

Bob L
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HEARINGS

Before The

COMMITTEE ON FINANCE

UNITED STATES SENATE

LEGISLATION REQUIRED BY RECONCILIATION
INSTRUCTIONS IN THE FIRST BUDGET RESOLUTION

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EXECUTIVE SESSION

Washington, D. C.

June 18, 1980

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EXECUTIVE SESSION

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WEDNESDAY, JUNE 18, 1980

United States Senate,
Committee on Finance,
Washington, D. C.

The Committee met, pursuant to notice, at 10:00 a.m.,
in Room 2221, Dirksen Senate Office Building, The Honorable
Russell B. Long (Chairman of the Committee) presiding.

Present: Senators Long (presiding), Talmadge,
Ribicoff, Byrd, Bentsen, Matsunaga, Boren, Bradley, Dole,
Danforth, Chafee, Durenberger.

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The Chairman. Let me call this meeting to order,
please.

My thought is that we might agree in theory on some of
these cuts. There were some alternatives. Because there is
a deadline, I think we ought to talk about the spending part
of the program.

Let me ask Mr. Stern. How long do we have to report
our recommendations?

Mr. Stern. There are two separate deadlines, Mr.

1 Chairman. The deadline relating to the spending cuts is
2 Wednesday, June 25th. The deadline with respect to the
3 revenue changes is Wednesday, July 2nd. So, I would suggest
4 that you try to complete the action on the spending first,
5 because after that we would have to draft the language and
6 the report type language in order to get it done in time.

7 If necessary, and you were not able to complete the
8 revenue matters today or tomorrow, you do have sessions
9 scheduled for next week, and it could go over if you were
10 unable to complete action by then on revenues.

11 But I think to meet the deadline on spending and be
12 able to draft the language and the report language, you
13 would have to complete your decisions by tomorrow on the
14 spending.

15 The Chairman. Well, then, I think we had better
16 concentrate on the spending end of it then, and see if we
17 could make decisions on that, because that is where the
18 deadline is going to hit us first.

19 Furthermore, let me say that after yesterday's meeting,
20 there was discussion about the problem of these small
21 royalty owners who are very numerous, and many of them have
22 some production under stripper wells where they have been
23 decontrolled, and then where the tax was put on them after
24 they were decontrolled.

25 Now, that is the part of the group that had a net

1 reduction in their income because of the windfall profits
2 tax. Most of the others had increases from the decontrol
3 that offsets. So, most people would find their overall
4 income increased. But this particular group, a lot of them
5 living on social security checks and things like that, have
6 had their income reduced, and it is a hardship to them.

7 So, Mr. Boren discussed the matter with me, and Mr.
8 Bentsen, and Mr. Dole is interested in that, and I would
9 like to ask the staff to work on these proposals, as to how
10 you might take care -- not the producers, this were royalty
11 owners who have been adversely affected -- and see if you
12 can find a way that we can look for some equity on their
13 situation.

14 It has already been decontrolled. It was the judgment
15 of Congress that those were stripper wells, they shouldn't
16 have to be under the control, so they have had a substantial
17 reduction in their income.

18 Senator Dole can tell about it when he is here, Senator
19 Boren again, and Senator Bentsen is familiar with the
20 problem, and I would hope that we could be considering an
21 amendment that might take care of their problems. If they
22 had been as well represented -- I say as well, if anyone had
23 been here explaining their problem, and with representative
24 people to look at that audience there, when you saw what
25 their situation was, I don't think we'd have put the tax on

1 there, and I think that we ought to try to find a way to at
2 least take care of those who have no more than \$30,000
3 income or something of that sort, because a lot of those
4 people really have sort of a hardship situation, and I would
5 like to see us correct it if we can.

6 What can you tell us, then, Mr. Stern, about the
7 spending part of it?

8 Mr. Boren, just before you got here, I was saying I
9 would like the staff to get us some estimates and see what
10 information they can provide us with regard to trying to
11 find some possible relief for these small royalty owners. I
12 have in mind particularly these little people living on
13 social security checks and things like that, who have been
14 caught by that windfall tax who I don't think would have
15 been taxed if we had known who they were and what their
16 situation is. If they had been as well represented as the
17 major companies, or even the independents, I don't think
18 they would be paying the tax they are paying right now.

19 Senator Boren. I think you are right, Mr. Chairman. I
20 hope we can work out something. Senator Dole and I held
21 hearings on that in Oklahoma City and Great Bend --

22 The Chairman. Oklahoma City and where?

23 Senator Boren. And Great Bend, Kansas. We had over
24 2,000 people at the one in Oklahoma City, and about 1,500 to
25 2,000 in Great Bend. We polled the group that was there,

1 and I asked how many were on social security, and about
2 three-fourths of the group stood, and I said, how many of
3 you are receiving \$100 a month or less, and again a majority.

4 They have experienced a roll-back in their checks, and
5 countless numbers of them that said they were getting \$80
6 and they lost \$30 because of the tax.

7 Most of those people bought those things as retirement
8 programs, so we are really taxing this particular group, I
9 think, in a very unfair way, and if we can find some way of
10 helping the ones, particularly the lower income people, I
11 think, that are hit this way, it would be an important thing
12 for us to do.

13 The Chairman. I asked the staff to work on that, to
14 see what estimates you can get and what kind of suggestions
15 you could make.

16 Mr. Shapiro. Several Senators have discussed the
17 matter with us. We are putting together options for the
18 Committee, and ways to raise the comparable amount of money,
19 so we will have that prepared for the Committee tomorrow.

20 In addition, when we left yesterday, the Committee
21 asked us to put together a proposal on the decontrol COET
22 policy, and that is available for distribution so that
23 Committee members can look at that before the session
24 tomorrow as well.

25 The Chairman. Fine. Now, let me suggest, Mr. Stern,

1 that you move us over into the spending area, because maybe
2 we could make some decisions over there. We have got to
3 raise money on the one hand, and we've got to cut spending
4 on the other. I think you will find more appeal for some
5 Senators, at least, in some of the spending cuts.

6 So, why don't you tell us what you think might be
7 possible and what your group can come up with as possible
8 ways that we might manage to come within the budget on
9 spending.

10 Mr. Stern. All right. Mr. Chairman, you have before
11 you a Document A, called Spending Reductions Under
12 Reconciliation Process, a legal sized document, and the top
13 part of that table, Part 1, refers to spending reduction
14 provisions that have already been approved by the Finance
15 Committee or the Senate or the Congress. The numbers on
16 this table are the savings of various proposals compared
17 with the amounts that the Budget Committee had in its
18 present law base.

19 So, for example, Items 1A and 1B refer to savings
20 provisions in two bills, the Social Services bill and the
21 disability bill, which have become law. The two of those
22 together result in outlay reductions of \$225 million, so you
23 already have put into effect \$225 million out of the \$2.2
24 billion that is required under the reconciliation
25 resolution.

1 There are two columns that show on this chart. The
 2 first column is budget authority, the second, outlays.
 3 "Budget authority" is a term that generally means
 4 appropriations, and for general fund programs, it is usually
 5 the same or somewhat higher than the outlay figures. In eh
 6 case of trust funds, budget authority refers to the
 7 appropriation of money into a trust fund, and therefore it
 8 bears no relation whatever to outlays, and you will see as
 9 we go along that in the general fund programs, the budget
 10 authority and outlay figures are very similar, but in the
 11 trust fund programs there is no relationship.

12 In this discussion, we will concentrate on the outlay
 13 figures, because that is traditionally where the actual
 14 expenditure reductions have to occur, and that is where you
 15 actually measure the effect on the deficit.

16 So, the Committee already can take credit for \$225
 17 million in those two bills that have become law.

18 Moving on to Item Number 2, these are savings
 19 provisions in two bills that have been approved by the
 20 Senate. The first one, an unemployment compensation bill,
 21 involves several provisions which CBO estimates now will /
 22 save \$155 million in outlays in fiscal year 1981, and 2B
 23 refers to those provisions of the Social Services bill that
 24 save money and were not agreed to in conference with the
 25 House.

1 Those two provisions both relate to aid to families
2 with dependent children.

3 The Chairman. On what basis did the House refuse to
4 agree to those?

5 Mr. Stern. The refusal was not on substantive grounds,
6 but on procedural grounds. Their view was that although the
7 House itself had agreed to these provisions substantively,
8 they had agreed to them as part of their welfare reform
9 bill, and they didn't want to consider these savings
10 provisions outside of the context of the Welfare Reform
11 Bill, but in fact both provisions have been passed in
12 similar form by the House as part of that bill.

13 One relates to the earned income disregard under AFDC,
14 and the other to the treatment of step-parent income. So,
15 those two provisions would result in savings of \$229 million
16 in fiscal year 1981, and have been approved by the Senate.

17 Item Number 3 are savings provisions that have been
18 included on Medicare and Medicaid, which would save a little
19 less than \$500 million in fiscal year 1981, and these have
20 been approved by the Finance Committee, although the Senate
21 has not acted on them yet.

