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# President Ford Committee

1828 L STREET, N.W., SUITE 250, WASHINGTON, D.C. 20036 (202) 457-6400

February 11, 1976

MEMORANDUM FOR: PFC LEADERSHIP  
FROM: FRED SLIGHT *SLIGHT*  
Director of Research  
SUBJECT: President Ford's Special  
Message on Older Americans

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EMBARGOED FOR RELEASE  
UNTIL 12 P.M. (EST)  
MONDAY, FEBRUARY 9, 1976

February 9, 1976

Office of the White House Press Secretary

THE WHITE HOUSE

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

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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

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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

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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.

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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

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Office of the White House Press Secretary

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FACT SHEET

THE PRESIDENT'S MESSAGE ON OLDER AMERICANS

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## THE PRESIDENT'S MESSAGE ON OLDER AMERICANS

The President's message to Congress today referred to two proposals dealing with income and health security for the aged and stated his continuing support for programs delivering services to the elderly under the Older Americans Act.

### I. SOCIAL SECURITY AMENDMENTS OF 1976

To assist in protecting the financial integrity of the Social Security system, the President is proposing to increase the Social Security Old Age, Survivors and Disability Insurance (OASDI) tax rate by 0.3 percent each for employers and employees, and by 0.9 percent for the self-employed, beginning January 1, 1977. This increase would be divided between the OASI trust fund, which would receive 0.175 percent, and the DI trust fund, which would receive 0.125 percent.

In addition, provisions are included to phase out benefits for 18-22 year old full-time students, to change the Social Security retirement test from a limit on monthly earnings to a limit on annual earnings with no change in the amounts involved, and to eliminate the payment of monthly Social Security benefits for the months before a person files a claim if future monthly benefits would be permanently reduced as a result.

### BACKGROUND

The Old Age, Survivors and Disability Insurance (OASDI) trust funds are paying out more in benefits than their current payroll tax receipts. This is largely due to increased benefits in the past few years and payroll tax receipts, which have lagged because of unemployment and slowed wage growth.

In 1975, the expenditures of the OASDI program exceeded income to the program by \$1.8 billion. Outgo is expected to exceed income by more than \$4 billion in 1976. Under present tax rates, the OASDI funds will continue to pay out more than they take in in all subsequent years until they are exhausted in the 1980's.

At present, it is possible to make up the shortfall in income by spending assets of the trust funds. Additional income is needed within the next few years, however, to prevent the trust fund assets from falling below an acceptable level -- and ultimately being exhausted.

The following table illustrates the projected status of the combined OASDI trust funds under two different sets of economic assumptions if no additional revenue is provided to the funds:

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Status of OASDI Trust Funds--Present Law  
(Dollars in billions)

1977 Budget Assumptions			1975 Social Security Trustees Report Assumptions		
Calendar Year	Assets		Income Minus Outgo	Assets	
	Income Minus Outgo	beginning of year as % of outgo during year		beginning of year as % of outgo during year	
1977	\$-4.1	46%	\$-5.0	44%	
1978	-4.3	37	-5.8	33	
1979	-3.4	29	-6.2	25	
1980	-2.6	24	-7.0	18	
1981	-2.0	20	-9.0	11	

To prevent the rapid decline of the Social Security trust funds over the next few years, the choices are either to restrain increases in retirement and disability benefits or to increase revenues.

DESCRIPTION OF PROGRAM

The President has included a full cost of living increase in Social Security benefits in his FY 1977 budget. To improve the future financial stability of the Social Security system, the President proposed, effective January 1, 1977, a payroll tax increase of 0.3 percent each for employees and employers of covered wages. Also, the OASDI tax rate for the self-employed would be restored to a level equal to 1-1/2 times the employee rate.

The current Social Security tax rate is 5.85% for each employee and employer of covered wages. Under this proposal, the tax rate in 1977 would be 6.15% on a maximum wage base of \$16,500. This increase will cost workers with the maximum taxable income less than \$1 a week and will help stabilize the trust funds so that current and future recipients can be assured of the benefits that they have earned.

