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Office of the White House Press Secretary

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THE WHITE HOUSE

TO THE CONGRESS OF THE UNITED STATES:

I ask the Congress to join with me in making improvements in programs serving the elderly.

As President, I intend to do everything in my power to help our nation demonstrate by its deeds a deep concern for the dignity and worth of our older persons. By so doing, our nation will continue to benefit from the contributions that older persons can make to the strengthening of our nation.

The proposals being forwarded to Congress are directly related to the health and security of older Americans. Their prompt enactment will demonstrate our concern that lifetimes of sacrifice and hard work conclude in hope rather than despair.

The single greatest threat to the quality of life of older Americans is inflation. Our first priority continues to be the fight against inflation. We have been able to reduce by nearly half the double digit inflation experienced in 1974. But the retired, living on fixed incomes, have been particularly hard hit and the progress we have made in reducing inflation has not benefited them enough. We will continue our efforts to reduce federal spending, balance the budget, and reduce taxes. The particular vulnerability of the aged to the burdens of inflation, however, requires that specific improvements be made in two major Federal programs, Social Security and Medicare.

We must begin by insuring that the Social Security system is beyond challenge. Maintaining the integrity of the system is a vital obligation each generation has to those who have worked hard and contributed to it all their lives. I strongly reaffirm my commitment to a stable and financially sound Social Security system. My 1977 budget and legislative program include several elements which I believe are essential to protect the solvency and integrity of the system.

First, to help protect our retired and disabled citizens against the hardships of inflation, my budget request to the Congress includes a full cost of living increase in Social Security benefits, to be effective with checks received in July 1976. This will help maintain the purchasing power of 32 million Americans.

Second, to insure the financial integrity of the Social Security trust funds, I am proposing legislation to increase payroll taxes by three-tenths of one percent each for employees and employers. This increase will cost no worker

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more than \$1 a week, and most will pay less. These additional revenues are needed to stabilize the trust funds so that current income will be certain to either equal or exceed current outgo.

Third, to avoid serious future financing problems I will submit later this year a change in the Social Security laws to correct a serious flaw in the current system. The current formula which determines benefits for workers who retire in the future does not properly reflect wage and price fluctuations. This is an inadvertent error which could lead to unnecessarily inflated benefits.

The change I am proposing will not affect cost of living increases in benefits after retirement, and will in no way alter the benefit levels of current recipients. On the other hand, it will protect future generations against unnecessary costs and excessive tax increases.

I believe that the prompt enactment of all of these proposals is necessary to maintain a sound Social Security system and to preserve its financial integrity.

Income security is not our only concern. We need to focus also on the special health care needs of our elder citizens. Medicare and other Federal health programs have been successful in improving access to quality medical care for the aged. Before the inception of Medicare and Medicaid in 1966, per capita health expenditures for our aged were \$445 per year. Just eight years later, in FY 1974, per capita health expenditures for the elderly had increased to \$1218, an increase of 174 percent. But despite the dramatic increase in medical services made possible by public programs, some problems remain.

There are weaknesses in the Medicare program which must be corrected. Three particular aspects of the current program concern me: 1) its failure to provide our elderly with protection against catastrophic illness costs, 2) the serious effects that health care cost inflation is having on the Medicare program, and 3) lack of incentives to encourage efficient and economical use of hospital and medical services. My proposal addresses each of these problems.

In my State of the Union Message I proposed protection against catastrophic health expenditures for Medicare beneficiaries. This will be accomplished in two ways. First, I propose extending Medicare benefits by providing coverage for unlimited days of hospital and skilled nursing facility care for beneficiaries. Second, I propose to limit the out-of-pocket expenses of beneficiaries, for covered services, to \$500 per year for hospital and skilled nursing services and \$250 per year for physician and other non-institutional medical services.

This will mean that each year over a billion dollars of benefit payments will be targeted for handling the financial burden of prolonged illness. Millions of older persons live in fear of being stricken by an illness that will call for expensive hospital and medical care over a long period of time. Most often they do not have the resources to pay the bills. The members of their families share their fears because they also do not have the resources to pay such

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large bills. We have been talking about this problem for many years. We have it within our power to act now so that today's older persons will not be forced to live under this kind of a shadow. I urge the Congress to act promptly.