22 So, if you just look at savings provisions that have
23 already been approved by the Finance Committee or the Senate
24 or the Congress, you already have \$1.1 billion, or a half of
25 the \$2.2 billion that you are required.

1 The Chairman. It seems to me that that is the easiest
2 part of it. We discussed that in a Democratic caucus
3 yesterday, and we had almost all of our people there, and so
4 far as I could see, there is general acceptance, no real
5 opposition to it. That is stuff we have already done, and
6 apparently that is agreed to on the Democratic side of the
7 aisle, if those on the other side of the aisle will go along
8 with it.

9 These are things that our Committee has already given
10 its approval to. I think we could start out by agreeing to
11 that, and then we could move on to the rest of them, if
12 there is no objection. It can always be reopened if you
13 want to.

14 Mr. Stern. All right. There remains, then, \$1.1
15 billion. The list of staff suggestions here adds up to \$3.3
16 billion, so you would only need about a third of that total
17 amount.

18 The Chairman. Now we start over here on the items
19 where he thinks we might come nearest agreeing on fulfilling
20 our recommended reductions in spending.

21 Go ahead, now. You are talking about 4A -- or are you
22 talking about 4A?

23 Mr. Stern. All right. Moving on to Part 2, these are
24 suggestions that the Committee has not acted on yet, and the
25 first three are in the health area, and I will ask Mr.

1 Constantine to explain them.

2 I might mention that 4-A does not result in savings in
3 fiscal year 1981. We did put it on the list, however,
4 because it is a modification of a Committee provision that
5 is included in Item 3, which would have substantial savings
6 in the next two years compared with the Committee bill.

7 Mr. Constantine. Mr. Chairman, in H.R. 934, in the
8 hospital reimbursement reform, there is a provision for
9 payment of incentive payments to hospitals which are more
10 efficient, that is, below average in cost, as opposed to
11 those who are above average in cost for providing similar
12 care.

13 We would suggest for your consideration that the
14 incentive provisions be delayed for two years, that the
15 penalty provisions apply, but not the incentive payments,
16 for two years. Some of the hospitals have talked to us
17 about that as well. Their concern is that the Commission,
18 which was established under the Committee bill, should work
19 on this and make sure that the incentive payments go to the
20 proper hospitals and someone not get an incentive payment
21 inappropriately.

22 Now, that provision does not save a very substantial
23 amount in fiscal 1981, but it does save significant amounts
24 in 1982 and 1983. It makes a swing in those years. And we
25 would suggest that. We have talked to the American Hospital

1 Association about that as well, and they would prefer a
2 delay in the incentive payment portion.

3 The second provision deals with ancillary services,
4 that is, non-routine hospital care, ex-ray, laboratory,
5 pharmacy, and so on. In the Committee approved bill, it
6 provides for bringing in ancillary services on an as-ready
7 basis. That is, as the capacity to equitably compare those
8 kinds of departments in the hospital is developed by the
9 Commission. As the state of the art improves, they would be
10 woven in. They are authorized to bring them in.

11 now, we have two recommendations. One is for CBO's
12 purposes. The Committee intent is very clear, and we think
13 it is clear that it is intended to bring these in. We would
14 simply say that the Committee, Number One, should say that
15 ancillary services are to be covered on an as-ready basis
16 rather than authorized to be covered on an as-ready basis.

17 It is one of those niceties, subtleties, that CBO, I
18 guess, insisted on for estimating purposes. We regard that
19 as a technical change.

20 Senator Dole. Does it save any money?

21 Mr. Constantine. Yes, sir, it saves money in future
22 years. Now, that is -- the first part is to deal with the
23 long-range thing on --

24 Senator Dole. What are you on, Item 4-B?

25 Mr. Constantine. Four-B, Senator.

1 Senator Dole. Right.

2 Mr. Constantine. Now, the second part, on an interim
3 basis, until the ancillary services are brought in under the
4 -- in whole or part, eligible for incentive payments, one of
5 the things which the Committee could consider is an interim
6 limitation on reimbursement under Medicare and Medicaid for
7 ancillaries, allowing them a rate of increase equal to a
8 market basket index of the goods and services which
9 hospitals purchase and are used in the production of those
10 ancillary services, as well as an intensity factor, that is,
11 for expansion of services and further development of
12 services to those hospitals which are at or below or
13 somewhat above the average for similar hospitals in their
14 group, as well as those hospitals which have unusual costs
15 resulting from certificate of need approvals.

16 That is, if a new service comes in that is approved and
17 it does result in increased cost, that that be passed
18 through for these purposes. Now, CBO estimates that that
19 would save on the order of \$200 million in fiscal 1981. It
20 is a form of hospital cost containment on an interim basis
21 for Medicare and Medicaid with respect to ancillary
22 services. It is an interim approach.

23 Item C is the periodic interim payment approach under
24 which Medicare -- hospitals are ordinarily paid within --
25 the processing time is about what, six weeks, Bob? Six to

1 eight weeks from the time that a hospital submits a bill
2 until the time that it is actually reimbursed.

3 On a cash flow basis, however, Medicare makes interim
4 payments on about a three-week basis. Now, the effect of
5 those interim payments is, according to CBO, about \$675
6 million more than we would otherwise pay.

7 The Committee has a couple of options in this area. It
8 actually has three, at least. One is not to do anything.
9 The first option is not to change that at all.

10 Senator Dole. That is what we did in the past. We
11 have rejected this before, haven't we?

12 Mr. Constantine. No, sir. It wasn't raised with the
13 Committee in the past. It was never formally presented to
14 the Committee for their consideration. The House is taking
15 this up as well, and the Budget Committees both have
16 referred to this.

17 Now, one approach would be to permanently lift it.
18 That is to say that by September 1st, Bob? -- by September
19 1st we simply reduce the amounts that we owe hospitals by
20 the advances we have given them under this. That would save
21 \$675 million, or at least reduce our expenditures by \$675
22 million.

23 Now, on the other hand, in the long run, that would
24 cost us just as much, if not more money, because the
25 hospitals then go out and borrow that money, and then we

1 have to pay interest on the money they borrow, so in the
2 long run it is repaying as much if not more, because the
3 hospital's borrowing costs are greater than the Federal
4 Government's.

5 One approach which has been suggested for purposes of
6 cash flow in Fiscal 1981 might be for your consideration to
7 require that the money be recaptured not later than
8 September 1. However, the PIP program could be reinstated
9 effective October 1 of 1981. So, in effect, and in all
10 fairness, it is kind of a device to meet the requirements of
11 the Budget Act. The hospitals have told us that they could
12 live with that. That for one month they go without the
13 periodic interim payments, but it is restored October 1.

14 Senator Dole. They do get their money, though?

15 Mr. Constantine. Effective October 1. Yes, sir. The
16 question is whether you do nothing, you pull it back for, in
17 effect, one month, to satisfy the Budget Act requirements by
18 increasing our cash flow by \$675 million, and then restore
19 it on October 1 for fiscal 1982 and subsequent years, or you
20 just withdraw it permanently.

21 Senator Dole. Is that kind of a trick to satisfy the
22 Budget Committee?

23 Mr. Constantine. We wouldn't call it a trick. It is a
24 device.

25 (General laughter.)

1 Mr. Stern. Senator Dole, the Budget Committee in its
2 report on the first budget resolution printed a kind of a
3 worksheet which showed how they came up with the legislative
4 savings, and this was an item that they included, so to the
5 extent that you are wondering about the legitimacy of using
6 this kind of device, it was one that the Budget Committee
7 itself contemplated as arriving at the legislative savings.

8 Senator Dole. I think you've got a periodic interim
9 payment, which is PIP, right?

10 Mr. Stern. Yes, sir.

11 Senator Dole. You've got it named right.

12 (General laughter.)

13 Mr. Stern. Well, we couldn't come up with doozy.

14 The hospitals have said that they could live with that
15 kind of an interim one-month problem, and it does create a
16 major cash flow change for fiscal 1981.

17 The Chairman. Dr. Mongan, do you want to speak?

18 Dr. Mongan. Mr. Chairman, if I could, I would like to
19 take just two or three minutes to bring to the Committee's
20 attention the fact that the Administration has proposed and
21 supported an alternate mechanism of getting savings in the
22 health care area that you are all familiar with. We have
23 proposed the hospital cost containment approach.

24 That proposal was considered in this Committee about
25 two years ago and lost very narrowly by a one-vote margin in

1 Committee, and then, of course, Senator Nelson's amendment
2 was passed on the Senate floor two years ago. The proposal
3 was rejected in the House about one year ago.

4 The reason I take just a moment of your time to raise
5 it here again today is, I think there is something
6 fundamentally different between now and when you were
7 considering that two years ago. Namely, two years ago it
8 was hospital cost containment versus doing nothing to the
9 hospitals. Now it seems to me you are looking at two
10 different kinds of hospital cost containment, the kind we
11 proposed or a set of these kind of provisions which have
12 been put forth by the staff and various members of the
13 Committee.

