

**The original documents are located in Box C8, folder “Presidential Handwriting, 12/9/1974” of the Presidential Handwriting File at the Gerald R. Ford Presidential Library.**

### **Copyright Notice**

The copyright law of the United States (Title 17, United States Code) governs the making of photocopies or other reproductions of copyrighted material. Gerald Ford donated to the United States of America his copyrights in all of his unpublished writings in National Archives collections. Works prepared by U.S. Government employees as part of their official duties are in the public domain. The copyrights to materials written by other individuals or organizations are presumed to remain with them. If you think any of the information displayed in the PDF is subject to a valid copyright claim, please contact the Gerald R. Ford Presidential Library.

12/9/74  
THE PRESIDENT HAS SEEN. *[Signature]*

THE WHITE HOUSE  
WASHINGTON

December 3, 1974

MR. PRESIDENT:

The attached has been staffed and the following comments have been generated:

Buchen (Areeda) -- No objection to OMB recommendation.

Cole -- Option 1.

Marsh -- Hold to Option 1.

Timmons -- Save this for next year; not now.

Baroody -- Did not reply.

Don

*option #1*

THE WHITE HOUSE  
WASHINGTON

NOV 19 1974

DECISION

## MEMORANDUM FOR THE PRESIDENT

FROM: ~~ROY L. ASH~~

SUBJECT: Medicare Supplementary Medical Insurance  
(SMI) Premium for Physician Services

Issue. Under the Medicare program, 23 million aged and disabled persons purchase government insurance for physician bills by paying the monthly Supplementary Medical Insurance (SMI) premium that covers about half of the insurance costs. The rate of premium increase is limited by the annual percentage increase in social security benefits, and the rest of the costs are paid by general revenues.

The current SMI premium is \$6.70 per month. As a result of an apparently unintentional drafting error in 1973 legislation, the premium is now frozen at this level. Unless the law is changed, the loss of premium income will have to be paid by general revenues. Legislation is needed by December 31 to avert a 1976 revenue loss of as much as \$169 million.

Options. HEW has requested clearance of legislation to relate future premium increases to cash benefit increases. The major options for the FY 1976 SMI premium--effective July 1, 1975--are:

1. Base the SMI premium increase on the expected July 1975 9% increase in Social Security cash benefits. The premium rise would be from \$6.70/month to \$7.30/month and would be announced next May 15. Beneficiary payments and Federal revenues would be increased by \$169 million in 1976.
2. Base the SMI premium increase on the July 1974 3.1% benefit increase. The premium rise would be from \$6.70/month to \$6.90/month and would be announced this December. Beneficiary payments and Federal revenues would be increased by \$56 million in 1976.

3. Do not propose legislation to unfreeze the premium. The loss of premium income--rising to the \$1 billion level by 1980--would be paid out of general revenues.

Recommendation. We recommend Option 1, with legislation to be submitted as soon as Congress returns. It will provide greater revenue, and it closely relates premium increases to cash benefit increases. HEW proposes Option 2 because it requires lower premium payments by Medicare beneficiaries. HEW is also concerned because Option 1 would require that the administrative tasks of preparing both new benefit checks and new SMI billings be completed in the six week period from May 15 to July 1. Some retro-active billing for the SMI premium increase may be necessary if both processes cannot be completed in this time frame. Option 3 would avoid the unfavorable publicity that a legislative proposal impacting on the aged might produce. However, it would be very expensive in the long run.

Decision

1. Submit legislation basing the July 1, 1975 premium increase on the July 1975 benefit increase. (OMB recommendation)
2. Submit legislation basing the July 1, 1975 premium increase on the July 1974 benefit increase. (HEW recommendation)
3. Do not submit legislation.
4. See me.

*ARC 7*



THE WHITE HOUSE

WASHINGTON

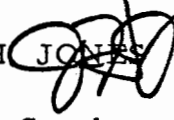
December 9, 1974

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR:

ROY.L. ASH

FROM:

JERRY H. JONES 

SUBJECT:

Medicare Supplementary Medical  
Insurance (SMI) Premium for  
Physician Services

Your memorandum to the President of November 19 on the above subject has been reviewed and Option 1 -- Submit legislation basing the July 1, 1975 premium increase on the July 1975 benefit increase -- was approved.

Please follow-up with the appropriate action.

Thank you.

cc: Don Rumsfeld