have \$68 million so you can subtract \$68 million from \$136 million, and this makes that.

In addition, the legislature, in trying to take care of the people who have special needs, appropriated \$6.5 million for social services-type money. In addition, for grants previously provided for glasses, hearing aids, and dentures for the elderly they appropriated special funds for these and attempted to appropriate \$30 million of State money to look after those who might become ineligible in nursing homes, and our constitution provides that no public assistance grants or medical payments can be made without Federal matching. This is the effort we have made to meet the needs of these people, and I do not think, as has been testified here, that the options on medicaid for the new eligibles—when State Senator Bill Moore calls me and wants to know why Mrs. Jones gets three prescriptions a month and Mrs. Smith gets the same SSI payment check and do not get any, it is hard to live with in the State.

The CHAIRMAN. Let me see if I just understand this. You said Texas provided \$163 million more for medical care for the aged. Is that all Texas money or——

Mr. VOWELL. That is all Texas money; that is above what we were spending in 1973, Senator.

The CHAIRMAN. That \$163 million, was that made necessary in part in anticipation of the SSI program increasing the number of people receiving payments because they are old?

Mr. VOWELL. Yes, sir.

The CHAIRMAN. So that in order to extend the medical care to these new beneficiaries under medicaid, Texas provided \$163 million which you estimate to be about what it would cost, and you would have a

savings, if I understand your testimony, under the SSI, of about \$68 million.

Mr. VOWELL. That is right, in State funds.

The CHAIRMAN. All right. Well now, where Texas has provided \$163 million more for medical care for the people that the Federal Government is making eligible for the SSI program, and the State is receiving a savings of \$68 million under the SSI program, that means that Texas would then have \$95 million more State money being made available by Texas. And do I take it that even with that as far as the cash benefit payment is concerned, you would still have a lot of people suffering a cut?

Mr. VOWELL. That is right, sir.

The CHAIRMAN. Now, in addition to that, you say that you found it necessary to put up \$6 million. What was that for?

Mr. VOWELL. \$6.5 million to try to provide social services to these people who are now getting a special needs grant to keep them out of a nursing home.

The CHAIRMAN. I see.

Mr. VOWELL. I think Senator Bentsen referred to them earlier, those who needed more than housekeeping services but less than a nursing home needs. We are trying to keep from sending them to expensive nursing homes.

The CHAIRMAN. You provide another \$30 million for people in nursing homes?

Mr. VOWELL. No, sir. This, it was denied because of constitutional provision. The legislature—

The CHAIRMAN. You tried to provide it for them.

Mr. VOWELL. The House put it in their bill and it went to conference and it was ruled it would be unconstitutional.

The CHAIRMAN. Do I understand from your statement that Texas is providing over \$100 million in addition for their aged people, notwithstanding which many of them would still take a cut?

Mr. VOWELL. Right, sir, and lose food stamps on top of that.

The CHAIRMAN. Now, would you mind explaining, Mr. Bonin, what is the situation that developed in Louisiana? We have heard testimony here that Louisiana, for example, received a \$30 million—will receive a \$30 million savings under the program. How does that develop? How has the State reprogrammed its funds with regard to the fact that \$30 million less would be necessary for cash assistance?

Mr. BONIN. The Governor and legislature just decided they were going to take that savings and put it in another program. For instance, half of it has gone into a mental retardation program. We are just paying 56 percent of need in ADC. I was hoping to get, and we needed, \$22 million in State money to bring our ADC payments to a hundred percent of need and I was hoping to get some of that money to increase it, but I did get \$2.5 million to raise from 56 to 60 percent of need and this is the decision that the Governor and the legislature made.

The CHAIRMAN. So part of it was put into programs to help the poor?

Mr. BONIN. Right.

The CHAIRMAN. Part of it might have gone into something else, I assume, but at least most of it was put into mental retardation and AEDC?

Mr. BONIN. The present welfare program. Also, we are coming up with an additional \$6 million for our medicaid over and above what we had this present fiscal year. And, speaking of medicaid, Senator, let me make a statement. I heard the people from HEW say we were getting 80 percent. I just found out HEW owes me a lot of money. [Laughter.]

I have just been getting 73, I think, and I dropped down to 69 the first of July.

Senator **BENNETT.** They corrected it and said 72 percent.

Mr. BONIN. They did? I did not hear it.