14 Without wasting a lot of your time comparing the two in
15 every detail, I would really like to just make two major
16 points why I think it might be worth your while to just
17 re-examine for a moment our proposal.

18 The two are, our proposal spoke to all payers, not just
19 Medicare and Medicaid. These proposals speak to just
20 Medicare and Medicaid, and I think everybody should be clear
21 that if you are just limiting Medicare and Medicaid
22 reimbursement, you may be saving Federal dollars, but in
23 essence you are passing those expenses on to private payers,
24 which means that people who pay their health insurance
25 premiums are going to pay it there.

1 We think a compelling case has been made that the
2 controls should be applied to all payers so that they really
3 do what is intended, namely, to cut back on reimbursement,
4 and not to result just in an increased tax on the American
5 people.

6 The second generic point I would make about the
7 difference between our proposal and this other list of
8 proposals is that there is some pain involved in our
9 proposal, but it is spread relatively evenly among
10 hospitals. We are talking about limiting the rate of
11 increase, so every institution will get an increase, maybe
12 not as much as they would like to get -- in other words,
13 instead of getting 15 percent, they might get 13 percent.

14 Under this series of proposals, it is possible that
15 some facilities could get the same as they got last year or
16 even conceivably less than they got last year, and you could
17 result in a situation where you could have hospitals in some
18 fairly desperate situations if you used these other kinds of
19 savings.

20 So, I guess what I am saying is, it seems to me that
21 the situation is a little different than it was two years
22 ago. Namely, now you are looking at a variety of different
23 ways to take \$800 million, if you will, from hospitals, and
24 I think it might be worth just a moment's consideration of
25 whether the other one --

1 The Chairman. Doctor Mongan, I know you are doing your
2 duty --

3 (General laughter.)

4 The Chairman. -- or your group, your department, but
5 unless you know of somebody who has changed his mind about
6 this matter, and I don't know anybody who has changed his
7 mind about it, I don't think we will buy that.

8 Senator Talmadge, have you changed your mind about the
9 matter?

10 Senator Talmadge. Well, I haven't, as a matter of
11 fact. The House hasn't changed its mind either. They
12 rejected it a year ago. I think one that is pending on the
13 Senate floor now, already ordered and reported, is feasible
14 and doable, and what does that say, \$9 billion over five
15 years?

16 Dr. Mongan. Yes, sir. It starts accelerating. The
17 savings accelerate in the out years. Unfortunately, under
18 the Budget Act, you don't get credit for what you are saving
19 the taxpayers in 1982, 1983, 1984, 1985, and so on, so we
20 are focusing on this.

21 We were just functioning here in terms of the
22 government as a prudent buyer and what it is paying for
23 under Medicare and Medicaid, rather than reviving the
24 Administration's hospital cost containment proposal.

25 The Chairman. Well, comparing the two, one of which I

1 know we all thought would make a lot of people unhappy, I
2 would rather go along with this proposition where we just
3 sort of stuck our heads clear up than to put this thing into
4 effect that has got all the complaints that I have heard
5 about.

6 Now, on occasion I went the extra mile with the
7 Administration on their ideas, but I have found a lot of
8 people who don't like it. There are a lot of people unhappy
9 about that suggestion, and I would just as soon not be asked
10 to support that thing again. So, it seems to me as though
11 the majority, even when I went along with them on it, they
12 couldn't get a majority in the Committee.

13 So, I think we ought to let it lie.

14 Senator Dole. We've got one more vote than we had,
15 then.

16 The Chairman. Yes, sir. I guess you might say that.
17 Between the two ways of meeting the problem, I would rather
18 go with this proposal here to just delay one month's
19 periodic interim payment. I think that is the easiest way
20 to meet that problem.

21 There are just too many unhappy people, and since that
22 time, may I say that the House turned it down. Isn't that
23 right? This Committee turned it down. The House turned it
24 down. And from my point of view, I just think we would
25 waste a lot of time trying to do something where the answer

1 was no and nobody changed his mind.

2 So, I think we had better go with the other thing.

3 If there is no objection, why don't we tentatively --
4 for lack of a better one. Now, if somebody wants to vote on
5 some other way to make that \$675 million, that is all right
6 with me, if they want to find some better way here, but
7 otherwise, I would suggest that we tentatively accept that
8 and go on to the next thing.

9 Mr. Stern. Would you also like to approve Items A and
10 B under 4?

11 Senator Dole. No, I wouldn't. You are talking about
12 Item 4-B?

13 Mr. Stern. That is correct, and 4-A.

14 Senator Dole. I think you are doing what Dr. Mongan
15 says. You are going to cap any costs into Medicare, you are
16 just going to shift it to the private sector. That is your
17 \$250 million -- \$200 million?

18 Mr. Constantine. \$200 million, Senator.

19 Senator Dole. Well, we have considered this in the
20 past, too, haven't we? This is the one we have rejected.

21 Mr. Constantine. You considered it and did not approve
22 it. That is right.

23 Senator, I would suggest, if you don't want to prove
24 the ancillaries, that the Item A is important, because that
25 does make technical changes and does save money. That is

1 delaying the incentive payments and the reimbursement part
2 for two years, which the American Hospital Association says
3 that they would support, and also making clear that as the
4 expertise --

5 Senator Dole. It doesn't save any money, does it?

6 Mr. Constantine. It does in the out years. Yes, sir.
7 In out years it saves money. It just makes clear what is
8 implicit and we thought was explicit in the Committee's
9 approved bill for CBO's purposes. It will bring in a lot of
10 money in subsequent years.

11 It just simply means that as the expertise develops, as
12 the state of the art advances, the Hospital Cost Commission
13 in future years brings in radiology, all of these other
14 hospital cost centers, that is in the bill you have
15 approved. We would just say that they shall rather than
16 that they are authorized over time.

17 Senator Dole. Well, if you delay the payments, do you
18 also remove the financial incentive for hospitals to reduce
19 their costs below average?

20 Mr. Constantine. Yes and no, Senator. They have other
21 incentives, obviously, pricing restraints and the high cost
22 ones, but also in preparation. It is only a two-year lag,
23 and additionally, Senator, to avoid penalties as well for
24 being substantially above average, which is already in the
25 bill.

1 This isn't a device. It is essentially to clarify,
2 Senator, what is in there now.

3 Senator Dole. All right.

4 Senator Durenberger. Mr. Chairman, I guess I agree
5 with Senator Dole that if it isn't effecting any savings in
6 1981, I would rather wait and make the decision next year.
7 I am not clear on what incentives or lack of incentives we
8 are dealing with here, and if we aren't saving anything in
9 1981, I would just as soon wait on A.

10 Senator Dole. I've got a few other ways to save some
11 money that are painless.

12 The Chairman. Well, let's just pass this over for now.

13 Senator Ribicoff. I don't know, Mr. Chairman. I had
14 to be at Governmental Affairs, and I don't like to have the
15 Committee go back, but did you consider 2-B?

16 Mr. Stern. Yes, sir. It was tentatively -- everything
17 in Part 1 was tentatively agreed to.

18 Senator Ribicoff. The only point I would like to make,
19 if it were possible to defer that to see if there was
20 somewhere else before we are through we can pick up some
21 funds, because here you are really dealing with the poorest
22 of the poor, the people who are really at the bottom of
23 every economic and social totem pole. Your AFBC benefits,
24 let's say, current law, a family's gross monthly earning of
25 \$500, average state payments is \$175, 3434 gives them \$90.

1 Other states, of course, that have higher payments,
2 like New Jersey, New York, Connecticut, it is \$287, it goes
3 down to \$202.

4 I wonder if we could have a comment from whoever is
5 here from the Department on that.

6 Mr. Palmer. I am John Palmer, the Assistant Secretary
7 for Planning and Evaluation of HHS.

8 The Administration did propose some standardization of
9 the disregards in the FTC program in conjunction with its
10 welfare reform proposal, and those are embodied in the House
11 passed bill. Those were done not to try to reduce the work
12 incentives inherent in the program, but to try to simplify
13 administrative procedures.

14 At the same time, the earned income tax credit was
15 expanded so that in effect you were not penalizing welfare
16 recipients, but shifting the mechanism by which they would
17 be supported from the welfare program to the more acceptable
18 payments out through the tax system, so that the savings
19 that are embodied in the proposals now before the Committee
20 go much beyond the disregards that were favored by the
21 Administration in terms of their severity, and of course,
22 are uncoupled from the benefit expansions that would
23 compensate for that and preserve the work incentives that
24 were inherent in the total welfare reform package.

25 Senator Ribicoff. Yes, but when you are all said and

1 done, what do people actually lose? Forget that it is
2 shifted from one program to the other. What comes into the
3 pockets of the people involved? What is the amount?

4 Are my figures wrong? You are talking, the average
5 benefit level is \$175, and now under 3434 it is \$90. The
6 House refused to accept that, and now you are going back to
7 \$90. Is that what we are doing?

