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THE WHITE HOUSE

WASHINGTON

April 12, 1976

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR:

JAMES T. LYNN

FROM:

JAMES E. CONNOR *JEF*

SUBJECT:

Variable Incentive Pay for  
Physicians

The President reviewed your memorandum of April 5 on the above subject and approved the proposed change to the DOD and Public Health Service regulations.

Please follow-up with appropriate action.

cc: Dick Cheney

THE WHITE HOUSE

WASHINGTON

April 9, 1976

MR PRESIDENT:

Variable Incentive Pay for Physicians

Staffing of the attached memorandum resulted in the following:

Messrs. Buchen, Cannon, Friedersdorf, Scowcroft, and Seidman concur in OMB's recommendation -- Approve the proposed change to the DOD and Public Health Service Regulation.

Mr. Marsh and Dr. Lukash concur in DOD's recommendation -- Approve all four changes to the DOD regulations.

Dr. Lukash offered some additional comments - they are at TAB A.

Rogers Morton (Tim Austin) had no comments.

Jim Connor



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

APR 5 - 1976

ACTION

MEMORANDUM FOR: THE PRESIDENT  
FROM: James ~~R.~~ Lynn  
SUBJECT: Variable Incentive Pay for Physicians

BACKGROUND

The Department of Defense has proposed four changes to the implementing regulations affecting variable incentive pay for military physicians. Public Law 93-274 requires that you approve any changes to these regulations.

The changes proposed by Defense would:

- terminate bonus pay to officers promoted to pay grade 0-7. These officers are automatically eligible to receive a separate continuation pay instead.
- credit intern and residency training toward the initial four-year obligation.
- allow medical officers receiving a reduced bonus while serving a long-term medical training obligation to cancel the portion of the contract beyond their training obligation in order to convert to a full bonus contract.
- establish, for bonus pay purposes, a single DOD standard for calculating the service obligations incurred from long-term medical training that would provide for the concurrent (rather than consecutive) payment of multiple obligations.

The last three of the four changes proposed by Defense are permissible, not mandatory within existing authority. Each of these proposals involves increased cost to the Government, but there has been no data

presented as to the effectiveness of these changes in meeting critical shortages. Therefore, I have decided not to submit these last three changes for your approval at this time. Under Public Law 94-123, OMB is required to report to Congress by August 31, 1976 on physician and dentist pay, utilization, recruitment and retention. As a part of that effort, OMB will evaluate the changes proposed by Defense that we are not now submitting for your decision.

You should be aware that Congressman Stratton of the House Armed Services Committee has indicated his support of the changes to the regulations proposed by Defense. Prior to the initial publication of the regulations in the fall of 1974, Congressman Stratton called you to complain about the delay in implementing variable incentive pay.

#### ISSUE

The first change proposed by Defense would terminate the variable pay contract on a pro-rated basis for officers promoted to grade 0-7, Brigadier General, or higher. This change is clearly required by Public Law 93-274, which specifically prohibits the payment of variable incentive pay to officers in pay grade 0-7 or higher. These officers are automatically eligible to receive a separate continuation pay instead.

#### RECOMMENDATION

The Department of Defense and the OMB recommend that you approve this change in order to comply with the law. Since the Public Health Service bonus is covered by the same law, OMB recommends that you approve a similar change to the Public Health Service regulations.

#### OPTIONS

*me*

Approve the proposed change to the DOD and Public Health Service regulations. (OMB recommendation)

Approve all four changes to the DOD regulations. (DOD recommendation)

Disapprove any change at this time.



MEMORANDUM

THE WHITE HOUSE

WASHINGTON

April 8, 1976

MEMORANDUM FOR Mr. James E. Connor

I approve of the DOD recommendation regarding the Variable Incentive Pay for Physicians. As we have restricted the expansion of medical personnel for our effective peace-term obligations, the bonus for keeping physicians in the military is the only method to provide for high quality medical personnel motivated to career pattern. The increased cost is negligible when considering the high priority for top caliber trained physicians.

*Bill*  
William M. Lukash, M.D.