The following table shows the Social Security tax rates for employees and employers each under present law and under the proposal. It includes the Medicare Hospital Insurance (HI) tax in order to show the effect of the proposal on total Social Security tax rates.

Social Security Tax Rates

Calendar Year	Present Law			Proposal		
	OASDI	HI	Total	OASDI	HI	Total
1976	4.95%	.9 %	5.85%	4.95%	.9 %	5.85%
1977	4.95	.9	5.85	5.25	.9	6.15
1978-80	4.95	1.1	6.05	5.25	1.1	6.35
1981-85	4.95	1.35	6.30	5.25	1.35	6.60
1986-2010	4.95	1.50	6.45	5.25	1.50	6.75
2011+	5.95	1.50	7.45	6.25	1.50	7.75

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The following table shows the additional income, over what would be produced by present law tax rates, and the ratios of trust fund assets to outgo that would result from the proposed 0.3% rate increase. For purposes of comparison, the information is shown on the basis of the economic assumptions used in the 1977 budget and also on the basis of the earlier assumptions used in the 1975 Social Security Board of Trustees' Report.

Cost Effect of 0.3% Increase  
(Dollars in billions)

Calendar Year	1977 Budget Assumptions		1975 Trustees Assumptions	
	Additional Income	Assets beginning of year as % of outgo during year	Additional Income	Assets beginning of year as % of outgo during year
1977	\$ 4.4	46%	\$ 4.4	44%
1978	5.2	41	5.2	39
1979	5.9	39	5.7	36
1980	6.5	38	6.3	34
1981	7.1	40	6.9	32

The effect of the proposal on taxes paid by employers and employees is at maximum an increase of less than \$1.00 per week. The following table shows the taxes paid by employees at various earnings levels in 1976 and the amounts they would pay in 1977 under present law and under the proposal.

Social Security Taxes for Employers and Employees,  
Each, under Present Law and under the Proposal

Earnings Level	1976		1977		Year's Increase over Present Law
	Present Law	Proposal	Present Law	Proposal	
\$ 5,000	\$292.50	\$292.50	\$ 307.50	\$15.00	\$15.00
7,500	438.75	438.75	461.25	22.50	22.50
10,000	585.00	585.00	615.00	30.00	30.00
Maximum 1/	895.05	965.25	1,014.75	49.50	49.50

The following table shows the Social Security tax rates for OASDI for employees and employers, each, and for the self-employed under the present law and under the proposal.

Calendar Year	Employees and Employers (Each)		Self-Employed	
	Present Law	Proposal	Present Law	Proposal
1976	4.95%	4.95%	7.0%	7.9%
1977	4.95	5.25	7.0	7.9
1978-80	4.95	5.25	7.0	7.9
1981-85	4.95	5.25	7.0	7.9
1986-2010	4.95	5.25	7.0	7.9
2011 +	5.95	6.25	7.0	9.4

1/ \$15,300 for 1976; projected to increase automatically under present law to \$16,500 for 1977 under 1977 budget assumptions.

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The following table shows present and proposed allocation to the DI trust fund for employees and employers combined and for the self-employed.

Calendar Year	<u>Employees and Employers, Combined</u>		<u>Self-Employed</u>	
	<u>Present Law</u>	<u>Proposal</u>	<u>Present Law</u>	<u>Proposal</u>
1977	1.15%	1.40%	0.815%	1.055%
1978-80	1.20	1.45	0.850	1.090
1981-85	1.30	1.55	0.920	1.165
1986-2010	1.40	1.65	0.990	1.240
2011+	1.70	1.95	1.000	1.465

#### COST EFFECT

The following table shows the additional income, over what would be produced by present law tax rates, that would result from the proposed 0.3% rate increase, on the basis of the economic assumptions used in the 1977 budget.

<u>Calendar Year</u>	<u>Additional Income as a Result of 0.3% Increase (billions)</u>
1977	\$ 4.5
1978	5.7
1979	6.3
1980	7.0
1981	7.7
1977-81	31.2

The following table shows the yearly increase under the proposed 0.9 percent rate increase for the self-employed on the basis of the economic assumptions used in the FY 1977 budget.

