

The original documents are located in Box 18, folder “Health Insurance for the Unemployed” of the John Marsh Files at the Gerald R. Ford Presidential Library.

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1974

THE WHITE HOUSE
WASHINGTON

March 10, 1975

MEMORANDUM FOR: JAMES J. CANNON

THRU: MAX L. FRIEDERSDORF
VERN LOEN *VL*

FROM: DOUGLAS P. BENNETT *DPB*

SUBJECT: Health Insurance for the Unemployed

The Health Subcommittee of the Ways and Means will begin in the next few days markup of a bill to provide health insurance for the unemployed. This concept was primarily advanced by the AFL-CIO and has picked up remarkable steam. Senator Kennedy has embraced a concept which would directly subsidize employers so that they would continue to pay benefits for their former employees. Congressman Corman is advancing a concept to use the Medicare system for such individuals. The Republicans are about to advance a plan which relies upon the tax system as a means of disbursing payments to the employers of "temporarily" unemployed individuals.

The Kennedy and Corman concepts are already in bill form (which I believe you already have) and attached is a description of the Republican concept.

It seems to me that this is the type of legislation that would be very hard to vote against and similarly would present difficulty in justifying a veto. It is my understanding that to date the Administration has not taken a position on any concept.

Attachment

✓
cc: J. Marsh, J. Cavanaugh, P. O'Neill, C. Leppert

Specifications for legislation providing for the continuation of an insured unemployed's health insurance benefits.

1. The bill should provide a mechanism under which the Internal Revenue Service would disburse funds (from general revenues) to employers who carry unemployed persons previously covered under their group health plan. The employers would have to cover the former employees for a period of one year after the date of enactment or as long as the unemployed former employee is an "insured unemployed" under either a federal or state unemployment insurance program.
2. In order to insure that the employers participate in this program, an amendment to Sec 162 of the Internal Revenue Code would be added which would deny the employer the deduction for contributions to insurance plans for his current employees (for tax year 1975) unless he agreed to participate in this program.
3. In order to insure the temporary nature of the disbursement program, Sec 162 should be further amended to provide that for tax years after 1975, a deduction for contributions to an employee's health insurance plan would not be allowed unless the employer's plan provided for continuation of coverage under it for a period of six months or one year after the employee left the employment of the company involved or became insured under another employer plan or self-employed plan, whichever occurred sooner.

Under this latter change in Sec 162, transition rules would have to be included to exempt from this requirement health plans negotiated pursuant to a bona-fide collective bargaining agreement completed on or before the date of enactment but in no case past December 31, 1975 (perhaps July 1, 1976). Similar transition rules were included in Sections 211 and 308 of P.L. 93-406, the "Employee Retirement Income Security Act of 1974." (ERISA)

4. The bill should provide that eligibility for coverage will be determined by the certification of the state unemployment insurance offices that the individual is an "insured unemployed" and eligible for either state or federal UI benefits.
5. It is contemplated that the insured unemployed would obtain certification of his unemployed status from the state UI office, go to the IRS and fill out a short form indicating his name, address, number of dependents to be covered, the name and address of his former employer and swearing that neither he nor his dependents are eligible for coverage under any other employer-sponsored health insurance plan. Falsification of this information would subject the unemployed person to the fraud penalties of the Internal Revenue Code. Therefore, such a provision should be included.

6. The employed person would send this form with the Certification attached to the Internal Revenue Service. Upon receipt, the IRS would contact the former employer regarding the premium cost and the Service would pay the employer. The employer would then reinstate the employee in his health plan and issue a card to the employee.