8 Mr. Palmer. I believe that is correct, Senator, yes.

9 Senator Ribicoff. Well, do you think the people we are
10 talking about can live on that \$85 difference a month?

11 Mr. Palmer. I think it is a reduction in benefit
12 levels. It is inappropriate, given the --

13 Senator Ribicoff. Inappropriate?

14 Mr. Palmer. Yes, indeed.

15 Senator Bradley. Mr. Chairman, I would like to second
16 what Senator Ribicoff said, in just asking if we could hold
17 that back, see if we can't get our \$2.2 billion somewhere
18 before we finalize that 2-B.

19 The Chairman. Well, it is all right with me to hold it
20 back and vote on it later on, vote on it tomorrow, but that
21 is something that this Committee has already agreed to. We
22 took it before the Senate. The Senate itself agreed to it.

23 Did you want to say something, Mr. Stern?

24 Mr. Stern. Any way you achieve the \$2.2 billion is
25 legitimate. Do you want to then just pass over Item 2-B for

1 the moment, and see if you can come up with some other way?
2 Senator Ribicoff. I mean, let's see what happens when
3 we get all through with this, and try to raise revenues, and
4 see where all that -- I don't know. We may be able to find
5 something. Maybe not. Maybe the Committee has no
6 alternative.

7 But I hope that we wouldn't lock it in, Mr. Chairman,
8 until we are all through with this whole exercise.

9 Mr. Stern. Mr. Chairman, have you agreed now to Item
10 4-C?

11 Senator Dole. That is the \$675 million?

12 Mr. Stern. \$675 million, yes.

13 Senator Dole. Sure.

14 The Chairman. Okay, then, tentatively we will agree to
15 Item 4-C.

16 All right. Now, what other item do you have there that
17 you think --

18 Mr. Stern. All right. Moving on, then, to Item Number
19 5 --

20 Senator Dole. Mr. Chairman, there may be a couple of
21 areas that are still in the health field that I would like
22 to raise. I think one, I can't see any reason for not
23 approving it. If we allow the Federal Government to
24 withhold any Federal Medicaid matching funds disallowed
25 until the appeals process has been completed. Under current

1 policy, when a state Medicaid claim is disallowed by the
2 Federal Government, the state may appeal the decision, which
3 certainly makes sense, but while the appeal is pending, the
4 state retains the money paid by the Feds for the claim, and
5 in some instances the decision may take as much as two years
6 or longer.

7 All I suggest is that the Federal Government ought to
8 retain that money. You would pick up \$75 million to \$100
9 million in interest on that money, and as I understand, 98
10 to 99 percent of all appeals are found in favor of the
11 Federal Government, so the majority of the funds are
12 eventually returned to the Federal Government. If a state
13 claim is upheld, in addition to receiving the amount they
14 would have received, they receive interest. We don't do
15 violence to any state. To me it is another bookkeeping
16 area, a better bookkeeping procedure which would pick up \$75
17 million to \$100 million.

18 Mr. Stern. Yes, sir.

19 Senator Dole. Is there anything wrong with that?

20 Mr. Stern. No, sir. Just, some states would obviously
21 want to hold onto the money.

22 Senator Dole. They want to make money on it, rather
23 than the Federal Government, and if there is an appeal
24 pending and the Federal Government is successful in 98
25 percent, why shouldn't the Federal Government retain the

1 money? We are trying to find money.

2 The Chairman. You say the Federal Government is
3 successful in 98 percent of the cases?

4 Senator Dole. That is what I am advised by Ms. Burke.
5 The state uses the money, and they return it, and I assume
6 they have had some interest on it.

7 Mr. Stern. Yes, sir. They have the use of the money.

8 The Chairman. Well, it sounds like a reasonable
9 proposition.

10 Dr. Mongan. We are generally supportive of the general
11 direction of trying to accomplish what you are doing. I
12 understand there are two different ways of doing it, and
13 some are for one, some are for the other. I am not sure they
14 are that wildly different. One is to not give them the
15 money. The other is to give them the money, and if they
16 lose it, make them pay you back the interest, and I think
17 either one accomplishes roughly the same end.

18 Senator Dole. I don't care how it is done. It seems
19 like withholding it in the first place might be easier.

20 Mr. Constantine. Yes, sir. The thing that happens, if
21 you don't do it, generally these things find their way into
22 the Administration's budget for the following year, and you
23 don't get credit for it.

24 The Chairman. Well, if there is no objection, then, we
25 agree to that.

1 Now, what is the next point.

2 Senator Dole. Well, this is not a saving. Maybe
3 Sheila could touch on this. But to delay suspension of the
4 8.5 percent nursing differential contained in the Talmadge
5 proposal, it contains provisions directed to the Department
6 of HHS to suspend payments of the nursing differential until
7 such time as we have had a GAO study, and the Secretary
8 finds that the payment is justified.

9 I guess I am not certain -- this doesn't save any
10 money, obviously, but does it cost any money?

11 Mr. Constantine. Yes, sir.

12 Senator Dole. How much does it cost?

13 Mr. Constantine. \$191 million is the number we have
14 for the nursing differential in fiscal 1981. Now, it may
15 be, Senator, that you can come up with that, or we can go to
16 the drawing board. We do have some other things to come up
17 with it. I think the Committee provision -- I think what
18 you want to do, in discussing it with Sheila, Senator, was
19 to not stop the process, but to continue the payments of the
20 nursing differential until such time and as the Comptroller
21 General completes his studies showing where the differential
22 is appropriate, where it is inappropriate by type of
23 facility, by size, by location, that kind of thing, which
24 the bill already provides for.

25 Senator Dole. We don't take away the Secretary's

1 authority to --

2 Mr. Constantine. Until the Comptroller General's
3 reports come in. Now, you know, if the money can be arrived
4 at otherwise, we think that that is not an inequitable way
5 to proceed, but we think it is also important that if you
6 take that tack, that the Committee write a letter to the
7 Appropriations Committee and the Comptroller General, so
8 that GAO can get started right away, and that the
9 Appropriations Committee will see that GAO has the necessary
10 funds to conduct the study.

11 GAO has thought it through and is prepared to go. They
12 just want to make sure -- They say it will cost them about
13 \$200,000.

14 Senator Durenberger. What is the study going to study?

15 Mr. Constantine. The extent to which older people may
16 or may not require more routine nursing care in hospitals.
17 Now, there have been conflicting studies. New Jersey, the
18 State of New Jersey did a study which showed that it ranged
19 from less than normal, less than average, to substantially
20 above, and the purpose -- everyone is getting an 8.5
21 percent, regardless. The purpose is simply to sort it out
22 rather than just to pay the 8.5 percent indiscriminately.

23 The 8.5 percent was based on a study that the American
24 Hospital Association sponsored about ten years ago in 35
25 hospitals, and the hospitals were selected based on their

1 proximity to the researcher's home, not on the basis of any
2 kind of distribution or anything else. The information was
3 faulty and invalid.

4 We happen to agree with you, Senator. We are just
5 simply saying that we have to come up with the money.
6 That's all.

7 Senator Dole. But it may not be a year, and we don't
8 know.

9 Mr. Constantine. Yes, it could be less than a year if
10 GAO got rolling faster. Yes, sir.

11 Senator Dole. I don't know what HEW's position is, but
12 it seems to me if we have asked for a study, and if it
13 hasn't been completed, we are not certain if the payment is
14 justified, I just don't want to interrupt the process. I
15 think we have saved enough in that last little suggestion
16 that would certainly take care of continuing this process
17 until we have the study.

18 I don't think you object to that.

19 Mr. Constantine. No, sir, if we can figure out how to
20 come up with the balance of the -- there is \$191 million in
21 savings in the Talmadge bill, in 934, which is counted in,
22 which would have to be deferred in whole or part depending
23 upon how rapidly GAO completed its study. They said that
24 they would go into at least 60 hospitals, a minimum of 60
25 hospitals, but there might be some alternative savings

1 approaches.

2 We had a couple of suggestions.

3 Senator Dole. I have another one, too. Well, I want
4 to raise that, because I think it is important. I think we
5 are going to be hearing about it. Maybe you have heard
6 about it. We have heard some about it. If the Secretary
7 finds some case where you can make a case against an
8 institution, you can still proceed on that basis.

9 Does HEW have a position on this?

10 Dr. Mongan. Well, Senator, we do. We are in the same
11 basic quandary that your staff and that the Committee is
12 in. I mean, these are times when we are all looking for
13 appropriate ways to pare back on expenditures, and some of
14 the early work did seem to indicate that the 8.5 percent
15 factor was arbitrary, which it is, and also wasn't justified
16 in all instances.

17 In fact, as you look further at it, though, it does get
18 complicated. On the surface, it would seem like older peopl
19 needed more nursing, but they are in the hospital longer,
20 and so there are days when they need less. It is in our
21 budget, but I cannot argue strongly against the point you
22 have rasied in terms of it not being extremely clearcut.
23 So, it is difficult to be against the study, but we are
24 left, as Jay says, with the need to find \$190 million.