#### OASDHI Taxes for the Self-Employed under Present Law and under a Proposal to Increase the Rate to 1.5 Times the Employee Rate

<u>Earnings Level</u>	<u>1976</u>		<u>1977</u>		<u>Increase Over Present Law</u>
	<u>Present</u>	<u>Law</u>	<u>Proposal</u>	<u>Law</u>	
\$ 5,000,	\$ 395.00	\$ 395.00	\$ 440.00	\$ 45.00	
7,500	592.50	592.50	660.00	67.50	
10,000	790.00	790.00	880.00	90.00	
Maximum <sup>2/</sup>	1,208.70	1,303.50	1,452.00	148.50	

#### OTHER PROVISIONS INCLUDE:

-- Phasing out Social Security benefits for students aged 18-22 who are in school full time. The phase out would occur over 4 years so that no student now receiving benefits would be eliminated. Federal student grant and loan programs and other student assistance programs enacted since the student benefit was included in the Social Security Act provide and

<sup>2/</sup> \$15,300 for 1976; projected to increase automatically to \$16,500 for 1977 under 1977 Budget assumptions.

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make available a wide range of funds for educational support. Savings to the Social Security system from this phase out are approximately \$300 million in FY 1977.

-- Changing the Social Security retirement test from a limit on monthly earnings to a limit on annual earnings with no change in the amounts involved. This change would eliminate current inequitable treatment for those who receive earnings in some months but not in others, as opposed to those who receive comparable earnings spread equally in each month.

-- Eliminating the payment of monthly Social Security benefits for the months before a person files a claim if future monthly benefits would be permanently reduced as a result. Faced with a choice between a large lump-sum payment and a reduction of future benefits, beneficiaries in many cases prejudice their longer run income. This result is considered inconsistent with the purposes of the Social Security Act.

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## II. MEDICARE IMPROVEMENTS OF 1976

The President is proposing significant modifications in the Federal Medicare program to provide catastrophic health cost protection to Medicare beneficiaries, changes in cost sharing requirements, and limits on the annual cost increases which will be reimbursed by Medicare.

### BACKGROUND

The Nation's health care system continues to be one of the most inflationary sectors of the economy. Hospital costs have risen by more than 200 percent since 1965 (from \$40/day to \$128/day), and physicians' fees have risen more than 85% in the same period. Both rates of increase are significantly higher than the corresponding increases in the consumer price index.

Medicare is a major component of Federal health spending. It provides protection to more than 24 million aged and disabled Americans, and is expected to pay out more than \$17 billion for health care in 1976. However, Medicare has several failings -- it does not provide protection against the catastrophic financial burden of extended illness, and it does not include adequate restraints on the increases in the costs of health care.

For hospital care, Medicare currently pays nothing for the first day, 100% of costs from the 2nd through the 60th day, a reduced percentage through the 150th day, and nothing at all after that. This pattern serves to lengthen short-term hospital stays, but can lead to financial ruin for persons suffering serious, extended illness. Medicare also requires a \$60 deductible and co-payments of 20% for physicians' services. Since there is no annual maximum, this provision contributes to the financial burden of catastrophic health costs.

An additional problem with Medicare is that it contains inadequate mechanisms to control health inflation. Like most health insurance plans, it reimburses largely on the basis of actual costs or customary charges giving providers insufficient cause to seek to limit cost increases.

### DESCRIPTION OF PROGRAM

The major elements of the proposed "Medicare Improvements of 1976" are the following:

#### A. Catastrophic Cost Protection for Health Care

For the first time, Medicare beneficiaries would be provided protection against catastrophic health costs by limiting the amounts an individual must pay annually to \$500 for covered hospital and nursing home care and \$250 for covered physicians' services. These limits will be allowed to increase in future years in proportion to increases in cash benefits.

#### B. Cost Sharing Modifications

-- Hospital Costs (Part A). Part A benefits would be expanded to provide unlimited hospital and skilled nursing facility (SNF) days. Under this proposal, beneficiaries would be required to pay a deductible for the first day of a hospital stay (as under current law), and 10% of additional charges up to an annual maximum of \$500 for all covered Part A services.