The **CHAIRMAN.** They corrected it again and said it was 69 percent because the income of our people went up somewhat.

I take it that it is your feeling that where your family category was only getting less than 60 percent of need, and your aged category would be getting a lot more than 60 percent of need, as between the two you felt that the mothers and children needed the money worse than the aged because they were getting less than 60 percent of need and the aged would be getting somewhere between 80 and a hundred percent of need?

Mr. BONIN. Right.

The **CHAIRMAN.** So that as between the two you felt that the money the State had would be better programed into providing medical care for the sick and cash benefits to the children and the mothers who by any objective tests, were suffering a greater degree of need than to program that into supplementing the aged payments where, relatively speaking, their degree of need was not as much?

Mr. BONIN. Very definitely, Senator.

The **CHAIRMAN.** Now, had you gentlemen more or less thought that this H.R. 1 was going to become law in such a fashion that the States were going to receive something of a windfall?

Mr. RADER. That is what we thought after the Senate acted; yes, sir.

Mr. VOWELL. Senator, I believe you will recall last October when I visited with you briefly, I tried to forecast the \$100 million additional money that it would cost the State of Texas in medicaid benefits. We keep a pretty good track of that. It would never be, it was never considered to be a windfall in our State. We probably did the most, broadest analysis of H.R. 1, which is a very complex piece of legislation. We probably did; the Governor set up a task force to do this which I think probably revealed to us many of the problems that we would be facing today, and we have projected this increase in rolls and probably—in one county, for instance, in my State, 71 percent of the people over 65 years of age are on old-age assistance. This is a very poor county. We have several such counties in the State. We know the rolls will grow, we are expecting the disabled group to quadruple within the first 12 months of the new program. So what we have talked about, and I was presiding when the Council of Welfare Administrators passed the resolution in April suggesting some delay in implementation because of the lack of information at that time, and there were only two States, I believe, that raised the question. One said, "We would like to have the option opportunity." I would like to see some test programs run. I have been in trouble once in the vendor drug program with adequate test runs on computer operations. I would like to see some tests made before

they take on 6 million, and whatever it is, 100,000 people, it will be to pay checks in 1 day in January 1974.

Today, the States, and the majority of the States, that have computerized rolls mail out a check on the first of the month along with a medical eligibility card, medical eligibility for that month.

Now, the Treasury Department, so far as we can determine, will never do this. Therefore, there are two mailings to the same individual each month, and we have to wait until we receive the tape from SSI, if we use their eligibility lists. So there is going to be sometimes a 2- to 10-day delay or maybe longer in getting out a medical eligibility when the person may need their medications, they may need to see the doctor, maybe in the hospital the first day of the month. I think there are many problems yet to surface in this area.

The CHAIRMAN. How many States are going to be able to extend medicaid to the new beneficiaries under the SSI program?

Mr. BONIN. I do not have any figures on that.

The CHAIRMAN. Have you any idea how many are going to do this?

Mr. BONIN. Senator, we can find out.

Mr. VOWELL. You have to provide medicaid under one of two options. There is no alternative, you have to go the spend-down route, which is the medical program or the SSI eligibility program. You are going one way. This business of not providing these people as something locally—I do not believe that a State can endure very long to tell a person who receives the same amount or nearly the same amount of SSI check each month where one receives medical benefits and the other does not, it is hard to convince people that they are not being denied something they are entitled to.

The CHAIRMAN. Do you have any indication, perhaps just an off-hand guess, what percentage of the States are going to take the option of extending medical care to all the SSI beneficiaries?

Mr. VOWELL. Senator, in the last meeting of the Council of Administrators we could not make, I do not think we could arrive at, that determination. I do not know today what, which route I will try to take in our State, simply because we do not have the Federal regulations and guidelines for, out of the Medical Services Administration, for this. Miss Nelson, who was here, and the Secretary's letter has been helpful. But we have not seen the printed and the final regulations so that we may be able to judge what is for the best interests of our State.

Mr. BONIN. We will pick them up, Senator, even without looking at the regulations.

The CHAIRMAN. Are you saying Louisiana will be extending medical benefits to the SSI beneficiaries?

Mr. BONIN. That is right and, as you know, Senator, we have had medicaid in Louisiana a long time before the Federal Government ever thought about it with our charity hospital system.

The CHAIRMAN. While Louisiana may be criticized for not programming its money over into providing a supplement for those who are presently on the rolls, it will be in position of criticizing other States who cannot find the money to extend medicaid to the SSI beneficiaries.