25 Senator Dole. Do we have any idea when the study may

1 be completed?

2 Mr. Constantine. GAO, I believe, said nine months.
3 Bob? Yes, Mr. Hoyer says GAO thinks that they can complete
4 it in nine months.

5 Senator Dole. In nine more months.

6 Mr. Constantine. So that would be actually, assuming
7 it came out even half of 1981 would be gone, fiscal 1981.

8 Senator Dole. Which would be \$90 million, or \$95
9 million.

10 Mr. Constantine. \$95 million, sir.

11 Senator Dole. And we just saved \$100 million -- well,
12 maybe \$75 million.

13 Mr. Constantine. \$75 million. Yes, sir.

14 Senator Dole. Well, I think it is a matter that -- I
15 don't have any -- It is going to cause some problems. Maybe
16 it should, if it is not justified, if it is arbitrary. But
17 on the other hand, there has been no study to indicate that
18 it is arbitrary and not justified.

19 Mr. Constantine. The dilemma, Senator, it was
20 unjustified and arbitrary when it was put in, and I guess in
21 a way you might say it is kind of arbitrary and unjustified
22 to take it back without the studies.

23 Senator Dole. Well, do you have a recommendation?

24 Mr. Constantine. Well, obviously, unless we can come
25 up with the money, to just leave the provision as is, but if

1 we can't come up with savings to offset it, Senator, then we
2 would suggest as a matter of equity that GAO proceed, and as
3 the GAO findings come in, that the reimbursement of the
4 hospitals be modified accordingly, depending upon what is
5 equitable to them.

6 We would like to go back to the drawing board and see
7 if we can come up with a little more money for you.

8 Mr. Stern. Mr. Chairman, there are a number of
9 suggestions here, without coming up with new suggestions
10 that aren't on here, maybe you want to hear the suggestions
11 that are on the list first before you go into new
12 suggestions.

13 The Chairman. Let me suggest that we do go through
14 these things the staff has and see which ones of them we
15 could agree to, and then we need more savings, and that
16 doesn't say we can't save more than the amount we are
17 required to save, but if we have to have some additional
18 savings to meet the budget requirements, then we can look
19 for more.

20 Senator Dole. In fact, I checked with Senator Bellman
21 yesterday, and he said, if we could save \$6 billion, that
22 was all right with him. We didn't have to raise \$2.2
23 billion.

24 Mr. Stern. The total effect of the Committee
25 reconciliation instructions is \$6.4 billion, which is

1 divided \$2.2 billion in spending and \$4.2 in taxes, and you
2 are saying that if the Committee could save \$6.4 billion by
3 cutting spending \$6.4 billion, that would be okay with
4 Senator Bellman.

5 Senator Dole. That is what he told me, that he thought
6 that would be great.

7 Mr. Stern. And in that case, maybe I should mention
8 Item Number 5-A, which I was going to skip over.

9 (General laughter.)

10 Mr. Stern. Item 5-A says that if you wanted to, you
11 could delay the effective month of when Social Security cost
12 of living increases begin one month.

13 Currently what happens is, you calculate the cost of
14 living in the first quarter of the year, and you compare it
15 with the first quarter of the previous year, and then it
16 takes a few months to get the Social Security mechanism
17 geared up to make that increase by the time you have the
18 information and can put it through the computer payments
19 system, so that in fact it is reflected in the checks that
20 people receive in July.

21 If you do delay that one month so that all the indexing
22 would be exactly the same but the payments would begin one
23 month later, that would save \$1.2 billion.

24 The second item under Social Security--

25 Senator Dole. That only amounts to what? They lose

1 about \$5 in benefits?

2 Mr. Stern. Well, this would not be effective this
3 year. If you assume in 1980 about a 10 percent cost of
4 living increase, and if the average benefit is about \$300,
5 it would be maybe \$30 on the average for that one month.

6 Senator Talmadge. Mr. Chairman, in that connection,
7 while you are talking about Social Security, my office has
8 been literally swamped with mail recently about prisoners
9 receiving Social Security benefits. According to the UPI,
10 Son of Sam, who killed seven people, and is serving 300
11 years in prison in New York, is drawing disability benefits
12 because he is unable to work. I don't know of any
13 employment that he is expecting soon, if he has a 300-year
14 sentence before him.

15 It looks like to me that is a good starting point to
16 eliminate on the Social Security matters. How much would we
17 save there if we eliminated prisoners and mental disability
18 people like Son of Sam?

19 Mr. Stern. Well, this seems to be a very difficult
20 number to get, but it is apparently a fairly low number,
21 maybe something like \$5 million.

22 Senator Talmadge. Even if we don't save much money, I
23 think the public wouldn't appreciate the fact that they are
24 paying taxes to subsidize the Son of Sam and other prisoners
25 who are in prison.

1 The Chairman. It seems to me it is a lot easier to
2 vote for that amendment than to explain why we are paying
3 that money out to people like that. I would just as soon
4 add an amendment -- add it here -- to say that they don't
5 get it.

6 Senator Durenberger. Mr. Chairman, how broad was the
7 suggestion? Was it all institutionalized or only those
8 committed to institutions?

9 Senator Talmadge. I would think the staff would need
10 to study it. Certainly I don't think we ought to pay
11 inmates who are serving time in Federal prison Social
12 Security while they are incarcerated. Now, we might want to
13 start it after their term expires, and I doubt that Son of
14 Sam is going to be out of prison pretty soon, and he is
15 drawing disability benefits because he is unable to work,
16 if the UPI report is accurate.

17 The Chairman. I would rather take the Son of Sam off
18 the payroll than explain why we've got him on the payroll.

19 Mr. Stern. Mr. Chairman, if we could have until
20 tomorrow just to work this out -- for example, I think you
21 probably would not want to include the families of people
22 who are in prison, although you would the prisoner himself.

23 Senator Talmadge. I think it needs staff study to come
24 up with the suggestion that we can incorporate where we can
25 satisfy the taxpayers that their tax money is not

1 subsidizing felons in prison and people of that type.

2 Mr. Stern. I might suggest that you proceed to try to
3 get the \$2.2 billion anyway, because this probably will not
4 be a large number.

5 The Chairman. Yes, sir?

6 Senator Danforth. Mr. Chairman, in this connection,
7 Sendor Wallop introduced a bill.

8 Mr. Stern. Well, apparently it is very difficult to
9 find out, since they simply don't keep records on this
10 basis. A GAO study of Federal prisons made an estimate of
11 something like 1 percent preliminarily.

12 Well, at any rate, we can look at what Senator Wallop's
13 bill does, and come back to you with some specifications
14 tomorrow.

15 Senator Ribicoff. I think HHS, first, you've got
16 families who are being supported. Funding is accumulated
17 for some of these prisoners when they get out of prison, so
18 they can use it to support themselves and rehabilitate
19 themselves, and not go back to crime, or go on welfare.

20 I mean, you know, you get the one sensational case
21 without thinking through all the implications of the others
22 that aren't sensational. Do you have a profile of this
23 problem at all?

24 Mr. Palmer. It is something that we are now studying.
25 We do not have a good understanding of exactly who is

1 receiving these and the numbers, as was indicated. It is a
2 complex issue to sort out exactly who you would not want to
3 make payments to, and who you would, and our preliminary
4 indications are that it may not even be cost effective in
5 terms of the savings. However, it may still be a desirable
6 policy course to take.

7 We are not yet prepared to make recommendations on it,
8 but I think for your deliberations the relevant thing is
9 that any budgetary savings are likely to be negligible.

10 The Chairman. Well, the staff will have to work that
11 up. Now, I don't think that we can agree to this thing here
12 today, about deferring the Social Security payments.

13 Mr. Stern. Mr. Chairman, unless you want to achieve
14 savings of more than \$2.2 billion, you are already up to
15 about \$1.6 billion, so you are really only looking for about
16 \$500 million more. You might just pass over this, unless
17 you decided you wanted to --

18 Senator Dole. Or delay it two weeks.

19 Mr. Stern. Well, payments at the moment are made on a
20 monthly basis.

21 The Chairman. If you wanted to save some money on it,
22 the way to do it would be to say that if the increase is
23 more than 10 percent, you would pay it in 5 percent
24 installments, 5 percent the first month, June and July, and
25 5 percent extra in August, and anything extra that comes

1 along in September, and that way, by spacing it out, you
2 would pick up about \$600 million.

3 Mr. Stern. That's right. Yes, that is quite right.
4 You could save less than this by some kind of a delay that
5 is not a complete one-month delay.

6 The Chairman. But insofar as you do that, you are kind
7 of fudging. You are taking away from people a little
8 something that under the law they now get.

9 Mr. Stern. Right.

10 The Chairman. And I doubt that the House would go
11 along with it, and I doubt the Senate will buy it certainly
12 if they had a chance to vote on it separately, so I have my
13 doubts about recommending this to them.

