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OLDER AMERICANS

"Older Americans continue to enrich our lives with their vision, strength and experience. They have earned the right to live securely, comfortably, and independently. The proposals that I am sending to the Congress offer significant improvements in the quality of life for all older Americans."

Remarks upon signing Older
Americans Message to Congress
February 9, 1976

"As President, I intend to do everything in my power to help our nation demonstrate its deep concern for the dignity and well-being of our older generation."

Remarks to a group of Senior
Citizens
St. Petersburg, Florida
February 14, 1976

SOCIAL SECURITY TRUST FUND

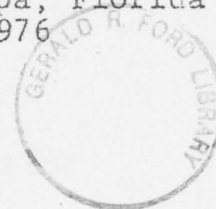
"I am concerned about the integrity of our Social Security Trust Fund that enables people--those retired and those still working who will retire--to count on this source of retirement income. Younger workers watch their deductions rise and wonder if they will be adequately protected in the future. We must meet this challenge head on. Simple arithmetic warns all of us that the Social Security Trust Fund is headed for trouble. Unless we act soon to make sure the fund takes in as much as it pays out, there will be no security for old or young.

I must, therefore, recommend a 3/10 of one per cent increase in both employer and employee social security taxes effective January 1, 1977. This will cost each covered employee less than one extra dollar a week and will insure the integrity of the trust fund."

State of the Union Address
January 19, 1976

"I will continue to push, prod, and press the Congress to make sure that your social security benefits now, as well as in the future, will be responsibly funded and fully protected."

Remarks at Tampa, Florida
February 29, 1976



CATASTROPHIC HEALTH INSURANCE

"I am proposing catastrophic health insurance for everybody covered by Medicare--and that includes both the elderly and the disabled. Under this proposal, no one who is 65 years or older would have to pay more than \$500 a year for hospital or nursing home care nor more than \$250 a year for doctor's bills.

President Ford has stated that millions of older persons live in fear of being stricken by an illness that will call for expensive hospital care over a long period of time.

"Most often they do not have the resources to pay the 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."



TAX REFORM

Q. One of the proposals now before the House Ways and Means Committee, submitted by Rep. James A. Burke of Massachusetts, would change the social security tax law to lessen the payments now made by employers and employees and would raise the income limits so that wage earners with an income of \$25,000 would pay a social security tax on that full amount. Do you support that tax reform?

A. As I spelled out in my State of the Union address, it is vital that we maintain a sound, reliable Social Security System. I have therefore proposed that the full cost of living increase be paid to all Social Security beneficiaries.

We must also recognize, as Rep. Burke has, that the Social Security Trust Fund -- the foundation of the system -- is running out of money. I have therefore proposed that in order to preserve the integrity of the trust fund and to protect future benefits, we enact a modest increase in Social Security payments, effective January 1, 1977. For employees, this will mean an increase of less than a dollar a week in additional payments.

Rep. Burke's proposal would result in a significant portion of Social Security benefits being financed from general revenues. I oppose this approach for two reasons. First, Social Security was set up as a form



of personal insurance; we ought to maintain it as such, and not turn it into a general welfare program. Secondly, we just don't have general revenues to put into Social Security. As matters now stand, the Federal Government during fiscal year 1976 will be borrowing over \$70 billion to pay its bills. It makes no sense to me to keep living beyond our means and expect the future to take care of itself. Social Security was intended as a means to provide for the future, and we ought to stick to that sound principle.

Boston Herald American
Written Interview
February 4, 1976



elimination of the GI educational benefits for those veterans who have served in wartime.

Let me make one alternative comment. The GI bill was passed during World War II for those 16 million Americans who served so when they got out they could get an education. It expired after World War II. Korea came along, again combat, and it was reenacted.

After the end of the Korean War—combat having ceased—it expired. When the Vietnam War came along, it was reenacted. The Vietnam War has now been over for a year or more, as far as we are concerned.