Mr. BONIN. Right.

The CHAIRMAN. So that some States will be in position to do one thing and some will be in position to do other things but a lot of them will not be in position to do both.

Can you tell me how many States will there be who will not be in position to do the two things, that is, to provide the health care to the SSI beneficiaries and to assure that nobody get a cut?

Mr. BONIN. I do not know, sir.

Mr. RADER. Mr. Chairman, that question was asked at the meeting last week of the State directors and, I believe, there were 40 of us there. As I recall, there were 13 States which said they were going to supplement through the Federal Government, and of those 13 States, however, there were a number of them that could not do both. So I just do not know the answer to that question; I do not believe anybody knows at this time.

The CHAIRMAN. I hope you will help me obtain the answers to that because I am satisfied that when we went to conference with our bill that we had enough money in the bill so that the States would have had no problem in providing whatever small amount might have been necessary in order to supplement the SSI payment if supplementation is necessary—and very few would have had to supplement at all—and they would have had major savings which would have been available to them under their cash program and which, if they needed to do so, could have been put over into the medicaid program.

When the bill came back from conference it had been so drastically pared back that no one could tell just what it was going to do.

I will have to confess my ignorance. I was informed that there was going to be a grandfather clause in this measure to protect those States where they had payments above the SSI. I understand now that the way the grandfather clause work is if the State takes what it was putting into cash benefits and gives that to the Federal Government then the Federal Government has a burden to protect whatever that payment was. But my impression last year was that the grandfather clause would operate without requiring the States to put up whatever they had been putting into their cash program into the Federal till in order to trigger a Federal burden under the grandfather clause.

Mr. VOWELL. Senator, may I make one other observation? You mentioned grandfather. After the people who were denied last October 1, were phased back in for medicaid because of the social security increase, there is a conflict in the present law, so far as our attorneys and I believe, according to the HEW people, that those 19,000 in my State would not be eligible for SSI and, therefore, they are not eligible for medicaid. So you put a section in that bill. This is a conflict in the language of the bill for those two items.

The CHAIRMAN. Senator Bennett.

Senator BENNETT. Thank you. I would like to ask each of you one simple question:

When the bill was passed last December, and you first became acquainted with it, did you understand that the Federal Government was guaranteeing that your people would receive their present benefits if they were above the minimums of \$130 and \$195 or did you expect that if those rates were to be maintained, the States would have to supplement above the \$130 and \$195?

May I ask you first?

Mr. VOWELL. When the bill passed, sir, I was under the impression that all people on the rolls at that time would be phased into the program.

Senator BENNETT. At what rates?

Mr. VOWELL. At the \$130 and \$195.

Senator BENNETT. That is fine.

Mr. VOWELL. Let me go further now.

After, when I had submitted a budget in October—the first of October—for the legislature, that bill negated my entire budget practically, and when we finally finished the task force study which was thousands of man-hours in February, it was obvious to us that there were people who would not be covered under the SSI program—the ineligible spouse—who are today eligible under all the rules that we have today, plus other categories, that had special need, as I pointed out before, are not cared for, and others who—I think we had some 17,000.

Senator BENNETT. Yes, but in terms of all those who would be eligible, the limit of the Federal Government's obligation was \$130 and \$195. Did you have that understanding?

Mr. VOWELL. Except the fact, when it was passed, I thought they were all phased in later on, I think—

Senator BENNETT. Yes. But with respect to those who were eligible, you did not expect the Federal Government to pay anybody in Texas more the \$130 or \$195, did you?

Mr. VOWELL. There are certain exceptions that you had in there and there are other provisions in the bill, and they may be the limitations on what we call a homestead and the means allowance may vary from what the Secretary's regulations will have, you see. These things have not been answered yet, Senator.

Senator BENNETT. But the basic pattern, leaving out these differences in eligibility—and that is what a homestead is, it is a difference in eligibility—

Mr. VOWELL. Yes.

Senator BENNETT [continuing]. Once a person has been determined to be eligible, you assumed that they were going to receive, a single person, not more than \$130 or a couple \$195. I know you have a problem in Texas, and we have discussed it here.

Mr. VOWELL. Yes, sir.