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-- Physicians' Services (Part B). This proposal would increase the current annual deductible of \$60 to \$77 and maintain the existing co-payment of 20% for physicians' services. However, it would institute a maximum of \$250 a year. The deductible would increase with Social Security benefit increases. It would also establish a coinsurance of 10% of all charges above the deductible for all hospital-based physician and Part B home health charges.

C. Reimbursement Limits

Annual Medicare reimbursement increases would be limited to 7% for Part A provided per diem or per visit costs and 4% for physicians' service charges in 1977 and 1978.

Detailed Explanation

A. CATASTROPHIC PROTECTION

<u>Service</u>	<u>Current Law</u>	<u>President's Proposal</u>
Part A	No maximum liability limit on out-of-pocket expenses for covered services.	\$500 annual maximum liability limit for all covered services in 1976 and 1977, increased in future years in proportion to increases in cash benefits. All out-of-pocket expenses incurred in the last month of calendar year can be carried forward to next year.
Part B	No maximum liability limit on out-of-pocket expenses for covered services.	\$250 annual maximum liability limit for all covered services in 1976 and 1977, increased in future years in proportion to increases in cash benefits. Same one month carry-over as Part A. Out-of-pocket expenses for charges in excess of reasonable charges do not count toward the maximum liability limit.

B. BENEFIT PACKAGE

1. Medicare Part A

<u>Service</u>	<u>Current Law</u>	<u>President's Proposal</u>
a. Hospital days (except in psychiatric hospitals)	90 days per benefit period plus 60 days of life-time reserve.	Unlimited days.

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- |   |  |   |
|---|--|---|
| b. Psychiatric hospital days.           | 190 lifetime days.   | Same as current law.                                    |
| c. Skilled nursing facility (SNF) days. | 100 days per benefit period.                                       | Unlimited days.   |
| d. Post-hospital home health visits.    | 100 visits per benefit period following hospital or SNF discharge. | 100 visits in year following hospital or SNF discharge. |

2. Medicare Part B

No change in current coverage which has no upper limits on most covered services.

Home health services would continue to be limited to 100 visits per year and outpatient psychiatric services to no more than \$500 of reasonable charges per year and out-patient physical therapy services provided by a self-employed therapist to no more than \$100 in reasonable charges per year.

C. COST SHARING

1. Medicare Part A

<u>Service</u>	<u>Current Law</u>	<u>President's Proposal</u>
a. Hospital Services		
Deductible	\$104 for initial hospitalization in each benefit period beginning in 1976 (based on average daily hospital costs in 1974) and rising annually to reflect increases in hospital costs.	\$104 per admission, and allowed to rise annually. Deductible waived if Medicare covered inpatient services were received within 60 days prior to admission.
Coinsurance	An amount equal to 1/4 of the deductible for days 61-90 in a benefit period and 1/2 of the deductible for the 60 lifetime reserve days.	10% of hospital charges above the deductible.
b. SNF Services		
Deductible	None	None
Coinsurance	None for the first 20 days. An amount equal to 1/8 of the hospital deductible for days 21-100.	10% of charges.

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<u>Service</u>	<u>Current Law</u>	<u>President's Proposal</u>
c. Home Health Services		
Deductible	None.	None.
Coinsurance	None.	10% of charges.
d. Blood		
Deductible	3 pints per benefit period.	3 pints per year.

2. Medicare Part B

<u>Service</u>	<u>Current Law</u>	<u>President's Proposal</u>
a. Physician, outpatient hospital care, outpatient physical therapy and speech pathology, laboratory services, medical supplies and most other covered services.		
Deductible	\$60 per calendar year, increased in future years in proportion to increases in cash benefits.	\$77 in 1976 and 1977, and increased in future years in proportion to increases in cash benefits.
Coinsurance	20% of reasonable charges above the deductible.	Same.
b. Hospital-based physicians (inpatient pathology and radiology)		
Deductible	None.	None.
Coinsurance	None.	10% of charges.
c. Home Health Services		
Deductible	Included among services subject to \$60 per calendar year deductible.	Included among services subject to \$77 deductible in 1976 and 1977.
Coinsurance	None.	10% of charges.