Now the question is whether in peacetime you should continue giving educational benefits to those who serve under an all-volunteer system?

Q. I think you should. How do you feel?

THE PRESIDENT. Let me raise a question. We want an all-volunteer service, and we have got it. There is no more draft. I am all for it. But if you give educational benefits to an all-volunteer force, and you want them to stay in so we have career personnel and, at the same time, you give them educational benefits so that is an incentive for them to get out, it doesn't make much sense from the point of view of the Government.

So, we are going to give every GI who entered the service his GI benefits if it was a matter of law at that time. But it raises a serious question, whether you should give it to some fellow who volunteers on his own initiative and then provide an incentive for him to get out at the end of 3 years so he can go to school.

Now, I think we can solve it, and this is the way it ought to be solved. If a young man volunteers, he has a high school education, we ought to give him educational opportunities in the service so that he can go to school, get his college degree so the service will have him with a higher education rather than having him get out to get an education. That is the better way to solve it.

Q. Thank you very much, Mr. President.

THE PRESIDENT'S VOTING RECORD

Q. Mr. President, sir, my name is Bonzo, and I am an escapee from an old Ronald Reagan flick. I have been challenging him all over the country as the candidate of big business, as the fat cat's candidate. The way you talk about freedom for the giant corporations, I will be forced to challenge you as well, sir. Why should you not be called the big business candidate?

THE PRESIDENT. Why should I not be?

Q. Why should you not be called that, sir?

THE PRESIDENT. Well, I think if you look at my voting record for 25-plus years in the House of Representatives where I voted over 4,000 times, if you will look at the voting record, you will find that it could not be categorized as a candidate of big labor, big business.

It was a voting record that called them as I saw them for the overall benefit of the United States, and as President I have carried out precisely the same policy.

Q. Thank you.

THE PRESIDENT'S PLANS IF ELECTED

Q. President Ford, my name is Paul Walton, and I am on the California Exchange Program from San Diego. I would like to know that if you were elected to the Presidency of the United States, what new changes would take place?

THE PRESIDENT. Let's take foreign policy. We are at peace, as I said in my opening remarks. We have strengthened our relations with the NATO nations in Western Europe, and they are getting better every day.

We have the best, the finest relations with Japan we have ever had. We are making excellent headway in pushing for a permanent and a fair and equitable peace in the Middle East.

We are keeping a dialog with words and not bullets with the Soviet Union, and we are making, improving relations with the People's Republic of China. In foreign policy we are going to keep moving ahead on the same policy of achieving peace, maintaining peace that we have had.

In the domestic policy area, I think we are on the right course for us to continue to improve our economic situation. We are going to continue the downward trend in inflation. We have made a lot of progress from what it was 18 months ago. It was over 12 percent-a-year. It is 6 percent-a-year now, and it is going down.

Unemployment is headed in the right direction, down, the trend of the Gross National Product is in the right direction. So we are going to keep a firm, steady hand to make sure that these trends continue.

That will take a lot of hard work, a little confrontation with my friends in the Congress. But I think we will come out in good shape, and America will be a better country in 1977 and the years thereafter.

Thank you all very much.

NOTE: The President spoke at 7:05 p.m. in Lundholm Gymnasium at the University of New Hampshire.

Older Americans

The President's Remarks Upon Signing His Message to Congress. February 9, 1976

Today I am sending a message to the Congress that expresses my confidence and support of older Americans, my very deep concern about the problems of the aging,



them. Society owes a very deep debt of gratitude to all older persons who have worked hard and contributed significantly to our Nation's progress.

Older Americans continue to enrich our lives with their vision, strength and experience. They have earned the right to live securely, comfortably and independently. The proposals that I am sending to the Congress offer significant improvements in the quality of life for all older Americans.

We all have a great stake in fighting inflation, but older Americans living on fixed incomes are especially hard hit. I pledge to continue the fight against inflation.

