

## TEMPORARY SUSPENSION OF DUTY ON CERTAIN COPYING SHOE LATHES

MAY 29, 1969.—Ordered to be printed

Mr. LONG of Louisiana, from the Committee on Finance  
submitted the following

### REPORT

[To accompany H.R. 5833]

The Committee on Finance, to which was referred the bill (H.R. 5833) to continue until the close of June 30, 1972, the existing suspension of duty on certain copying shoe lathes, having considered the same, reports favorably thereon with an amendment and recommends that the bill (as amended) do pass.

#### PURPOSE OF HOUSE BILL

The bill as it passed the House would continue for 3 years to the close of June 30, 1972, the existing suspension of duty on copying lathes used for making rough or finished shoe lasts from models of shoe lasts and capable of producing more than one size shoe from a single size model of shoe last.

#### SUMMARY OF COMMITTEE AMENDMENT

The committee bill would not change the text of the House bill. However, the committee added a new section relating to the medicaid program under the Social Security Act, which would do the following:

(1) *Suspension of section 1903(e) of the Social Security Act.*—This provision of the medicaid law, which requires States to have in operation comprehensive medical assistance programs by 1975, would be suspended pending further congressional action.

(2) *Clarification of section 1902(c) of the Social Security Act.*—The modification made by the committee amendment would clarify the original congressional intention that States not be permitted to reduce their money payment assistance programs in order to initiate medicaid programs.

## TEMPORARY SUSPENSION OF DUTY ON CERTAIN COPYING SHOE LATHES

The duty on copying shoe lathes was temporarily suspended for 2 years on August 6, 1956, under Public Law 1012 of the 84th Congress. This suspension of duty has been successively extended on a temporary basis as follows:

Public Law 85-416, May 16, 1958: 2 years.

Public Law 86-562, June 30, 1960: 2 years.

Public Law 87-607, August 24, 1962: 2 years.

Public Law 88-336, June 30, 1964: 2 years.

Public Law 89-437, May 31, 1966: 3 years.

The existing suspension of duty on copying shoe lathes under Public Law 89-437 will expire on June 30, 1969. The suspension of duty on these lathes was initially made and has been continued in order to make available to domestic shoe last manufactures highly specialized and expensive copying lathes on a duty-free basis. Your committee is advised that such lathes can only be obtained from foreign sources.

Favorable comments on the suspension of duty on these copying shoe lathes have been received from the interested departments and agencies, and no objection to this extension has been made known to the committee.

The Committee on Finance agrees with the Committee on Ways and Means of the House that that extension, as provided in H.R. 5833, will continue to benefit the shoe last manufacturing industry in the United States without detriment to any domestic interests. Accordingly, it has approved the substance of the House bill without change.

## AMENDMENTS TO PROVIDE STATES ADDITIONAL FLEXIBILITY UNDER MEDICAID PROGRAM

The committee is greatly concerned over the sharp, accelerated, and unanticipated increases in the costs of medicaid. Congressional efforts to impart a measure of control over the program—principally in terms of placing upper limits on the amount of income which can qualify and individual as medically indigent—have been ineffective.

The Finance Committee intends a thorough reappraisal of both medicaid and medicare during this Congress. As a preliminary step we are now securing detailed data and other information on the status and operations of those two programs, currently estimated to cost more than \$12 billion in fiscal 1970. Pending this comprehensive review and prospective legislative overhaul, we have acted to relieve what is for many States a serious burden and for some an intolerable one.

Our work thus far, has revealed a particularly serious problem in medicaid which the committee amendment seeks to remedy.

States are confronted with fiscal crises of a persistent and recurrent nature as a consequence of having established medicaid programs with broad eligibility standards and an extensive range of covered health care services at the very time medical care costs were and are rising at unprecedented rates. Under the requirements of section 1903(e) and the Department of Health, Education, and Welfare's interpretation of section 1902(c) there can be no going back for a State which

finds it is unable to cope with the unanticipated dimensions of the costs of its medicaid program. Mistakes cannot be remedied; yesterday's judgment cannot be altered in the light of today's facts.

In this context then, the committee has amended section 1902(c) of the Social Security Act so as to make what appears to some as ambiguous statutory language consistent with the unambiguous intent and language, respecting that provision which are found in the committee reports at the time of its enactment.

Further, we have added a provision to title 19 of the Social Security Act which makes section 1903(e) inapplicable until such time as the Congress determines otherwise.

The committee wants to make it clear that its amendment in no wise affects the obligation of a State to provide at least the five basic services now required under present law for cash assistance recipients. These five are inpatient and outpatient hospital care, physicians' services, skilled nursing home care, and other laboratory and X-ray services. Similarly, a State will continue to be required to provide for medically indigent persons at least seven of the 14 types of services listed in section 1905.

