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THE PRESIDENT HAS SEEN *ds.*

THE WHITE HOUSE

INFORMATION

WASHINGTON

January 10, 1975

*GR-1*

MEMORANDUM FOR THE PRESIDENT

FROM: KEN *COLE*

SUBJECT: Supplementary Medical Insurance Premium Rate

Attached is a memorandum from Secretary Weinberger advising you of legislation now being drafted to correct a technical error in the 1973 Social Security Amendments relating to the Supplementary Medical Insurance (SMI) premium of Medicare.

While the law requires that the Secretary promulgate each December the SMI premium for the next fiscal year, the error in the 1973 amendments prevents it from being raised above the current \$6.70 a month. General revenue funds must make up the resulting loss of income until the correcting legislation is enacted.



THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE  
WASHINGTON, D. C. 20201

DEC 30 1974

MEMORANDUM FOR THE PRESIDENT

The law requires that the Secretary of Health, Education, and Welfare promulgate each December the monthly premium rate to be paid by enrollees under the Supplementary Medical Insurance program during the 12-month period beginning July 1 of the next year. This program is the voluntary part of Medicare, covering primarily physicians' services and out-patient hospital services.

At the same time, the Secretary must determine adequate actuarial rates, based on which, general revenue payments will be made to supplement premiums to pay the full incurred costs of the program. The law is specific in the manner in which the premium and matching rates are to be determined. There is very little discretion given to the Secretary in the determination.

Due to a technical error in the 1973 amendments to the Act it is not possible to increase the premium to be paid by beneficiaries in the 12-month period beginning July 1, 1976, above the current level of \$6.70. The resulting loss of income must be made up by general revenue payments.

Proposed legislation is being drafted now to correct this deficiency so that in the future premium rates will be increased as the ability of beneficiaries to pay the premium is increased by improvements in their Social Security monthly cash benefits. This is clearly the intention of the statute.

  
Secretary