To provide special relief to the elderly, I am requesting in my budget for fiscal year 1977 that the full cost of living increase in social security benefits are paid during the coming year.

The value of the social security system is beyond challenge. I am concerned, however, about the integrity of the Social Security Trust Fund that enables people to count on this source of retirement income. I am concerned because the system now pays out more in benefits than it receives in tax payments.

To prevent a rapid decline in the Trust Fund over the next few years, I had to make a very difficult decision. I am proposing a small payroll tax increase of three-tenths of one percent each—for employees as well as employers—of covered wages. The alternative would have been to limit expected increases in retirement and disability payments. This proposed tax increase will help to stabilize the Trust Fund so that current and future recipients will be fully assured of receiving the benefits they are entitled to.

I am also very concerned about the effect of catastrophic illnesses. I want to lighten the financial burden which now strikes after prolonged hospitalization—when the elderly and their families can least afford it. Therefore, I am proposing catastrophic health insurance for the more than 24 million Americans and disabled Americans protected by Medicare.

No one who is covered by Medicare would have to pay more than \$500 a year for covered hospital or nursing home care. No one who is covered by Medicare would have to pay more than \$250 for one year's doctor bills. Beneficiaries and their physicians now have little incentive to limit the duration of hospitalization for less serious conditions.

To encourage economic use of covered health services, I am also proposing changes in cost-sharing arrangements. As under the current system, a beneficiary who is in the hospital will pay \$104 a day for the first day of hospital services. In addition, he or she will pay 10 percent of additional charges up to an annual maximum of \$500. For covered physician services, my proposal would increase the annual deductible from \$60 to \$77 and would continue the current 20 percent cost sharing.

to limit Medicare reimbursement rates to 7 percent for hospital services and 4 percent for physician services. These proposals are of particular importance in achieving my goal of helping all Americans live in dignity, security and good health.

I hope you will join me in efforts to secure congressional passage of these important proposals. We must show our commitment to a cause that is often too long neglected—the dignity and well-being of America's older generations.

I will now sign the messages to the Congress—one to the House and one to the Senate urging that they undertake the enactment of this necessary legislation.

Thank you very much.

NOTE: The President spoke at 10:05 a.m. at a ceremony in the Oval Office at the White House.

Older Americans

*The President's Message to the Congress.
February 9, 1976*

To the Congress of the United States:

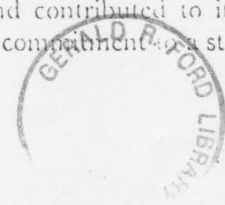
I ask the Congress to join with me in making improvements in programs serving the elderly.

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 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 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.

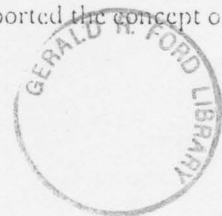
The savings from placing a limit on increases in Medicare payment rates and some of the revenue from increased cost sharing will be used to finance the catastrophic illness program.

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



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 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.

Department of Health, Education, and Welfare

Announcement of Intention To Nominate William H. Taft IV To Be General Counsel. February 9, 1976

The President today announced his intention to nominate William H. Taft IV, of Alexandria, Va., to be General Counsel of the Department of Health, Education, and Welfare. He will succeed John Rhineland, who was appointed Under Secretary of the Department of Housing and Urban Development on September 11, 1975. Mr. Taft has been Assistant to the Secretary of HEW since March 1973.

Mr. Taft was born on September 13, 1945, in Washington, D.C. He attended Yale University and received his B.A. degree in 1966. He received his J.D. from Harvard Law School in 1969.

In January 1970, Mr. Taft became an attorney-advisor in the Office of the Chairman of the Federal Trade Commission. He was appointed Special Assistant to the Deputy Director of the Office of Management and Budget in August 1970. From August 1972 to March 1973, he was Executive Assistant to the Director of OMB.