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<u>Service</u>	<u>Current Law</u>	<u>President's Proposal</u>
d. Outpatient psychiatric services.	50% of reasonable charges (up to maximum reimbursement of \$250).	Same as current law.

#### D. PROVIDER REIMBURSEMENT

<u>Provider</u>	<u>Current Law</u>	<u>President's Proposal</u>
Hospitals, SNF's and home health agencies.	Reimbursed on the basis of reasonable costs. (Level of reimbursement for hospital per diem routine costs is limited to the 80th percentile of the per diem routine costs of similar hospitals.)	Places a 7% reimbursement limitation on the annual <u>rates of increases</u> in per diem hospital and SNF costs and home health visit costs.*
Physicians and other medical services.	Reimbursed on the basis of customary and prevailing charges. (Rates of increase in prevailing charges are limited by an economic index reflecting practice costs and earnings levels in the economy.)	Limits reimbursable increases in reasonable charges (the lesser of the customary and prevailing charges) to 4 percent per year.*

\* Both the 7% cost and 4% charge increase limitations are proposed for two years pending the development of a longer run cost containment policy.

#### E. COST ESTIMATES

The following are the estimated cost increases attributable to the new catastrophic protection and the cost savings attributable to reforms in cost sharing and limits in reimbursement. The additional costs are estimated to range between \$1.1 billion and \$1.4 billion. The cost sharing reform is estimated to save about \$1.8 billion and the reimbursement limits to save about \$900 million. The savings from placing a limit on increases in medicare repayment rates and some of the revenues from increased cost sharing will be used to finance the catastrophic program.

<u>Costs</u>	<u>FY 77 (in millions of dollars)</u>
1. <u>Catastrophic protection</u>	
a. Hospital Insurance	
--- Initial estimate of cost of \$500 limit in FY 77 budget.	+330

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<u>Costs</u>	<u>FY 77 (in millions of dollars)</u>
-- Additions based on refinement of cost of \$500 limit.	+562 to 862
b. <u>Supplementary Medical Insurance</u>	
-- \$250 limit	<u>+208*</u>
<u>Total Cost (in billions)</u>	<u>\$1.1 to \$1.4</u>

\* Shown in President's budget request.

<u>Savings</u>	<u>FY 77 (in millions of dollars)</u>
1. <u>Cost Sharing Reforms</u>	
a. <u>Hospital Insurance</u>	
-- 10% coinsurance	(-)1,730*
b. <u>Supplementary Medical Insurance</u>	
-- Dynamic deductible (\$77 for FY 77)	(-) 111*
-- Coinsurance on hospital based physicians and Part B home health services	<u>(-) 19*</u>
Subtotal	(-)1,860*
2. <u>Reimbursement limits</u>	
a. <u>Hospital Insurance</u>	
-- limited to 7% per diem increase	(-)730*
b. <u>Supplementary Medical Insurance</u>	
-- limited to 4% charge increase	<u>(-)179*</u>
Subtotal	<u>(-)909*</u>

Total Savings (-)\$1,591 to (-)\$1,741

\*Shown in President's budget request.

#### F. NUMBER OF PERSONS COVERED, FY 77

<u>Service</u>	<u>Current Law</u>	<u>President's Proposal</u>
<u>Part A</u>		
Enrollees	24,900,000	Same
Users	5,900,000	Same
Users Assisted by \$500 limit	NA	1,200,000
<u>Part B</u>		
Enrollees	24,600,000	Same
Users meeting the deductible	14,200,000	12,200,000
Users Assisted by \$250 limit	NA	2,000,000
	more	

### III. OLDER AMERICANS ACT

The Older Americans Act was initially enacted in 1965 and has been subsequently amended in 1967, 1969, 1972, 1973, 1974, and the most recent amendments were signed into law by the President in November, 1975.