14 Senator Danforth. Mr. Chairman?

15 The Chairman. Yes, sir.

16 Senator Danforth. Eventually we are going to come to
17 the question of whether or not any of the savings or revenue
18 increases we are talking about of \$4 billion are going to be
19 real savings or just on paper, which I guess is all right
20 with the Budget Committee, but it is certainly not going to
21 have any kind of economic effect at all.

22 It seems to me that obviously, any of this is
23 politically unpopular, and none of us like to do it, but if
24 we are talking about the economy, it seems to me this is a
25 very basic kind of a question.

1 My staff points out to me that the last time that Part
2 B Medicare payments, the deductible amount, was increased
3 was in 1972, and at that date it was fixed at \$60, and it
4 hasn't been increased since then. If you were to increase
5 that by just \$5, that would raise about \$90 million.

6 Now, the question immediately is, well, would anybody
7 support that? Because that is \$5 from somebody. And these
8 are people by definition who are elderly people, and
9 therefore who wants us to have elderly people pay \$5
10 additional?

11 But I think that really we get to that question as to
12 whether all of this is just going to be basically funny
13 money, or whether there is going to be something that is
14 real.

15 The Chairman. Well, we have got some genuine savings
16 on here that we are trying to vote on. I would just like
17 for Mr. Stern to move to some of those that he thinks the
18 majority of Democrats are almost unanimously willing to go
19 along with, and that he thinks we might get the Committee to
20 agree on without much objection.

21 Why don't you take some of those?

22 Mr. Stern. Well, I guess I could just skip down to a
23 relatively small item, Item Number 9. Today if a person
24 doesn't meet the assets test under supplemental security
25 income program, which is that they have assets of less than

1 \$1,500, they can give away the assets and make themselves
2 eligible both for SSI and Medicaid, and this suggestion here
3 says that if you have disposed of your excess assets for
4 less than fair market value within the past two years, you
5 can't become eligible for Medicaid or supplemental security
6 income.

7 This estimate of \$11 million comes from the Department,
8 and the staff does believe that that is a low estimate, but
9 that is the figure we have been given.

10 The Chairman. That is just to keep people from ripping
11 us off. I think it is fair.

12 Without objection, then, the Committee will recommend
13 that one.

14 Mr. Stern. All right. Another item that there seemed
15 to be general agreement on is Item 10-B. The Department of
16 HHS was directed to make a study on the appropriateness of
17 the previous day care standards which had been suspended
18 since 1975, and to make recommendations for new Federal day
19 care standards.

20 They have now come out with these recommendations, and
21 by their own estimates, the higher standards would, when
22 fully implemented, cost something like \$100 million to \$175
23 million more for day care than under the present situation.

24 The savings here are much smaller because it would take
25 about three years to fully implement the new standards, but

1 the suggestion here is that these Federal standards be
2 postponed for one year while the Committee can look at them
3 and see what their effect is.

4 Senator Dole. It saves \$20 million?

5 Mr. Stern. \$20 million is the estimated savings in
6 fiscal year 1981 for a one-year postponement, that is,
7 through the end of fiscal year 1981.

8 Senator Boren. Mr. Chairman, that is something I
9 really hope we will do, because these standards -- and I had
10 a lot of experience with them. We, for example, had a
11 program of getting working mothers off welfare, those whose
12 children were up to school age, and getting them to work.
13 Then the next thing we were hit with was that if these
14 standards came into effect and, of course, this battle has
15 been going on for some time.

16 The Chairman. The idea is to make it cost more money
17 to take care of the children in day care while Mama works --

18 Senator Boren. That is right.

19 The Chairman. -- than it does to put them on welfare.

20 Senator Boren. And you get them above the subsidized
21 level, and what you are going to do is force a lot of
22 working mothers to quit again because they can't pay the day
23 care.

24 The Chairman. If HEW had their way, they would require
25 that each little child has an individual psychiatrist to

1 help that little child on the theory that they learn more
2 during the first year than they learn at any other time in
3 their life, and they do. They learn to find their foot with
4 their hand, and they learn where their nose is, and they
5 learn how to feel around, and things like that.

6 Yes, sir, Mr. Palmer.

7 Mr. Palmer. Without discussing the merits of the
8 standards, I would like to point one thing out, and that is
9 that I do not believe there would in fact be any budgetary
10 savings from delay of these provisions. The cost estimate
11 is the cost that would in fact have to be borne by providers
12 to meet these standards. However, that money is not
13 separately budgeted. It would be contained within whatever
14 overall Title XX ceiling is in fact authorized and
15 eventually appropriated.

16 The Chairman. Well, I have talked to some of these
17 people, and I found some of them to be very fine, dedicated
18 black women who run day care centers. They think what you
19 are trying to do is ridiculous.

20 Mr. Palmer. I only want to point out that in any
21 event, even if you delay the standards, it has no budgetary
22 impact.

23 Mr. Stern. Mr. Palmer, I would disagree, because you
24 do have requirements in there for training where your own
25 budgetary impact study shows that states will have to

1 provide additional training, and also, health is the other
2 area where you are going to have some more children getting
3 care under Medicaid under this requirement.

4 Mr. Palmer. With respect to the training, Title XX is
5 now an entitlement program. The same amount of money is
6 going to go out to the states. All you are talking about is
7 how much they are going to have to expend to meet the
8 standards or for training versus pay for other things that
9 they would otherwise provide.

10 There is no separately budgeted item.

11 Mr. Stern. Under the training limitation you have now,
12 not all states are using the total amount.

13 The Chairman. Let me just read this. Senator Dole has
14 referred me to this. This is some of his information. If
15 it is not true, you can correct it.

16 "The latest regulations cover a number of regulations,
17 including staffing requirements. Health and safety and
18 nutrition are expected to make the average cost for care per
19 child equal \$3,500 per year."

20 Senator Boren. That's right.

21 The Chairman. Is that correct?

22 Mr. Palmer. I am sorry. I am not able to speak to
23 those details.

24 Senator Boren. That is right. It is a 75 percent
25 increase.

1 The Chairman. Well, basically, back in the days when
2 we had the welfare reform thing, it seemed like a great idea
3 to me to put a little child in a day care center and give
4 the child good care and let Mama go out and get herself a
5 job. They have closed that option off for us. They made it
6 so expensive to provide day care that it was not a viable
7 option at all.

8 Now, at that particular time I had a woman who was the
9 fastest typist and the fastest shorthand writer on Capitol
10 Hill in my office, and one of the best secretaries we ever
11 had, who was well qualified to be a United States Senator
12 herself --

13 (General laughter.)

14 The Chairman. -- and she said, Senator, if they tell
15 you it costs \$3,000, she said, that is ridiculous. She
16 said, I can take you right out there to Montgomery County
17 and show you where you can get good day care for a child for
18 about \$1,200 a year.

19 So, here they are just closing off the option, fixing
20 it so you can't put Mama to work. They just make it
21 impossible. The only way you can put Mama to work is to
22 hire her in the day care center and pay her the \$3,500 for
23 Mama to take home with the child, and going back and forth
24 to the day care center.

25 That is the kind of thing that just makes the public

1 just rise up in arms against HEW. If HEW could be put on
2 the ballot, they wouldn't get 25 percent of the votes, I
3 will guarantee you that. But somehow or other they manage
4 to maneuver this thing around and come in with these
5 ridiculous proposals, and keep imposing this thing as though
6 they are trying to look after people. They are more the
7 problem than they are the answer.

8 Senator Ribicoff. I am just wondering, Mr. Chairman,
9 if you couldn't achieve what you are trying to do to sort of
10 implement the legislation and allow each state to waive
11 these provisions for a year, until they determine what they
12 are all about as far as every state is concerned. Then you
13 get what you achieve, and during that year my hunch is that
14 most states would waive it.

15 The Chairman. I think they ought to be given the right
16 to waive it, period. Not for a year. Just waive it.

17 Senator Ribicoff. Well, then, give the states the
18 right to waive it. Some might want to do it and some may
19 not. Wouldn't it effect any savings at all? It doesn't
20 seem possible. Somebody is going to save something.

21 Mr. Palmer. There could conceivably be savings in
22 terms of lower expenses, but not to the Federal budget. The
23 money that supports the higher standards comes out of the
24 Title XX ceiling.

25 Senator Ribicoff. I know, but if the money isn't

1 needed, what is the difference who saves it? Someone is
2 going to save some money.

3 Senator Boren. Well, you are going to save it also in
4 the number of children. For example, here is exactly what
5 happens. We made an intensive study of this, and what is
6 going to happen is this.

7 Number One, if a center doesn't take at least 20
8 percent of its children in the low income group, they don't
9 have to meet these standards, so I can tell you what is
10 going to happen in Oklahoma. We did a survey. Eight
11 hundred centers are going to exclude low income children to
12 get their figure down below the 20 percent so they won't
13 have to comply with the standards. That is one.

14 The other thing is going to be that the cost, the
15 average cost will go up from \$7 a day to \$12 a day. Well,
16 the working mother is going to save that, and then the state
17 or the Federal Government is going to save it on
18 reimbursement for your low income people.