Added steps are needed to slow down the inflation of health costs and to help in the financing of this catastrophic protection. Therefore, I am recommending that the Congress limit increases in medicare payment rates in 1977 and 1978 to 7% a day for hospitals and 4% for physician services.

Additional cost-sharing provisions are also needed to encourage economical use of the hospital and medical services included under Medicare. Therefore, I am recommending that patients pay 10% of hospital and nursing home charges after the first day and that the existing deductible for medical services be increased from \$60 to \$77 annually.

The savings from placing a limit on increases in medicare payment rates and some of the revenue from increased cost sharing will be used to finance the catastrophic illness program.

I feel that, on balance, these proposals will provide our elder citizens with protection against catastrophic illness costs, promote efficient utilization of services, and moderate the increases in health care costs.

The legislative proposals which I have described are only part of the over-all effort we are making on behalf of older Americans. Current conditions call for continued and intensified action on a broad front.

We have made progress in recent years. We have responded, for example, to recommendations made at the 1971 White House Conference on Aging. A Supplemental Security Income program was enacted. Social Security benefits have been increased in accord with increases in the cost of living. The Social Security retirement test was liberalized. Many inequities in payments to women have been eliminated. The 35 million workers who have earned rights in private pension plans now have increased protection.

In addition we have continued to strengthen the Older Americans Act. I have supported the concept of the Older Americans Act since its inception in 1965, and last November signed the most recent amendments into law.

A key component of the Older Americans Act is the national network on aging which provides a solid foundation on which action can be based. I am pleased that we have been able to assist in setting up this network of 56 State and 489 Area Agencies on Aging, and 700 local nutrition agencies. These local nutrition agencies for example provide 300,000 hot meals a day five days a week.

The network provides a structure which can be used to attack other important problems. A concern of mine is that the voice of the elderly, as consumers, be heard in the governmental decision-making process. The network on aging

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offers opportunities for this through membership on advisory councils related to State and Area Agencies on Aging, Nutrition Project Agencies and by participation in public hearings on the annual State and Area Plans. Such involvement can and will have a significant impact on determining what services for the aging are to be given the highest priorities at the local level.

The principal goal of this National Network on Aging is to bring into being coordinated comprehensive systems for the provision of service to the elderly at the community level. I join in the call for hard and creative work at all levels -- Federal, State and Area in order to achieve this objective. I am confident that progress can be made.

Toward this end, the Administration on Aging and a number of Federal Departments and agencies have signed agreements which will help to make available to older persons a fair share of the Federal funds available in such areas as housing, transportation, social services, law enforcement, adult education and manpower -- resources which can play a major role in enabling older persons to continue to live in their own homes.

Despite these efforts, however, five percent of our older men and women require the assistance provided by skilled nursing homes and other long term care facilities. To assist these citizens, an ombudsman process, related solely to the persons in these facilities, is being put into operation by the National Network on Aging. We believe that this program will help to resolve individual complaints, facilitate important citizen involvement in the vigorous enforcement of Federal, State and local laws designed to improve health and safety standards, and to improve the quality of care in these facilities.

Today's older persons have made invaluable contributions to the strengthening of our nation. They have provided the nation with a vision and strength that has resulted in unprecedented advancements in all of the areas of our life. Our national moral strength is due in no small part to the significance of their contributions. We must continue and strengthen both our commitment to doing everything we can to respond to the needs of the elderly and our determination to draw on their strengths.

Our entire history has been marked by a tradition of growth and progress. Each succeeding generation can measure its progress in part by its ability to recognize, respect and renew the contributions of earlier generations. I believe that the Social Security and Medicare improvements I am proposing, when combined with the action programs under the Older Americans Act, will insure a measure of progress for the elderly and thus provide real hope for us all.

GERALD R. FORD

THE WHITE HOUSE,

February 9, 1976.

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