#### SECTION 1902(C) OF THE SOCIAL SECURITY ACT

This section of the act today reads as follows:

*Notwithstanding subsection (b), the Secretary shall not approve any State plan for medical assistance if he determines that the approval and operation of the plan will result in a reduction in aid or assistance (other than so much of the aid or assistance as is provided for under the plan of the State approved under this title) provided for eligible individuals under a plan of such State approved under title I, X, XIV, or XVI, or part A of title IV.*

The 1965 Finance Committee report explaining this section reads as follows:

In addition, the Secretary is directed not to approve any State plan for medical assistance if he finds that the approval and operation of the plan will result in a reduction in the level of aid or assistance provided for eligible individuals under title I, IV, X, XIV, and XVI. An exception is provided allowing States to reduce such aid to the extent that assistance now provided under titles I, IV, IX, XIV, or XVI is to be provided under title XIX. The reason the committee recommends the inclusion of this provision is to make certain that States do not divert funds from the provision of basic maintenance to the provision of medical care. If the Secretary should find that this approval of a title XIX plan would result in a reduction of aid or assistance for persons receiving basic maintenance under the public assistance titles of the Social Security Act (except as specified above) he may not approve such a plan under title XIX. The committee recognizes the need and urgency for States to maintain, if not improve, the level of basic maintenance provided for needy people under the public assistance programs. The provision is intended to

prevent any unwarranted diversion of funds from basic maintenance to medical care. (P. 82, S. Rept. 404, 89th Cong., Social Security Amendments of 1965, p. I. Similar language appears on p. 72 of the 1965 Report of the Ways and Means Committee, H. Rept. 213 89th Cong.)

The Department of Health, Education, and Welfare at least up until now, has interpreted this section of the act so that the term "aid or assistance" includes the types of medical care which were covered under any of the various welfare programs in a State before a State medicaid program is put into effect. Thus, when a State set up its medicaid program it had to cover, at a minimum, the broadest range of health services then covered under its most liberal welfare health program. For example, if before it adopted a medicaid program a State covered more types of health services under its aid to the blind program (title X) than under its aid to families with dependent children program (title IV), then that broader range of services had to be available to all medicaid eligibles, including those eligible for cash benefits under AFDC.

As already indicated by the excerpt from the committee report written contemporaneously with the approval of the statutory language in 1965, both the Committee on Finance and the Committee on Ways and Means intended that the term "aid or assistance" mean monthly cash assistance payments only, and that this provision would be applicable only in cases where the operation of the medicaid program could be said to affect adversely the level of cash assistance payments in the State. This is the only situation referred to in the committee report; it refers to "basic maintenance," and a firm distinction is made between "basic maintenance" and "medical care."

The present amendment will make the obvious congressional intent unequivocally clear in the Statute.

#### SECTION 1903(c) OF THE SOCIAL SECURITY ACT

This section of the act reads as follows:

*The Secretary shall not make payments under the preceding provisions of this section to any State unless the State makes a satisfactory showing that it is making efforts in the direction of broadening the scope of the care and services made available under the plan and in the direction of liberalizing the eligibility requirements for medical assistance with a view toward furnishing by July 1, 1975, comprehensive care and services to substantially all individuals who meet the plan's eligibility standards with respect to income and resources, including services to enable such individuals to attain or retain independence or self-care.*

With reference to this section, the Finance Committee report on the 1965 Social Security Amendments stated:

There is also a new provision limiting payments made under the new title to States making a satisfactory showing of efforts toward broadening the scope of care and services made available under the plan. This showing must be such that the Secretary is reasonably convinced the program of medical assistance will have such liberalized eligibility re-

quirements and comprehensive care and services, including needed social services to achieve independence or self-care that by July 1, 1975, assistance and services needed will be available to substantially all individuals who meet the State's eligibility standards with respect to income and resources. This provision was included in order to encourage the continued development in the States of a broadened and more liberalized medical assistance program so that all persons who meet the State's test of need, whose own resources, and the resources available to them under other programs for medical care, including those established for Federal matching under this bill, are insufficient, will receive the medical care which they need by 1975. (P. 85, of S. Rept. 404, 89th Cong., Social Security Amendments of 1965, pt. I. Similar language appears on p. 74 of the 1965 Report of the Ways and Means Committee, H. Rept. No. 213, 89th Cong.)

The Department of Health, Education, and Welfare has indicated the scope of section 1903(e)'s embrace in these terms:

But by 1975 . . . to meet Federal requirements and to get Federal funds, States must be providing medical assistance to all who cannot afford the care they need—whether recipients of public assistance or not. ("Better Health Care for People with Low Incomes," USDHEW, May 1966.)

\* \* \* \* \*

Comprehensive care includes all preventive, diagnostic, curative and rehabilitative services or goods furnished, prescribed or ordered by a recognized practitioner of the healing arts within the scope of his practice. (Handbook of Public Assistance Administration, supp. D, D-5142.)