#### BACKGROUND

The major objective of the Older Americans Act is to bring into being a system of coordinated comprehensive services at the community level designed to enable older persons to live independent lives in their own homes or other places of residence and to participate in the life of their community. To achieve this objective, the Older Americans Act provides authorization for a national network on aging. This national network is composed of a State Agency on Aging in each State and Territory and the District of Columbia, 489 Area Agencies on Aging, 700 nutrition projects and the advisory committees to the State and Area Agencies on Aging and the nutrition projects.

#### DESCRIPTION OF ACT

Major sections of the Act designed to achieve the Act's overall objective include:

Title III: Provides support to State Agencies on Aging and through them, Area Agencies on Aging for the development of coordinated comprehensive service systems designed to enable older persons to live in their own homes or other places of residence.

This Title provides funds (1) for the support of State Agencies on Aging and (2) for the support of Area Agencies on Aging and social services provided by those agencies.

States receive funds under Title III on a formula basis based upon approval by the Commissioner on Aging of an annual State Plan submitted by the Governor.

Primary emphasis is placed on meeting the needs of low income and minority older persons. Prior to submitting the annual State Plan, the State must hold a public hearing on it. The State Plan designates within the State planning and service areas and identifies those areas in which Area Agencies on Aging will be established. Currently, States have identified 585 such planning and service areas and indicated that 489 Area Agencies will be in operation.

The Area Agencies, which may be public or private organizations receive their funds from the State Agencies on Aging based on an annual area plan approved by the State Agency. A public hearing must be held on this plan before it can be submitted to the State.

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The States must utilize at least 20% of their Title III funds for four national priority services: transportation, home care, legal services, and home repair. In addition, as additional resources become available under Title III States must use 50% of the new funds for the priority services. This requirement will no longer be operative when the States reach the point where they are utilizing 33-1/3% of their funds for these four priority services.

Section 308 of Title III provides for a model projects program designed to demonstrate new or innovative means of meeting the needs of older persons. This section of the law is administered directly by the Administration on Aging.

**Title VII:** Provides funds to the States for the operation of nutrition programs designed to provide hot, nutritious meals in congregate settings to older persons.

States receive funds for this program on a formula basis after the Commissioner on Aging has approved their annual State Plan submitted by the Governor. Primary emphasis is placed on meeting the needs of low income and minority older persons. Currently this program provides support for 700 nutrition projects that serve approximately 300,000 meals a day, five days a week, at over 4900 community sites located in churches, senior centers, and schools.

Eighty seven percent of these meals are provided in congregate settings; 13% are home delivered. More than 60,000 volunteers provide their assistance to this program.

Surplus commodities are contributed to the program at the rate of fifteen cents a meal during this Fiscal Year. This rate will increase to 25¢ a meal in Fiscal Year 1977.

An important provision in the 1975 amendments to the Act authorizes State or Area Agencies on Aging to enter into agreements for the purpose of meeting the common needs for transportation services of older persons and other segments of the population.

Several other recent actions have taken place designed to help meet these transportation needs.

- The Administration on Aging and the Department of Transportation have entered into a working agreement which has resulted and will continue to result in improved coordination of transportation services for older persons.
- \$20.8 million of Fiscal Year 1975 Urban Mass Transportation Administration funds were allotted for capital assistance grants to nonprofit corporations and organizations to serve the transportation needs of older persons and the handicapped. The Department of Transportation will release \$22 million for this purpose in Fiscal Year 1976.

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- Approximately 45 projects in 31 States have been selected under the Rural Highway Public Transportation Demonstration Program in Fiscal Year 1975. A major criterion for project selection is that the projects be adaptable to the needs of older persons and the handicapped.
- The first formula allotments have been made to the States under the Section 5 Capital Assistance Formula Grant Program of the National Mass Transportation Act of 1974. A section of the Act specifies that recipients of funds must provide for reduced fares for the elderly and the handicapped.

The Administration on Aging has made awards to 47 State Agencies on Aging for the purpose of promoting and developing ombudsman services for residents of nursing homes. The objective of these services is to establish a process at the community level which will be responsive to complaints from residents or relatives of older persons in Skilled Nursing Facilities and Intermediate Care Facilities. Activities are now underway at the State and local levels to achieve this purpose. The 1975 amendments to the Act authorize the Administration on Aging to continue such programs.

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