Mr. Taft is married to the former Julia Vadala.

Assistant Press Secretary to the President

Announcement of Appointment of Larry Speakes. February 9, 1976

The President today announced the appointment of Larry Speakes, of Merigold, Miss., as Assistant Press Secretary to the President. He became a member of the staff of the Office of the Press Secretary in August 1974.

Born in Cleveland, Miss., on September 13, 1938, Mr. Speakes attended the University of Mississippi where he majored in journalism.



3/5/76

3/5/76

Older American

* Signed into law Title XX of the Social Security Act which provides 2.5 billion dollars to the states for social services.

Under Title XX older persons will receive increased services, planned and implemented by state and local governments -- needs and services determined not in Washington but at the local level, with the participation of the older Americans who will receive the services. And lastly, under President Ford's new Title XX proposal, states would no longer be required to give the federal government money in order to obtain federal monies in return.

President Ford has supported the concept of the Older Americans Act since its inception in 1965. This past November the President strengthened the Act when he signed into law amendments creating new services and goals. Under President Ford's Administration -- \$272 million -- almost seven times the amount available three years earlier went to this program. Through the Administration on Aging, created by this Act, a national network on aging composed of state, area and nutrition agencies has been established. As an example of what the Act does, nutrition agencies serve older persons over 300,000 hot meals a day, five days a week at 5,000 locations. This network helps older people to:

- * Know what resources are available
- * Secure services enabling them to live in their own homes.
- * Meet their needs for transportation
- * Provide for the weatherization of their homes.
- * Obtain legal services
- * Continue to be involved by serving in full-time, part-time and volunteer positions serving the community.
- * Cope with housing problems
- * Have a meaningful voice in setting priorities for meeting their needs at the local level.

The Presic
Report is

The President Ford Committee, Howard H. Callaway, Chairman, Robert Mosbacher, National Finance Chairman, Robert C. Moot, Treasurer. A Report is filed with the Federal Election Commission and is available for purchase from the Federal Election Commission, Washington, D.C.

SUPPLEMENTAL RETIREMENT PROGRAMS

Upon being asked his opinion on legislation permitting all citizens to provide for a portion of their retirement through the mechanism of the individual retirement accounts, the President responded:

"I was a supporter of what we call the Keogh plan, and I am sure you are familiar with that. That has been increased from \$1500 to \$2500, as I recollect. There is the IRA program. I have recommended something along this line so that individuals can invest in American corporations and get a tax deferral.

In other words, I think it is \$1500 a year. If they invest in American corporate securities, they can then get a deferral of their tax and pay the tax when they retire at the retirement age. I happen to believe very strongly in supplemental retirement programs, whether it is Keogh or any one of the others. So, anything that can be justified within reason, the answer is categorically yes."

President Gerald R. Ford
Q & A Session at Public Forum
Champaign, Illinois
March 6, 1976



OLDER AMERICANS

SPECIAL MESSAGE

QUESTION: Mr. President, I am retired from the U.S. Air Force, a Pearl Harbor survivor. What I would like to know, sir, is do you have any program with relation to pay for the retired service people of the United States?

THE PRESIDENT: Well, I recognize the problem that all people who are retired have with inflationary difficulties that we have had in the country for the last 18 -- well, the last three years, really. We are making headway on that, but with the escalator clauses that we have in military retirement, Social Security, railroad retirement and so forth, I think we can honestly say that those who are retired are considered to get an adequate amount for the benefit of their future and I intend to see that those escalator clauses are maintained.

I believe that as we attack effectively inflation that those who are retired, whether it is military retirement or Social Security, railroad retirement or Government retirement, can feel a security and a sufficiency in their older years, and I will fight to maintain those.