Senator BENNETT. Now, Mr. Bonin, I assume that you made the same assumption because, in answering the chairman a few moments ago, you indicated that in Louisiana you made a conscious choice to take this savings money and give it to the children rather than leave it for benefits for the older people, because the older people were—

Mr. BONIN. That is right, Senator. I understood it to be \$130 and \$195 but I did not understand at that time that the essential person or the spouse would no longer—

Senator BENNETT. That is a specific problem and I think we probably made a mistake. I think we overlooked that. But leaving that aside, so far as the right of an eligible person to receive Federal money, you assumed it was fixed as \$130 per individual and \$195?

Mr. BONIN. That is right, and I did not realize until the Secretary's letter was sent to the Governor 2 or 3 weeks ago that some of the people in nursing homes would no longer be eligible.

Senator BENNETT. May I ask the same question of you, Mr. Rader.

Mr. RADER. Yes, sir.

Senator BENNETT. When that bill came out, did you make the same assumptions?

Mr. RADER. Yes, substantially, that is correct, Senator Bennett.

Senator BENNETT. So there was no question. You did not believe that the bill said the Federal Government was absolutely going to maintain the levels that may have existed in your State?

Mr. RADER. I had the same impression Senator Long had, that while it was in conference, that it was going to be grandfathered in. Of course, I woke up to sad disappointment that it was not.

Senator BENNETT. This is the middle of June. It is interesting to me that this question has not been raised for 6 months or 5½ months if the problem occurred last January and you studied the bill, and I would assume that you would have come up here earlier than this to notify us of your problem.

Mr. BONIN. Senator, we have been meeting with Senator Long, some of his staff; we have met with Chairman Mills shortly after the bill passed. I remember Senator Long told us, he says, "Look, we have got, I want to tell you like LBJ tells me—I have got enough problems, we have got a year to work these things out, we will get together."

We met with Chairman Mills, and he indicated that there was a lot of correction, and he amazed me the last time we met with him, which was about 3 weeks ago. We left Senator Long and went to Chairman Mills, and I am not trying to speak for the chairman, but we asked him, was he aware of what Senator Long was working on? He said, "Yes, I am supporting him all the way. I realize now we made a mistake. We ought to repeal that bill." This is a statement that Chairman Mills made and the three of us with other—

Senator BENNETT. Would you recommend that it be repealed today?

Mr. RADER. I would; yes, sir.

Senator BENNETT. And we go back to the old system?

Mr. RADER. Yes, sir.

Mr. BONIN. I would not, Senator, but I would like to see it corrected. There are a lot of things that should be corrected.

Senator BENNETT. I think there are a lot of things that can be corrected.

Mr. RADER. I say that if it is not going to be corrected.

Mr. VOWELL. Senator Bennett, can I raise one question, sir? You say why have we not been here before. Well, I do not know how often you meet, we do not ordinarily—

Senator BENNETT. We have been in business since the 20th of January.

Mr. VOWELL. With Senator Bentsen's staff we have discussed this, and I mailed each member of the Texas delegation an analysis of the H.R. 1, which we did. We have visited with Senator Long twice or three times since the 1st of January, twice, I guess, a group of us. We have had Mr. Stern in April before the Council of Welfare Adminis-

trators to discuss some of these matters with him. So I am saying we have not been quiet about it.

Senator BENNETT. Well, of course, maybe my feelings are hurt because nobody has approached me and indicated that there is such a problem.

Mr. VOWELL. If I come by there, you are not representing my State, if I come by someday you will be willing to sit down and visit with me, are you not?

Senator BENNETT. Sure, but now, it is after the fact.

Mr. VOWELL. There will be some more facts coming up.

Senator BENNETT. I have only one other comment, Mr. Chairman, and then I am through. In your prepared statement, Mr. Bonin, you say "We also call attention to one further factor in this regard. If the option of continuing State administration is adopted, we assume that those additional individuals who would become eligible because of the higher payment level would be considered to be recipients of money payments from the State. Thus, it would be mandatory upon the States to include them under the medicaid program."

My staff man tells me that that is true and that would cost the Federal Government \$800 million. That is a pretty good argument for not going back to State administration or continuing State administration because of that particular quirk in the medicaid law. So that would add an additional cost of \$800 million with respect to which the Federal Government would have no option.

I have no further questions, Mr. Chairman.

The CHAIRMAN. Is that your understanding that if we retain State administration, the Federal Government picking up the cost of it, that the cost of medicaid would increase by \$800 million?

