

The original documents are located in Box C6, folder “Presidential Handwriting, 11/7/74” 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 Gerald Ford donated to the United States of America his copyrights in all of his unpublished writings in National Archives collections.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.

THE PRESIDENT HAS SEEN *d.f.*

EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

ACTION

WASHINGTON, D.C. 20503

NOV 7 1974

MEMORANDUM FOR THE PRESIDENT

FROM: ~~ROY L. ASH~~

SUBJECT: VA Medical Survey Report

Background

In a March 31, 1974 radio address, President Nixon ordered VA to conduct a survey to ensure that the quality of VA hospital care would be second to none. The survey was completed and transmitted to the White House in July. It called for a FY 1975 supplemental budget request of \$229 million to fund: 9,498 additional staff, equipment, building maintenance, and repairs.

In my September 30 memorandum (copy attached), I indicated that there was a possibility that the Senate would be willing to accept some initial funding of the recommendations in a 1975 supplemental transmitted with the 1976 budget.

Senator Proxmire apparently intends to call hearings on the survey report shortly after Congress returns from recess. Therefore, it is important that a position be taken before then.

Alternatives

1. Accept the findings of the report and request an urgent supplemental for \$88 million in the post-election session.
2. Attempt to reach an agreement with Congressional Committees on the "Cranston" approach, committing now to a \$44 million supplemental as part of the FY 1976 budget.
3. Make no commitment for added funding in FY 1975.

Discussion

Alternative 1 is the estimate of the amount needed to fully meet the 1975 requirements cited in the report for the remainder of the fiscal year. It would add 7,582 full-time permanent staff, beyond the substantial buildup already provided by the budget. To do so would foreclose one of the options now under review calling for some reduction in VA's 1975 employment.

Alternative 2 would allow some specific improvements in VA hospitals, including the correction of structural deficiencies directly affecting patient safety. This option assumes that the supplemental will not be enacted until April or May of 1975. Staffing deficiencies would be addressed as part of your 1976 budget.

Alternative 3; no new funds for FY 75, would provide the greatest leeway for solving our 1975 budget problems, but does not appear feasible under the circumstances.

Recommendation

I recommend Alternative 2, as outlined above.
(Baroody, Cole, Marsh and Timmons concur).

Attachment

#2
RR-7

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

SEP 30 1974

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: ROY L. ASH (Signed) Roy L. Ash
SUBJECT: VA medical system survey report

In his March 31 radio address, President Nixon directed the Administrator of Veterans Affairs to conduct a thorough investigation of the conditions of veterans hospitals and clinics to insure that the quality of care provided would be second to none. Evaluation teams composed of VA and non-VA physicians visited 33 hospitals. The remaining hospitals and clinics were surveyed by mail. After the survey results were compiled and supplemented by data already gathered in the course of the 1976 budget preparation, the final report was submitted to the President on July 31.

Report Recommendations

The study confirmed that the majority of veterans treated in VA facilities receive good to outstanding care. However, it also uncovered certain deficiencies which do compromise the ability to provide high level care on a continuing basis. To correct these deficiencies would require substantial additional funds in 1975 and following years but VA has attempted to provide for their correction in an ordered fashion and has included only those items they consider essential to assuring high quality care.

The report identifies deficiencies which are being corrected administratively and also recommends legislative changes to enhance staff recruitment and to simplify veterans' eligibility requirements. Because VA recognizes that the legislative proposals will require more analysis and coordination within the Executive Branch, they request no action or funds at this time to implement those programs.

The report's recommendations with immediate budgetary impact are:

1. the addition of 8,921 "core" staff positions to ensure that all critical hospital services be provided on a 24-hour basis and to operate all essential ambulatory care facilities;

2. equipping and staffing of VA fire departments at 29 VA hospitals where municipal or contract fire protection is not available or adequate;
3. addition of 128 specialized medical units such as intensive care, respiratory care, and mental hygiene clinics which are considered by VA to be basic to good hospital treatment;
4. beginning of a program to upgrade and expand ambulatory care facilities;
5. correction of 279 hitherto unacknowledged safety and fire code violations;
6. installation of patient support systems at 3 hospitals and replacement of an underground water distribution system at one hospital;
7. expansion of the electrical capacity and installation of emergency generators at 128 hospitals over a 4-year period;
8. replacement of boiler plants at 6 hospitals; and
9. beginning of a program to centrally air-condition 83 hospitals with an eventual total cost of almost half-billion dollars.

Discussion

No official position has ever been taken on the report recommendations; however, the Congress is aware of its existence. To implement the report's recommendations, VA estimated that additional budget authority of \$229 million would be required in 1975. Preliminary OMB analysis indicates that by modifying certain hiring assumptions and by phasing construction projects, the 1975 amount could be reduced to \$125 million.