President Ford
March 13, 1976
West Wilkes High School Gym.
Wilkesboro, North Carolina



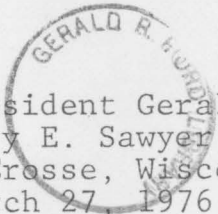
SOCIAL SECURITY

SOCIAL PROGRAMS

QUESTION: My question relates to Social Security. In 1975, the maximum amount of Social Security paid on behalf of any one person was a maximum of \$348. Now in 1976 someone earning \$15,300 pays a combined employee-employer total of \$1790, so in just over ten years we had a 414 percent increase in the cost to middle income American taxpayers. And there is no end in sight, apparently, because a deficit occurred this year for the first time so more and more money is going to have to be raised, so your solution is to increase regressiveness of that tax by increasing another three-tenths of one percent and further burdening the low and middle income taxpayers in this country.

But let me answer the other question, and I am glad you brought it up. It is a very serious problem we are facing. The Social Security Trust Fund this year will have a deficit between income and outgo of \$3 billion. Next year it will have a deficit of \$3.5 to \$4 billion, the next year it will be closer to \$5 billion. At the present time we have a Trust Fund of about \$40 billion, so if we do nothing, you are bound to have, in a relatively short period of time, some time early in the 1980's, a deficit. There won't be any Trust Fund.

So you really have about three different answers. You can either do as I recommended, which I think is the honest and straightforward approach, to say that we have got to increase the taxes three-tenths of one percent on or one-sixth of one percent on the employer and the employee.

President Gerald Ford
Mary E. Sawyer Auditorium
LaCrosse, Wisconsin
March 27, 1976

IMPROVING PROGRAMS FOR THE ELDERLY

MESSAGE

FROM

THE PRESIDENT OF THE UNITED STATES

TRANSMITTING

PROPOSALS FOR IMPROVEMENTS IN PROGRAMS SERVING
THE ELDERLY

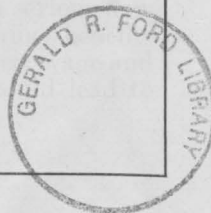


FEBRUARY 9, 1976.—Message referred to the Committee on Ways and
Means and ordered to be printed

U.S. GOVERNMENT PRINTING OFFICE

WASHINGTON : 1976

57-011



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.

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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.

(1)

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 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 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 principle 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.*



Feb 26, 1976

FINANCIAL ASSISTANCE FOR HEALTH CARE

MESSAGE

FROM

THE PRESIDENT OF THE UNITED STATES

URGING ENACTMENT OF LEGISLATION TO REFORM
FEDERAL HEALTH CARE PROGRAMS



FEBRUARY 26, 1976.—Message referred to the Committee on Interstate
and Foreign Commerce and ordered to be printed

U.S. GOVERNMENT PRINTING OFFICE
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FINANCIAL ASSISTANCE FOR HEALTH CARE

MESSAGE

THE PRESIDENT OF THE UNITED STATES

FEDERAL FINANCIAL CARE PROGRAM



1 FEBRUARY 1976—Message referred to the Committee on Interstate and Foreign Commerce and ordered to be printed

U.S. GOVERNMENT PRINTING OFFICE

To the Congress of the United States:

The health of our people is one of our Nation's most vital resources. Significant progress has been made in improving the health of the Nation's people during the last 25 years, as can be seen in the reductions in the infant mortality rate, increases in life expectancy, and the conquering of some communicable diseases. This progress has come under a largely private health care system with the support of public funds.

In the past 10 year period (1965-1975) Federal spending for health has increased from \$5 billion to \$37 billion. With greater Federal funding has come a multitude of Federal programs, regulations and restrictions—all motivated by the best of intentions but each adding to the confusion and overlap and inequity that now characterizes our efforts at the national level.

Today I am proposing to the Congress legislation that addresses these problems. I am asking Congress to enact the Financial Assistance for Health Care Act which will consolidate Medicaid and 15 categorical Federal health programs into a \$10 billion block grant to the States. I am proposing that future Federal funding for this new program be increased annually in increments of \$500 million plus the amounts needed after 1980 to ensure that no State will in the future receive less under this proposal than it received in fiscal year 1976.