19 Now, you could say, well, you are going to save the
20 same number of dollars. The difference is going to be, you
21 are going to be paying out the same number of dollars, but
22 you are only going to be taking care of half the number of
23 low income children.

24 Senator Ribicoff. Why don't we go along with the
25 Chairman, let the standards stay, but let every state waive

1 them -- I don't care how long the period is, Mr. Chairman.
2 If they ever want to reinstitute them again, they can do it.

3 Mr. Stern. Well, if you suspend the standards for a
4 year, any state that wants to impose them on themselves
5 could do it, too.

6 Senator Ribicoff. Well, you could do it either way.

7 Mr. Stern. The staff's suggestion was the second
8 approach. Just suspend them for one year while the Congress
9 can look at them if they want us to, and any state that
10 wanted to impose the standards could.

11 The Chairman. And if the state wants to do it, they
12 could do it.

13 Senator Boren. The state may have higher standards.

14 The Chairman. Well, without objection, we will agree
15 to that.

16 All right. Now, what are the other items?

17 Mr. Stern. All right. Item Number 11 relates to the
18 increased payment to the territories, Puerto Rico, the
19 Virgin Islands, and Guam, that has been approved in a bill
20 that was just signed into law by the President.

21 When the Congress provided for an increase in payments
22 to the territories for the fiscal year 1979, instead of
23 increasing the standards and increasing the payments in
24 general to welfare recipients, Puerto Rico and the Virgin
25 Islands apparently simply passed out this additional Federal

1 money in a lump sum.

2 You did two things. You tripled the Federal dollar
3 amount, and you decreased the state share from 50 percent to
4 25 percent. So the effect of that was that the same amount
5 of money in Puerto Rico would now get them three times as
6 much Federal matching, and what happened in Puerto Rico was
7 that in September, 1979, the last month of the fiscal year,
8 they increased the average payment to the 40,000 families on
9 welfare from \$46 a month to \$757 a month, which was a 1,500
10 percent increase.

11 And then it dropped back down in October, 1979, the
12 first month of fiscal year 1980.

13 In the Virgin Islands, something not quite so dramatic
14 but comparable happened in May, 1979, when the average
15 payment per family more than doubled from \$159 to \$325.

16 So the staff's suggestion here is that you phase in
17 these dollar increases by providing one quarter of the
18 increase in fiscal year 1980, and one half of the increase
19 in 1981, and then the full increase in 1982, and that would
20 save \$26 million.

21 The Chairman. That seems reasonable enough to me,
22 rather than to shell it out because it is there, to give it
23 to them a little more gradually.

24 Do you agree with that?

25 Senator Dole. Yes.

1 Mr. Stern. All right.

2 The next item I would suggest would be Item Number 7-C.

3 The Chairman. If there is no objection, we will
4 tentatively agree to that one.

5 Mr. Stern. Item 7-C is in the unemployment area, and
6 it relates to the extended benefit program. We are only
7 talking about here cases where a person has received
8 unemployment benefits for six full months, and is now in the
9 seventh to the ninth month of unemployment.

10 This suggestion is that after six months of permitting
11 a person to refuse a job offer based on previous experience
12 and wages and education, beginning with the seventh month,
13 they could not refuse any reasonable job offer that meets
14 certain standards of health and safety and so on.

15 A similar provision had been written into law a few
16 years ago with relation to the then emergency extended
17 benefit program, which provided benefits for more than nine
18 months, the theory of this being that after a particular
19 period of time of allowing a worker to try to get a job
20 similar to what he has been doing before, at that point his
21 own standards for being re-employed might change.

22 If you were to do that with respect to the extended
23 benefits, you would save \$94 million in fiscal year 1981.

24 Senator Boren. Mr. Chairman, I would like to speak in
25 support of that, and also 7-B. They are somewhat related.

1 The Chairman. Well, let's take 7-C. That seems
2 reasonable enough.

3 Senator Boren. I think it is very reasonable, and it
4 will save a significant amount of money, and you are only
5 applying it to the extended benefit period, and that way you
6 are not getting into the question of mandating something
7 onto the states. You are only talking about that the
8 states would do this to be qualified to continue their
9 Federal share. So, you don't get into that philosophical
10 dispute.

11 We have tried this at the state level. It has been
12 very successful, and helped keep the reserves up in good
13 shape so we can pay benefits to those that really should be
14 getting the benefits.

15 The Chairman. I think that is reasonable enough. All
16 in favor, say aye.

17 (A chorus of ayes.)

18 Senator Danforth. What is this one, now?

19 Mr. Stern. This is 7-C.

20 Senator Danforth. Seven-C only?

21 Mr. Stern. That is correct.

22 Moving up to 7-B, then, this also relates to the
23 extended benefits payable in the seventh, eighth, and ninth
24 month of unemployment, and this would say that those
25 benefits would not be payable for persons who leave their

1 job voluntarily or for misconduct during the duration of
2 unemployment.

3 In other words, they would have to go back to work and
4 re-establish their entitlement before they could get
5 unemployment benefits. Some states do indeed disallow
6 benefits at first, but then after some period they will
7 allow the benefits anyway, and a study showed that
8 unemployment tended to be longer in those states than it was
9 in other states.

10 So, this would say, you do not pay extended benefits
11 during the period of unemployment if the reason for the
12 unemployemen was voluntary, that the person left voluntarily
13 or because of misconduct. That would save \$32 million in
14 fiscal 1981.

15 The Chairman. I can't be against that.

16 Senator Boren. Again, Mr. Chairman, I think this is a
17 very, very reasonable proposal, and most states on their
18 basic benefits have some kind of variation of this, but it
19 is even more reasonable when you are talking about applying
20 it to extended benefits, I think, to say that if a person
21 voluntarily quits a job, he shouldn't be able just to go on
22 and receive these benefits, because they are not really
23 unemployed. They weren't thrown out of work involuntarily
24 at all.

25 The Chairman. All in favor, say aye.

1 (A chorus of ayes.)

2 The Chairman. Opposed, no.

3 (No response.)

4 Mr. Stern. All right. Item Number 7-A also applies to
5 extended unemployment benefits, and it says that a person
6 would have to have at least 20 weeks of employment in their
7 base period, 20 weeks out of the 52, in order to qualify for
8 the additional 13 weeks of benefits, the additional three
9 months of benefits after the sixth month of unemployment,
10 and the idea there being that if you have worked less than
11 five months during the base period, you really have not
12 established a substantial connection to the labor force to
13 be paying benefits for more than six months.

14 If that were done, it would save \$120 million in fiscal
15 year 1981.

16 Senator Bradley. Does that mean if the person moved --
17 say he was laid off, and then he went to work for another
18 firm, and he was employed less than 20 weeks, then he went
19 to work for another firm because he was laid off from his
20 second job, that he couldn't collect on his second and third
21 jobs?

22 Mr. Humphreys. No, it is his total employment during
23 his base period. So, if he had amongst various employers at
24 least 20 weeks of employment in his base period, then this
25 provision would not apply to him. He would be entitled to

1 the extended benefits.

2 He could have three or four jobs.

3 Senator Bradley. He could have ten jobs?

4 Mr. Stern. Yes.

5 Senator Bradley. Ten two-week jobs?

6 Mr. Stern. That's right.

7 Senator Bradley. But if he had nine, he wouldn't
8 qualify?

9 Mr. Stern. That is right. He would qualify for the
10 regular six months of benefits, but he wouldn't qualify for
11 more than six months of benefits.

12 Senator Bradley. What is the rationale for that?

13 The rationale is that if the guy is unable to get work,
14 he should be compensated, or if he tries to get work and
15 gets it and loses his job a number of times, that he should
16 not be compensated?

17 Mr. Stern. Well, I think the philosophy of it is that
18 a person is being insured under the unemployment program
19 against a risk of becoming unemployed, and that a person has
20 worked less than five months out of a year has not
21 established enough of an attachment to the labor force to
22 insure him for more than the basic six months.

23 Senator Bradley. Well, I don't feel easy with this. I
24 don't have a strong objection to it. I just don't feel
25 completely comfortable with this.

1 The Chairman. A person ought to do a certain amount of
2 work to justify the insurance, to become eligible. And most
3 of them do. There are very few that don't. Isn't that
4 right?

5 Mr. Stern. That's correct.

6 The Chairman. But that saves us some money.

7 Will those in favor say aye?

8 Senator Danforth. Mr. Chairman, just one second. This
9 is the \$120 million to be saved at a time of increased
10 unemployment from people who are not going to receive these
11 payments, not by virtue of anything that they have
12 voluntarily done, such as declining a job that is not
13 available, but simply by virtue of the fact that they are
14 out of work and have not been employed for 20 weeks or
15 more. It just seems kind of an accidental way to select
16 people as the source of savings.

