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REPORTS ON TOPICS OF PARTICULAR INTEREST

THE LEGISLATIVE SITUATION WITH REGARD TO MEDICAL CARE FOR THE AGED

This morning, I'd like to offer a few comments on the legislative situation with regard to health care for the aged in the United States. A brief background of circumstances in this area during the current year is necessary to understand possible future developments.

The A.L.C.-L.I.A.A. Joint Committee on Social Security and Health Care realized early in 1961 that this would be a busy year. The White House Conference on Aging had been held January 9 to 12 and the Administration's Health Benefit Program had been presented to Congress. First had come the report of the Cohen Task Force on Health and Social Security dated January 10; next the President's Special Message to Congress on Health and Hospital Care on February 9; finally H.R. 4222, the so-called King-Anderson bill, had been introduced.

The King-Anderson bill constitutes a proposal to provide health care for the aged via the Social Security mechanism. Briefly, in-patient hospital services would be provided up to 90 days in a single illness for all costs in excess of $10 a day for the first nine days (with a minimum of $20) and full costs for the remaining 81 days. Skilled nursing home services up to 180 days immediately after discharge from a hospital would also be provided, and to encourage these less expensive facilities, two days of nursing home care would be provided as a replacement for one day of hospital services. In addition, hospital out-patient-clinic diagnostic services for all costs over $20 would be provided, both to reduce hospital admissions and to encourage early diagnosis. Finally, community visiting-nursing services would be available for a limited time. These benefits are to be available to all persons over 65 who are eligible for Social Security or Railroad Retirement benefits.

President Kennedy, in his message to Congress, said that since it was proposed to finance these benefits by additional Social Security contributions, the system would be self-supporting and would not place any burden on general revenues. Many knowledgeable people in our industry, as well as elsewhere, feel quite sure that the proposed extra tax would not support the program and might be damaging to the entire Social Security system. This was mentioned in the discussion of Bob Myers' paper yesterday. Other objections have been raised from several points of view: (1)

that this is really a trend toward socialized medicine; (2) that health care benefits should *not* be provided for everyone regardless of need; (3) that the availability and continued rapid growth of voluntary health insurance supplemented by other private and public facilities, including the recently enacted Kerr-Mills public assistance legislation, make H.R. 4222 totally unnecessary; and so on. Much has been spoken and written on this subject and I'll not burden you with it for I'm sure most of you have kept abreast of developments at least to some extent.

As actuaries, however, I believe that one facet of this problem cannot be overemphasized, and that is the fact that if we wish to retain for ourselves and our companies an area of operation where a social need exists, we must see that it is not neglected. Government tends to fill vacuum areas. Many liberal thinkers in this country are doing everything they can to convince the public, as well as Congress, that private enterprise and voluntary approaches to this problem do not constitute a valid answer. There is no better way to refute their arguments than being able to point to rapid strides within our industry and the prospects of the availability of the most complete coverages within the very near future. Some of our companies are performing yeoman service in this regard. Other schemes, such as the Connecticut proposal for coverage of the aged through the cooperation of companies in that state, are certainly steps in the right direction.

Now, against this background, let's consider the legislative possibilities in the near future. At the moment, we are in the midst of a gigantic effort by supporters of the King-Anderson measure to assure its early passage when Congress convenes in 1962. The AFL-CIO legislative director has offered the flat forecast that H.R. 4222 will become law. President Kennedy himself is on record as to the course he will follow in the coming session. In a letter to Senator McNamara dated August 31, 1961, he stated:

> I wholeheartedly agree with your belief in the importance of this legislation to our Nation. It will relieve some of the most serious hardships of old age, it will enable the worker to look forward with confidence to his ability to take care of himself, it will help solve many problems of family living. I consider the proposal to provide health insurance for the aged under social security one of the most important measures I have advocated. Your support is very much appreciated and I assure you that I intend to recommend that this legislation be given the highest priority at the next session of Congress.

Since his retirement from Congress, the King-Anderson legislation's earlier sponsor, Ex-Congressman Forand of Rhode Island, has not been

inactive. Specifically, he is now serving as National Chairman of a new "National Council of Senior Citizens for Health Care Through Social Security." This group is planning a series of meetings to consolidate public opinion in favor of the social security approach.

Somewhat along the same line, the U.S. Senate Committee on Aging, under the Chairmanship of Senator McNamara, planned a series of Hearings throughout the nation, some of which have already been held, and continuing until Christmas. It is thought that practically every Hearing will veer toward a discussion of health benefits for the aged, whatever the announced topic.

Following up the White House Conference on Aging of January 1961, regional conferences are being held this month in nine states. Cabinet members and other government officials will discuss programs and recommendations of the White House Conference with local officials and interested individuals. Undoubtedly, the subject of health benefits for the aged will come up at these meetings.