The Financial Assistance for Health Care proposal is being submitted after extensive consultation with organizations representing the publicly elected officials who will be responsible for administering the program. I believe this proposal represents a major step toward overcoming some of the most serious defects in our present system of Federal financing of health care.

My proposal is designed to achieve a more equitable distribution of Federal health dollars among States and to increase State control over health spending. My proposal also recognizes the appropriate Federal role in providing financial assistance to State and local governments to improve the quality and distribution of health services.

The enactment of this legislation will achieve a more equitable distribution of Federal health dollars by providing funds according to a formula giving primary weight to a State's low-income population. The formula also takes into account the relative "tax effort" made by a State and the per capita income of that State.

Let me emphasize that every State will receive more Federal funds in fiscal years 1977, 1978 and 1979 under the block grant than it received in fiscal year 1976. My proposal also allows for a gradual phase-in of the distribution formula in future years to ensure a systematic, orderly transition that will permit States to adjust to the new program.

To assure accountability and responsiveness to the public, my proposal requires each State to develop an annual health care plan as a condition to receiving Federal funds. This plan will be developed

through a Statewide public review and comment process which will assure participation by all concerned parties. Thus, increased State responsibility will be coupled with expanded public participation, and accountability in the development of State health policies.

This proposed consolidation of health programs is essential to continue our national progress in the field of health. It is designed to permit States greater flexibility in providing for delivery of health care services to those with low income. It eliminates the requirements for State matching. And it recognizes the need for a cooperative relationship among governments at all levels. My proposal would reduce Federal red tape, increase local control over health spending, and expand public participation in health planning.

While I am proposing to increase State control over health spending, we will continue to concentrate our efforts in areas of appropriate Federal responsibility. For example, my budget proposals for 1977 include the following:

In food and drug safety, I have asked for \$226 million in 1977, an increase of \$17 million, to enable further progress in priority areas;

In the area of drug abuse prevention, I propose almost \$500 million for prevention and treatment to expand national drug abuse treatment capacity to meet the current need;

My budget requests more than \$3 billion for health research, including continued support of major national efforts in cancer and heart disease research and support for new scientific opportunities in the fields of environmental health, aging, and immunology;

In our effort to improve the training and utilization of doctors and other health professionals, I have requested new legislation and funding of \$319 million, designed to concentrate on the problems of geographic and specialty maldistribution of health professionals;

To assist local communities to attract physicians, dentists and other health professionals to underserved areas, I am proposing to expand the National Health Service Corps demonstration program 38 percent from \$18 million to \$25 million.

To assist the development of a strong health maintenance alternative, I have directed HEW to move rapidly in administering the dual option provisions of the HMO Act. And, to complete the 5-year effort to demonstrate and test the health maintenance organization concept, I have requested an additional year's authorization for new commitments. As of last June, there were 10 health maintenance organizations certified through the dual option provisions;

To provide improved health services to American Indians and Alaska Natives, I am asking for \$355 million. Spending by the Indian Health Service alone in 1977 will result in over \$685 per beneficiary, or over \$2,740 per Indian family of four;

In the area of veterans' health care, I have requested \$4.5 billion to assure continued quality care by providing for increases in medical staff and research related to VA health care delivery.

A realistic assessment of the present health care programs and the responsibilities of Federal, State, and local governments fully demonstrates that the reforms I am proposing in Federal health care are

needed now. The Medicare Improvements of 1976 that I recommended to the Congress on February 11 also represents a balanced response to needed program reforms. This proposal is designed to improve catastrophic health cost protection for our aged and disabled, restrain cost increases in the Medicare program and provide training for the hospital insurance trust fund.

I request that the Congress give both these measures the earliest possible consideration.

GERALD R. FORD.

THE WHITE HOUSE, February 25, 1976.