As one aspect of its current medicaid-medicare inquiry, the committee solicited the comments of Governors respecting the impact of section 1903(e) upon State finances. We believe the urgency of the present amendment will be better understood by Senators after they have read the following excerpts from letters sent to the committee by State Governors:

1. While as a matter of policy \* \* \* would prefer the broadest possible rules of eligibility to include all medical indigents in the program, we can now observe, with the benefit of hindsight, that the inclusion of a medical only category in 1966 was probably a precipitous act, considering the fiscal position of the State.

2. \* \* \* sharp increases in expenditures, as related to fiscal capacity of the State, are presently resulting in program reappraisal. These factors present problems in meeting by 1975 the Federal requirement for provision of comprehensive benefits to nearly all medically needy persons.

3. \* \* \* the section 1903(e) requirement that the medicaid program provide comprehensive care by 1975 could place a very serious budget on the State. Dental care and eye care remain uncovered at this juncture and their inclusion on or before 1975 will place an added demand on State funds,

struggling to meet the rapidly rising costs of existing program benefits.

4. The factors which made it necessary to cut back were the broad coverage offered, more extensive utilization of services than was anticipated, and a larger recipient load than the department anticipated. There is also the serious factor of rising costs.

The provision for a State to include all medically indigent people in the State by 1975 had some influence \* \* \* in that we began operation on a broader scale than we otherwise would have at this stage \* \* \* it does not seem likely that the State will be able to meet the 1975 deadline.

5. When medicaid \* \* \* was enacted it was broad enough to include the eligibility and benefit provisions already being provided by \* \* \*. Without additional revenue, \* \* \* (the State) cannot provide comprehensive health benefits "for nearly all medically needy by 1975" \* \* \*. The program may be curtailed rather than expanded.

6. The commitments in the title XIX program and the increase in coverage from year to year has resulted in budgetary problems. We are continually struggling to get through one biennium without a deficit; and we are no sooner into a new biennium, and we are spending more than what was appropriated to the program.

7. It has become apparent to us, however, that substantially increased Federal cost sharing of medicaid expenditures is absolutely essential if the 1975 goal is to be met.

The Governor who expressed the view quoted in item (7) endorsed retention of section 1903(e). As he stated, however, the goal cannot be met without a change in Federal law to increase the Federal matching formula for welfare medical care. A virtually identical position with respect to section 1903(e) was taken by the Advisory Commission on Intergovernmental Relations in a comprehensive report on medicaid which it issued in September 1968. Statutory action to increase Federal matching for medicaid is only a future possibility, which will require extremely careful consideration. The demands of section 1903(e) upon the States are being made now, however.

We wish to reaffirm our support of section 1903(e) as a valid public goal. However, we cannot support, at this time, the functioning of that section as a statutory mandate upon the States. In light of what has transpired since 1965 in terms of health care costs rising far beyond anything envisaged when section 1903(e) was enacted and far more people than anticipated being determined "medically indigent," the mandatory aspect of that section has created an almost fiscally unbearable burden in many States. Until such time as the Federal, State, and local governments institute and make effective appropriate controls over costs, utilization, and eligibility, we should not continue a provision which can only function to compound an already intolerable situation.

For these reasons the committee has concluded that suspension of section 1903(e) at this time is both prudent and necessary.

## CHANGES IN EXISTING LAW

In compliance with subsection 4 of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets; new matter is printed in italic; existing law in which no change is proposed is shown in roman):

TARIFF SCHEDULES OF THE UNITED STATES  
APPENDIX TO THE TARIFF SCHEDULES

Item	Articles	Rates of duty		Effective period
		1	2	
	PART I.—TEMPORARY LEGISLATION			
	• • •	•	•	•
	Subpart B.—Temporary Provisions Amending the Tariff Schedules			
	• • •	•	•	•
911.70	Copying lathes used for making rough or finished shoe lasts from models of shoe lasts and, in addition, capable of producing more than one size shoe last from a single size model of a shoe last (provided for in item 674.42, part 4F, schedule 6), and parts thereof provided for in items 674.50, 674.51, and 674.53.	Free.....	Free.....	On or before [6/30/69] 6/30/72.

## SOCIAL SECURITY ACT

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## TITLE XIX—GRANTS TO STATES FOR MEDICAL ASSISTANCE PROGRAMS

(c) Notwithstanding subsection(b), the Secretary shall not approve any State plan for medical assistance if he determines that the approval and operation of the plan will result in a reduction in [aid or assistance (other than so much of the aid or assistance as is provided for under the plan of the State approved under this title)] *aid or assistance in the form of money payments (other than so much, if any, of the aid or assistance in such form as was, immediately prior to the effective date of the State plan under this title, attributable to medical needs)* provided for eligible individuals under a plan of such State approved under title I, X, XIV, or XVI, or part A of title IV.

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