Mr. BONIN. I think you would still have, whether we administer it or social security, because they have got to be eligible for SSI to be eligible for the money payment to be eligible for, medicaid.

Senator BENNETT. I think the difference, Mr. Chairman, is that under this law, if you have Federal administration there is a choice as to the extent to which the newly eligible will be covered but if you leave State administration under the present law everybody who is eligible must be covered and that is where the mandatory \$800 million comes in.

The CHAIRMAN. Well, your problem as it stands right now—

Mr. BONIN. That is not in your proposal. I just threw that in.

Senator BENNETT. That is the present law.

Mr. BONIN. Yes.

Senator BENNETT. So you do not need it. It is not in our bill. It is the present law and we would be forced to live up to it if we left administration in your hands.

The CHAIRMAN. When you talk about the increased cost of the program you are suggesting that if the Federal Government paid 100 percent of the cost of the cash benefits, then you think it also would be desirable for it to pay 100 percent of the medicaid, is that what you are talking about?

Mr. BONIN. Yes.

The CHAIRMAN. That is an entirely different matter, that is not something I was suggesting here.

Senator BENNETT. This is only half, and the States would have another \$800 million to do that.

The CHAIRMAN. Am I correct or not?

Senator BENNETT. This is what the staff gives me.

Mr. BONIN. That is what Jay is telling you.

The CHAIRMAN. You mean that today under the present State welfare rolls, the load they have today, let us see if I understand it, you mean it will take \$800 million more at the Federal and State level to extend medicaid to the people who are on the present rolls? If that is the case I am surprised.

Mr. BONIN. This is what Jay said.

Senator BENNETT. They are those who would be made newly eligible when we move into the new program.

The CHAIRMAN. You mean by extending the \$130 and \$195 without doing the other things to liberalize the eligibility, that it would still cost \$800 million to the Federal Government and a somewhat similar amount to the States in order to extend medical care to the people newly made available by providing this uniform \$130 and \$195 standard; is that what we are talking about?

Senator BENNETT. That is my understanding of it. I get it from the statement here in the testimony that because of the quirk in the law if this remains to be administered by the States under the present law anybody who is eligible under the State law is automatically eligible for medicaid, and this would automatically make all of these eligible for medicaid and on that basis there would be \$1 billion 600 million additional medicaid coverage split between the Federal Government and the States.

Mr. BONIN. But, Senator, what we are talking about here—

Senator BENNETT. That is what I am talking about.

Mr. BONIN. We are not talking about all of the people under SSI. We are just talking about postponing SSI for 1 year and because of going up to 130 then we have new people eligible in our States.

Senator BENNETT. Yes, and because the law says if they are eligible in the State they must automatically get medicaid, this becomes mandatory for those people to the tune of \$1.6 billion.

Mr. VOWELL. What we are discussing, though, Senator, is not speeding up but slowing down the intake process. Through State administration you would not be doubling your rolls certainly, on January 1. It is a slowdown proposition, I think, was needed.

Senator BENNETT. If the Federal Government administers it I think there is some leeway in medicaid eligibility. But if you administer it, there is no choice, is that right? That is what the staff tells me.

Senator PACKWOOD. I have some questions, Mr. Chairman, if I may ask them.

The CHAIRMAN. There is no reason why we cannot amend the law if we want to, to say you do not have to extend additional medical benefits, but if we are going to make more people eligible and not make them eligible for medical care we had better face that with our eyes wide open rather than get into a situation we are in right now where HEW tells us everything is fine, and what you find are all sorts of people are going to take a cut.

In addition to that, when you double the welfare rolls only half the people are going to be eligible for medicaid, and you have problems with nursing homes and elsewhere that one is not quite aware of. We are faced with a serious problem that you people have been trying to work with and I just wish that HEW had done one quarter as much to alert me to the problems that are going to exist in January as the State administrators have alerted me about. HEW was around every step at the time we passed this bill and they did not alert me to any of this, and so frankly, I think it is about 3 months ago that the State administrators started alerting me to the problems that really did exist and I was shocked when I first heard about it, and the more I hear about it the more concerned I get.

Now, from the point of view of the State administrators, it sounds to me as though you were saying it was fine to extend these payments to all these new people who are not presently on the rolls, in effect doubling the rolls, if you could afford to do that, but that it did not make much sense if you were hard pressed for dollars, as every State administrator has been who has been administering the program, to go put all of these new people on the rolls some of whom never even expected to receive a check and who were not aware of any reason why they should be getting one, when you were going to do it at the expense of cutting back on a great number of other people who, relatively speaking, were more deserving. That is part of it, is it not?

