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THE WHITE HOUSE  
WASHINGTON

January 15, 1976

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR: JAMES T. LYNN  
FROM: JAMES E. CONNOR  
SUBJECT: Catastrophic Health Expenses  
Protection

The President reviewed your memorandum of January 12 on the above subject and approved the following:

"Make no formal announcement, but have HEW, the Domestic Council, and OMB contact major carriers to develop further information and options by March 15, 1976."

Please follow-up with appropriate action.

cc: Dick Cheney  
Jim Cannon



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

APR 12 1976

DECISION

MEMORANDUM FOR: THE PRESIDENT  
FROM: JAMES T. LYNN  
SUBJECT: Catastrophic Health Expenses Protection

This memorandum summarizes the results of our efforts to develop for your consideration a catastrophic health expenses protection proposal and seeks your guidance on next steps.

Options Considered. Working with HEW, we have encountered several significant problems in connection with the two options we explored:

- requiring all employers who offer health insurance to their employees to offer, in addition, catastrophic health insurance; and
- requiring all health insurance carriers to offer catastrophic health insurance.

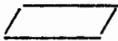
Problem Areas. Some of the significant problems that we encountered with either of these options are:

- it is not clear that a market imperfection currently exists that prohibits employers from voluntarily obtaining catastrophic insurance at reasonable rates. The major problem may be a lack of aggressive marketing by the insurance carriers. We also do not know at this point the extent to which such insurance is becoming readily available and whether it tends to be purchased or rejected when offered;

- even though lack of catastrophic health insurance is viewed as a national problem, insurance industry spokesmen point out that catastrophic health insurance is the fastest growing part of the health insurance industry;
- a number of the larger insurance carriers have apparently resigned themselves to the idea of national health insurance that is fully federally financed under which the carriers serve as Federal fiscal intermediaries. Thus, they are apparently not aggressively pursuing their health insurance lines of business;
- if employers were to be required by Federal law to offer catastrophic health insurance, the Federal Government could probably not avoid an enforcement responsibility; failure to do more than require employers to offer such insurance could open the Administration to the criticism that its proposal was an empty gesture. It may also be difficult to avoid substantial pressure for Federal subsidies to make such insurance available at affordable rates;
- if insurance carriers were to be required by Federal law to offer catastrophic health insurance, the Federal law would have to define the benefits and also mandate that States--as the current insurance regulatory authority--enforce the Federal requirement. Alternatively, Federal regulation would be necessary--which is generally inconsistent with regulatory reform proposals; and
- a Federal mandate that States assure the availability of specific insurance benefits to the general population will probably be claimed to be inconsistent with the broad discretion to be provided to the States under the proposed "Financial Assistance for Health Care Act."

Alternatives. In short, we do not yet have enough information or communication with the various groups whose views should be sought on this matter, to make a recommendation to you for or against a federal catastrophic health insurance initiative (beyond the Medicare piece you have already approved). This leaves two options:

Decision:



Announce in the State of the Union Message that you will have a study undertaken how best to assure the availability of catastrophic health insurance.



Make no formal announcement, but have HEW, the Domestic Council, and OMB contact major carriers to develop further information and options by March 15, 1976. (favored by Jim Cannon, OMB and HEW)