A member of Senator Alan Cranston's staff informally relayed to Paul O'Neill that the Senate would likely be willing to accept some initial funding of the recommendations in a 1975 supplemental transmitted in the 1976 budget. We think this is the preferable approach.

OMB staff is continuing to analyze the report on the basis of more detailed information now at its disposal. We will be preparing recommendations for your consideration on the substance of the report and the degree of financial commitment required.

STAFFING - VA
Medical Report

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: November 8, 1974

Time:

FOR ACTION:

Bill Baroody *JB*
Ken Cole *KC*
Jack Marsh *JM*
Bill Timmons *BT*

cc (for information):

FROM THE STAFF SECRETARY

DUE: Date:

Monday, November 11, 1974

Time:

cob

SUBJECT:

Ash memo (11/7/74) re: VA
Medical Survey Report

ACTION REQUESTED:

☐ For Necessary Action☒ For Your Recommendations☐ Prepare Agenda and Brief☐ Draft Reply☒ For Your Comments☐ Draft Remarks

REMARKS:

11/11 - Per Kerr - Jack Marsh opts for #2
11/13 - Baroody ok
Timmons ok
Cole ok per Judy
11/13 - ready for P.
w/p

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

Jerry H. Jones
Staff Secretary

THE WHITE HOUSE

WASHINGTON

November 11, 1974

MEMORANDUM FOR: JERRY JONES

FROM: WILLIAM E. TIMMONS

pd

SUBJECT: Action Memorandum - Ash Memorandum
(11-7-74) re: VA Medical Survey Report

The Office of Legislative Affairs concurs in the attached memorandum and has no additional recommendations.

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: November 8, 1974

Time:

FOR ACTION:

Bill Baroody

Ken Cole

Jack Marsh

~~Bill~~ Timmons

cc (for information):

FROM THE STAFF SECRETARY

DUE: Date: Monday, November 11, 1974

Time: cob

SUBJECT:

Ash memo (11/7/74) re: VA
Medical Survey Report

ACTION REQUESTED:

☐ For Necessary Action☒ For Your Recommendations☐ Prepare Agenda and Brief☐ Draft Reply☒ For Your Comments☐ Draft Remarks

REMARKS:

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.If you have any questions or if you anticipate a
delay in submitting the required material, please
telephone the Staff Secretary immediately.Jerry H. Jones
Staff Secretary

EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

ACTION

WASHINGTON, D.C. 20503

NOV 7 1974

MEMORANDUM FOR THE PRESIDENT

FROM: ROY L. ASH

SUBJECT: VA Medical Survey Report

Background

In a March 31, 1974 radio address, President Nixon ordered VA to conduct a survey to ensure that the quality of VA hospital care would be second to none. The survey was completed and transmitted to the White House in July. It called for a FY 1975 supplemental budget request of \$229 million to fund: 9,498 additional staff, equipment, building maintenance, and repairs.

In my September 30 memorandum (copy attached), I indicated that there was a possibility that the Senate would be willing to accept some initial funding of the recommendations in a 1975 supplemental transmitted with the 1976 budget.

Senator Proxmire apparently intends to call hearings on the survey report shortly after Congress returns from recess. Therefore, it is important that a position be taken before then.

Alternatives

1. Accept the findings of the report and request an urgent supplemental for \$88 million in the post-election session.
2. Attempt to reach an agreement with Congressional Committees on the "Cranston" approach, committing now to a \$44 million supplemental as part of the FY 1976 budget.
3. Make no commitment for added funding in FY 1975.

Discussion

Alternative 1 is the estimate of the amount needed to fully meet the 1975 requirements cited in the report for the remainder of the fiscal year. It would add 7,582 full-time permanent staff, beyond the substantial buildup already provided by the budget. To do so would foreclose one of the options now under review calling for some reduction in VA's 1975 employment.

Alternative 2 would allow some specific improvements in VA hospitals, including the correction of structural deficiencies directly affecting patient safety. This option assumes that the supplemental will not be enacted until April or May of 1975. Staffing deficiencies would be addressed as part of your 1976 budget.

Alternative 3; no new funds for FY 75, would provide the greatest leeway for solving our 1975 budget problems, but does not appear feasible under the circumstances.

Recommendation

I recommend Alternative 2, as outlined above.

Attachment

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: November 8, 1974

Time:

FOR ACTION:

✓ Bill Baroody
Ken Cole
Jack Marsh
Bill Timmons

cc (for information):

FROM THE STAFF SECRETARY

DUE: Date: Monday, November 11, 1974

Time: cob

SUBJECT:

Ash memo (11/7/74) re: VA
Medical Survey Report

ACTION REQUESTED:

☐ For Necessary Action☒ For Your Recommendations☐ Prepare Agenda and Brief☐ Draft Reply☒ For Your Comments☐ Draft Remarks

REMARKS:

ok (D)

I would appreciate it if Ted Marrs of my staff could be kept informed to the analysis of the Medical System Survey Report as it progresses.