There has been some thought that Senator Javits of New York, as leader of a small group of liberal Republican senators, may occupy a key position on the pending legislation, as the political situation might develop in such a way that his group had the controlling votes. In any event, in a talk in New York, on October 2, Senator Javits presented a rather vague plan which, it was said, "would take account both of the Kennedy Administration's social security approach and the views of those like himself who have favored voluntary plans." He went on to say that he is ready to present his "compromise" plan at the next session of Congress.

Despite the Senator's remarks, it seems clear that the Javits plan would not be viewed as a suitable compromise by the King-Anderson proponents. Apart from the partisan issues involved, the Javits plan does not employ a social security approach except in that some incidental use would be made of the OASDI taxing mechanism.

While Senator Javits stated that his proposal would "suit Governor Rockefeller fine," Governor Rockefeller actually has his own plan. His plan, in fact, would seem a good deal more acceptable to the proponents of the King-Anderson bill than the Javits plan. Under the Rockefeller plan, OASDI beneficiaries would have a choice between (1) medical-benefit coverage under social security, and (2) higher OASDI cash benefits to be used to pay private health insurance premiums.

From an insurance industry viewpoint, there has been some thought that the Rockefeller plan, if adopted, would actually be considerably worse than the King-Anderson bill. While social security beneficiaries under it would initially have just a choice between higher cash benefits

and medical benefits, there would be a strong probability that in the long run they would get both the higher cash benefits and the medical benefits.

Because the chief benefits to be offered under the King-Anderson bill are hospital benefits, the position of the American Hospital Association in regard to the measure may be of considerable significance. In any event, the AHA has never been very strongly opposed to the King-Anderson bill or its predecessors, and there are fears that this group may actually come to endorse the measure.

In his testimony before the House Ways and Means Committee on last July 31, H. Lewis Rietz, testifying on behalf of H.I.A.A., A.L.C. and L.I.A.A., stressed the fact that once the Kerr-Mills legislation of 1960 was properly implemented by the states, all individuals in real need of health care assistance above the age of 65 would be adequately taken care of. Although considerable progress has been made in implementing the Kerr-Mills Law, at this point only 19 jurisdictions have so far put a program into *full* effect. Obviously, complete implementation of Kerr-Mills would greatly lessen the chance that the King-Anderson type measure will eventually appear on the statute books.

The objective of aiding the aged in meeting health care expenses can be furthered not only through legislation of the types proposed by Kerr-Mills, King-Anderson, Javits, and Rockefeller, but also through modifications in the Federal Internal Revenue Code. This idea is not new and, in fact, there has been a series of liberalizations in the income tax provisions governing medical care expenses which have served to aid the aged. The testimony which I offered on July 31, 1961 on behalf of the life insurance business indicated an interest by life insurance in a tax-incentive approach to the spread of voluntary health insurance. Also, it suggested a concrete means of working out the details of a tax-*credit* plan.

Earlier, on June 20, 1961, Congressman Hall (R., Mo.) introduced a bill which also employed the tax-incentive approach. It did so, however, on a basis of liberalized tax deductions and exemptions rather than on a tax-credit or direct-deduction-from-tax basis. Congressman Hall is a doctor of medicine, and is a member of the House of Delegates of the American Medical Association. In fact, it is understood that his bill was drafted by A.M.A. staff, although the bill does not have official A.M.A. endorsement.

While it may be heartening that the Hall bill utilizes the tax-incentive approach, the use of additional deductions and exemptions, rather than the use of the tax-credit approach, is perhaps subject to criticism. In a general way, the effect is to provide tax relief for the relatively wealthy while doing little or nothing for those at lower income levels.

On September 22, Congressman Johansen (R., Mich.) introduced still another bill to use the tax-incentive approach. This bill, however, would employ tax credits, and in fact, specifies up to $100.00 of premium payments for health insurance which may be credited against the tax due. As in previous years, there are actually several hundred measures pending in Congress which would amend the Social Security system, or affect the health care of the aged.

Obviously, with so many widely different developments and cross-currents involved, any sort of forecast is hazardous. Perhaps most important of all, the situation should not be oversimplified into trying to decide whether or not the King-Anderson bill as it now stands will pass or fail. Although this is a very emotional issue and many on one side or the other of the argument are unwilling to compromise, politics *are* still involved to a very great extent. While the Administration believes deeply in the basic principles of this measure, many advisers may be increasingly concerned about the prospective Budget deficit. The intensified race with Russia may remove some of the pressures from purely domestic issues. In any event, delay in passage works to the advantage of the life insurance industry and those who believe in the voluntary and free approach to solving this problem.

I have made no specific suggestions this morning which will help in finding an answer to this great debate, but perhaps some of my remarks will bring into better perspective the complexities which are involved. As actuaries, you are accustomed to being confronted with perplexing situations. As actuaries, you collectively can perhaps have as much influence as any other interested group on the final outcome of the battle on behalf of health care by our industry and other voluntary means rather than by governmental processes. We shall all probably know within the next twelve months which way the tide will turn.

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