Mr. RADER. That is correct.

The CHAIRMAN. What you people are saying is you can do one of two things: You can save more money by postponing the liberality and doubling the people on the rolls, and in doing that, saving a great deal of money, you can go on ahead and take those deserving cases you have and provide them with medical care as well as the cash payments.

Mr. RADER. That is correct.

The CHAIRMAN. Or in the alternative, you are going to have a program that is going to have all sorts of complaints. Half the people who are on the rolls will not be getting medical care and half of them will and that is hard to explain to the people who are not receiving it, and a lot of people on the rolls are in prospect of having their checks cut while other people are being added to receive checks that they never expected. That is part of the problem that faces us in January; is it not?

Mr. RADER. That is correct.

The CHAIRMAN. And you made your suggestions of how you think this can be handled. You have discussed this with the other welfare administrators, I take it.

Senator BENNETT. This is a resolution from them, Mr. Chairman.

The CHAIRMAN. About how many of them seem to agree that this would be about the approach that would seem preferable?

Mr. RADER. Mr. Chairman, the day that vote was taken only Kansas, and I made the amendment, the motion was not mine but I did it, and suggested an amendment that would permit; provided that any State would have the option in proceeding with the conversion to the SSI program on January 1, 1974, Kansas was the only State represented that day, and I believe we were all 45 States there that day, Mr. Bonin says, whose legislatures had made provision.

Now, to be specific, the thing that I am afraid of in this bill is this. There is always a tendency, you know, for more liberalization, and Oklahoma has a pretty liberal program. eligibilitywise, to where we have about 110,000 adults in the population of 2½ million. Now, when you double it our legislature thinks it is too liberal and they will not appropriate a penny to supplement it, not one red penny. So. I am directed by legislative resolution to not send money up to Washington to be administered by the Federal Government, when we have no control over the eligibility, and I do not believe the Secretary has yet determined, and if he has he has not advised me or, to my knowledge, any other Director, what the eligibility requirements are going to be. They trim them down some from time to time, but they still come out with the same figure, and I think, I would think that you are in pretty good shape if you could own an automobile worth \$2,700, it is a better automobile than I drive, and have \$1,500 in cash and go on and on. I think it is too liberal.

Senator BENNETT. If we are not careful——

Mr. RADER. My legislature in Oklahoma thinks it is too liberal.

Senator BENNETT. We are going to make it more liberal if we proceed to say the Federal Government will pick up the present levels and you are free with all the money you saved to add on top of it if you want to.

The CHAIRMAN. But here is the problem we are talking about. You are saying that the State of Oklahoma, where you had a liberal matching program——

Mr. RADER. Yes.

The CHAIRMAN. That the State put up its share to pay for all these people whom you thought ought to be on the rolls considering the fact that the Federal Government will pay the big end of the cost of it. Now, having done that, the Federal Government doubles the rolls?

Mr. RADER. That is right.

The CHAIRMAN. And at that point you feel that the legislature says:

Well, if the Federal Government thinks they can afford to be all that liberal, that is too rich for our blood. But more power to them. If they want to take over, OK, but we do not think we can afford to be that liberal.

Mr. RADER. We have never stopped the payment at Federal matching, we have taken whatever money we had available from the revenue and sales tax and every one of our payments is above the Federal average, the matching in ADFC it is about \$10 a person above the cutoff.

The CHAIRMAN. Now, do I take it that your legislature has felt that you ought to extend medical care to these people made eligible for the Federal program or not?

Mr. RADER. No, they do not.

The CHAIRMAN. They do not?

Mr. RADER. They do not and will not.

The CHAIRMAN. So their feeling is——

Mr. RADER. They are leaving us in this position, my directions from the legislature are to let the Federal Government run their program however they see fit, and we will run ours. And we will supplement, we will take care of those ineligibles, as you call them, the ineligible spouses, and any person in the home, we will take our money to take care of the most needy people but we are not going to participate in this runaway program that HEW is talking about.

The CHAIRMAN. Let me see if I have this straight. Looking at the requirements in this bill, you say it will cost Oklahoma, even though they are not extending medicaid to the new eligibles, \$17 million more than—

Mr. RADER. In State money than we spent last year.