Thank you.

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.


If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

Jerry H. Jones
Staff Secretary

THE WHITE HOUSE
WASHINGTON

November 14, 1974

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR: ROY L. ASH
FROM: JERRY H. JONES 
SUBJECT: VA Medical Survey Report

Your memorandum to the President of November 7 on the above subject has been reviewed and Alternative 2 -- Attempt to reach an agreement with Congressional Committees on the "Cranston" approach, committing now to a \$44 million supplemental as part of the FY 1976 budget. -- was approved.

Please follow-up with the appropriate action.

Thank you.

cc: Don Rumsfeld

STAFFING
Medicaid

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: November 20, 1974

Time:

FOR ACTION:

Bill Baroody

cc (for information):

*Phil Buchen**Ken Cole**Jack Marsh**Bill Timmons*

FROM THE STAFF SECRETARY

DUE: Date: Friday, November 22, 1974

Time: cob

SUBJECT:

]

Ash memo (11/19/74) re: Medicare
Supplementary Medical Insurance
(SMI) Premium for Physician Services

ACTION REQUESTED:

☐ For Necessary Action☒ For Your Recommendations☐ Prepare Agenda and Brief☐ Draft Reply☒ For Your Comments☐ Draft Remarks

REMARKS:

Buchen (Arada) 11/21/74 - "No objection to OMB recommendation"
Marsh 11/22/74 - "hold to Option 1"
Cole 11/25/74 - Option 1
BT - 11/25/74 - Save this for next year; not now.
Baroody - 11/27/74 to review; sent another copy 12/4 - w/P.
12/5 - received Baroody's comments

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

Jerry H. Jones
Staff Secretary

THE WHITE HOUSE

WASHINGTON

DECISION

NOV 19 1974

MEMORANDUM FOR THE PRESIDENT

FROM: ROY L. ASH (Signed) 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. ☐

THE WHITE HOUSE

WASHINGTON

DECISION

NOV 19 1974

MEMORANDUM FOR THE PRESIDENT

FROM: ROY L. ASH (Signed) 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. ☐

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: November 20, 1974

Time:

FOR ACTION:

Bill Baroody
Phil Buchen
Ken Cole
Jack Marsh
Bill Timmons

cc (for information):

FROM THE STAFF SECRETARY

DUE: Date: Friday, November 22, 1974

Time: cob

SUBJECT:

]

Ash memo (11/19/74) re: Medicare
Supplementary Medical Insurance
(SMI) Premium for Physician Services

ACTION REQUESTED:

☐ For Necessary Action☒ For Your Recommendations☐ Prepare Agenda and Brief☐ Draft Reply☒ For Your Comments☐ Draft Remarks

REMARKS:

No objection to OMB Recommendation
P. Fields

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a
delay in submitting the required material, please
telephone the Staff Secretary immediately.

Jerry H. Jones
Staff Secretary

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. ☐

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: November 20, 1974

Time:

FOR ACTION:

~~Bill Baroody~~

cc (for information):

~~Phil Buchen~~~~Ken Cole~~~~Jack Marsh~~~~Bill Timmons~~

FROM THE STAFF SECRETARY

DUE: Date: Friday, November 22, 1974 Time: cob

SUBJECT:

]

Ash memo (11/19/74) re: Medicare
Supplementary Medical Insurance
(SMI) Premium for Physician Services

ACTION REQUESTED:

☐ For Necessary Action☒ For Your Recommendations☐ Prepare Agenda and Brief☐ Draft Reply☒ For Your Comments☐ Draft Remarks

REMARKS:

Save this for next year - not now!
By

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

Jerry H. Jones
Staff Secretary

THE WHITE HOUSE
WASHINGTON

December 5, 1974

Diana:

Attached per our discussion.

Maureen

THE WHITE HOUSE
WASHINGTON

December 5, 1974

TO: JERRY JONES
FROM: WILLIAM J. BAROODY, JR.

I agree with Ted Marrs'
comments on the attached
memo.

THE WHITE HOUSE

WASHINGTON

December 3, 1974

MEMORANDUM FOR:

BILL BAROODY

FROM:

TED MARRS *TCM*

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

These are reasonable alternatives and should be sent to the President. The HEW proposal is, in my opinion, the one to choose. I think it is unreasonable to expect acceptance of the loss of premium income in alternative 3.

Attachment

ok - wfr

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. ☐