The CHAIRMAN. It will cost them \$17 million more than they are getting because of the additional Federal payment?

Mr. RADER. Well, the additional action of the Federal Government and interpretations of HEW, actions that some of them, as I pointed out to Senator Bennett about the screening, of course, that is an action—

Senator BENNETT. This is outside of this program entirely.

Mr. RADER. Yes, sir, I understand it.

Senator BENNETT. If this program did not exist it would still cost the State of Oklahoma more in the areas.

Mr. RADER. That is correct.

Senator BENNETT. So it does not impinge on the present consideration.

The CHAIRMAN. Let us understand that, it is all wrapped up in the same bill, H.R. 1 when it became law imposed these requirements on Oklahoma which you say will cost Oklahoma \$17 million more than you will save on your aged program; is that right?

Mr. RADER. Yes, sir, that is right.

The CHAIRMAN. So that if they are talking about any windfall in Oklahoma, just forget about the windfall. The mandatory requirements plus the matching requirements, will cost Oklahoma \$17 million more. Will you please make available to our staff so we can study it, the breakdown in Oklahoma of what is required, by H.R. 1 that will cost \$17 million more than what was saved to you by the SSI program?

Mr. RADER. Yes, sir.*

Senator BENNETT. Will you tell us how much revenue-sharing money Oklahoma gets which is available for any purpose including this?

The CHAIRMAN. I can tell you how much they get. They get about \$40 million at the State level and that is subject to the stipulation they cannot use it for matching.

Senator BENNETT. But this is not matching.

The CHAIRMAN. But the point is that the \$40 million that the State of Oklahoma gets under the law we passed is under conditions where they are forbidden to match that in a Federal program so that they cannot use it for this.

Senator BENNETT. You and I knew when that law was being considered. We realized that it was a paper wall because they use other funds for matching and then use the \$40 million to make up the other funds, it is that simple.

The CHAIRMAN. My impression was that we had this one pinned down where they cannot use revenue-sharing funds for matching.

My impression is we pinned that program down where they had to put new taxes on to pay for that new program or show they dispensed with a service they were previously providing, and that they

*At press time, June 22, 1973, the material referred to had not been received.

cannot use either directly or indirectly their revenue-sharing money to put in these matching programs. I will be glad to check it out.

Senator BENNETT. I want to make one comment. These three gentlemen sitting before us—Mr. Rader, representing Oklahoma, indicates he is from a State that will supplement.

Mr. RADER. That is incorrect.

Senator BENNETT. That is a statement that comes from the staff before us. Oklahoma will supplement from the availability of State funds.

Mr. RADER. Oklahoma will do what I told you we are going to do but we are not going to supplement through the Federal Government. We are not going to tie our eligibility to the eligibility, the factor of eligibility, to be determined by the Secretary.

The CHAIRMAN. Let us understand what that means. If I understand what you have told me, and I tried to reconcile that to that mark being in that list that Oklahoma will supplement, what that means is that on an entire State basis, without sending any money to Washington, Oklahoma would propose to take a look at these people who will lose benefits because of the enactment of SSI.

Mr. RADER. Yes, sir.

The CHAIRMAN. And Oklahoma will add something at the State level but you do not propose to give anything to Washington for Washington to use to supplement?

Mr. RADER. I already have been told I could not send a penny up here, Senator.

The CHAIRMAN. Although the State legislature is willing to give you some money to take care of the most deserving cases?

Mr. RADER. Yes, sir.

The CHAIRMAN. Under a State program, with no Federal matching.

Mr. RADER. Purely State program, no matching by the Federal Government. Purely taken care of by the State. In other words, the attitude of the legislature and the chief executive in Oklahoma is to let the Federal Government administer their program as they see fit, and we will administer ours. That does not mean we do not want to visit with you, counsel with you.

Senator BENNETT. It means in effect that the people will get a supplement, they will get two checks instead of one.

Mr. RADER. Well, I do not know.

Senator BENNETT. Maybe three.

Mr. RADER. When the Secretary gets through interpreting there may not be any money left for supplementation, I do not know. I hope there will be.

Senator BENNETT. OK.

Mr. Chairman, I had a date at 12:30 and if we are going very much further—

The CHAIRMAN. No, I am through.

Senator BENNETT. I am through.

The CHAIRMAN. So am I, unless you want to ask something for the record. Thank you very much.

[Whereupon, at 1 p.m., the hearing was concluded.]