17 The Chairman. But in most states, you've got all kinds
18 of employment opportunities available. They are just not
19 very good jobs. That is one point a lot of people are
20 making, that they show all the ads in the newspaper to
21 people seeking situations and trying to hire folks, but they
22 are not the kind of jobs that most people would like to
23 have, and so therefore jobs go begging for taking.

24 It is not as if a person can't qualify by lowering his
25 sites a bit and taking something a little less desirable.

1 they can. Most people can. In fact one reason a lot of
2 people are out of work is because they can live without
3 working, if they have got a source of income coming to them,
4 and I say that not with regard just to people who are on the
5 unemployment roles, but you've got a lot of people who for
6 one reason or the other find that they don't have to work,
7 and therefore don't, and it is nice, you know, especially
8 for those who have inherited something, if they don't have
9 to work, and don't. It is not necessarily good for society,
10 but it seems to me that most people would qualify if they
11 get 20 weeks of employment, that is five months of
12 employment --

13 Senator Dole. You are talking about next year.

14 Senator Matsunaga. Mr. Chairman, we are talking only
15 about the extended period of payments.

16 Mr. Stern. That is correct.

17 The Chairman. Is that what we are talking about.

18 Senator Matsunaga. The initial 26 weeks.

19 The Chairman. Is that right? You are only talking
20 about the extended time?

21 Mr. Stern. That is correct. This is only benefits
22 after the six months of unemployment.

23 Senator Boren. What period do most states have to
24 qualify?

25 Mr. Humphreys. Well, most states have a dollar amount

1 that you have to have earned, and most of them have a rule
2 that there have to be some earnings during two different
3 calendar quarters. There are a few states that have a
4 number of weeks' requirement. For example, Minnesota has 15
5 weeks of work required, but in general, it is not in terms
6 of the number of weeks of work.

7 Senator Boren. During the two quarters. A quarter,
8 you would be into about 12, 13 weeks.

9 Mr. Stern. Yes, but that could really be two weeks of
10 work. It could be a week at the end of one quarter and a
11 week at the beginning of the next quarter, as long as you
12 met the qualifying wage amount requirements.

13 Senator Boren. Well, they have 15 weeks in some
14 states, and you are talking about two quarters. Maybe we
15 ought to just make it 15 weeks instead of 20. What I am
16 thinking about is some young people that are just starting
17 into the labor force. Maybe they have just finished school
18 and are starting out, and might get trapped into this, and
19 that would be a little more reasonable. I think there
20 should be a period of time.

21 Senator Dole. That is for the extended benefit in
22 Minnesota, or is that for the regular benefit?

23 Mr. Humphreys. Well, that would be for both, because
24 under present law, if you qualify for regular benefits and
25 the extended program is in operation, you automatically get

1 the extended benefits..

2 Senator Bradley. Mr. Chairman, I am not going to object
3 to this. I am just a little uneasy. I would like to
4 register that.

5 Senator Boren. Mr. Chairman, I move that we accept it
6 and make it 15 weeks. I think the savings would still be
7 pretty well there, don't you think?

8 The Chairman. What would you save if you made it 15
9 weeks?

10 Senator Boren. That would bring it pretty well in line
11 with what most states are doing.

12 Senator Bradley. What would the savings be with 15
13 weeks?

14 Mr. Stern. If in fact 15 weeks is about the equivalent
15 to what states are doing, the savings would be very little,
16 I would think.

17 Senator Bradley. Well, let's just keep it at 20.

18 The Chairman. All in favor, say aye.

19 (A chorus of ayes.)

20 The Chairman. Opposed, no.

21 (No response.)

22 The Chairman. The ayes have it.

23 Mr. Stern. Well, I guess I would next move to Item
24 Number 6.

25 Senator Bradley. Could we go to 5-B and C first?

1 Mr. Stern. All right, 5-B relates to the Social
2 Security program typically in a situation of a disabled
3 person. Right now a person can receive benefits
4 retroactively for up to 12 months prior to application for
5 benefits. A few years back, one of the Administration
6 proposals for savings under Social Security was to limit
7 that retroactive benefits to three months.

8 For example, if a person comes in and is disabled, but
9 he doesn't apply for benefits until 18 months after the
10 onset of disability, by the time you have subtracted the
11 waiting period, the individual could still get 12 months
12 worth of retroactive benefits, and this suggestion is that
13 you limit the retroactive benefits to three months.

14 Senator Dole. The Administration supports that, don't
15 they?

16 Mr. Stern. Well, I don't know what they do now. That
17 was an Administration proposal in the last Congress, not in
18 this Congress.

19 Mr. Palmer. Yes. The Administration had proposed that
20 at one point, but it did not resubmit it in the present
21 Congress, and is not advocating it any longer.

22 Senator Bradley. But that doesn't mean -- you are just
23 neutral in this?

24 The Chairman. How long does it take you to process
25 these claims?

1 Mr. Stern. A disability claim, I think, is processed
2 in about three months. Since there is a five-month waiting
3 period anyway, if a person does apply for benefits soon
4 after becoming disabled, he can start receiving benefits by
5 the time he would be entitled to anyway. This is a more
6 unusual case where a person waits some time before submitting
7 the application.

8 Senator Dole. You can go back to a year now?

9 Mr. Stern. You can go back for 12 full months. That
10 is correct.

11 Senator Dole. We are just saying, just three months
12 ought to be enough.

13 Mr. Stern. For the retroactive portion. That is
14 correct.

15 Senator Dole. Right.

16 The Chairman. Well, all in favor of the proposal, say
17 aye.

18 (A chorus of ayes.)

19 The Chairman. Opposed, no.

20 (No response.)

21 The Chairman. The ayes have it.

22 Mr. Stern. I might mention that that is prospective in
23 effect.

24 The Chairman. Right.

25 Mr. Stern. Item 5-C relates to parents' benefits,

1 typically mothers' benefits. A mother can now receive
2 Social Security benefits until the youngest child is age
3 18. The suggestion here is that that be reduced to age 15,
4 which would be comparable to the point at which the child
5 care tax deduction expires. In other words, you can't take
6 a child care tax deduction when your youngest child reaches
7 age 15.

8 This would save \$37 million.

9 The Administration a few years back had recommended a
10 change to lower the age 18 to age 16. That is not something
11 they have submitted in this Congress.

12 Senator Dole. Would 16 be all right?

13 Senator Chafee. Well, let's say the widow is getting
14 Social Security for her dependent children. Now, you say
15 when the child reaches 15, she wouldn't collect for him?

16 Mr. Stern. The child would continue to get benefits
17 until age 18, or if he is going to school, until age 22, but
18 the mother would not be eligible for mother's benefits.

19 Senator Chafee. Why does she get the mother's benefits
20 now? Does the child always get the benefit?

21 Mr. Stern. Well, the theory of the program is that the
22 child is the recipient of the benefit, and the mother is
23 paid so that she can provide care to the child until the
24 youngest child is age 18. The widow is then eligible again
25 by the time she reaches age 60, but while she is younger and

1 has children in their minority, she can receive mother's
2 benefits for providing the care to the children. The
3 children always get the benefit.

4 For example, if the mother works and therefore doesn't
5 meet the earnings limitation, she might not get benefits in
6 her own right, but the children continue to get benefits.

7 Senator Boren. On the benefit to the child, give an
8 example. Say you have two dependent children. How much
9 would they receive? Pick a middle example.

10 Mr. Humphreys. Well, if you had, say, maybe a typical
11 benefit might be \$150 for the two children, and -- I am not
12 sure where the cutoff is, but while there are two children,
13 there might be \$150 each, but if you had a situation with --
14 and maybe there would be another \$50 payable --

15 Senator Boren. To the mother?

16 Mr. Stern. -- payable because the mother was also
17 entitled. Now, actually, it is split up evenly amongst them
18 in that situation, but when the one child reaches age 22 and
19 is no longer entitled, you would have the mother getting
20 \$150 and the child getting \$150.

21 Now, under present law, the child can continue to get
22 his \$150 until he is age 22. The \$150 that would be payable
23 to the mother would end when that child reaches 18, on the
24 theory that he is now of an age where we no longer need to
25 be paying the mother to be home to care for him, and the

1 suggestion here is that the child's benefit would not be
2 cahnged, but the mother's benefit would end when he reaches
3 15.

4 Senator Boren. We are in essence paying the mother a
5 benefit for the fact that she is home caring for the
6 children.

7 Mr. Stern. That is right.

8 Senator Durenberger. Do we use the word "mother" or
9 the word "parent?"

10 Mr. Humphreys. Well, the law uses the word "mother."
11 In fact, they pay mother's benefits to fathers now also
12 under a Supreme Court decision.

13 Senator Chafee. Does the check go to the child? Does
14 the check go directly to the child?

15 Mr. Humphreys. There are two checks. In theory, there
16 are two checks, one to the mother in her own behalf, one to
17 the mother on behalf of the child. Now, when the child
18 reaches a certain age, he can have the check paid directly
19 to him, his benefit. I think at 18, if he wants it, they
20 will direct his check directly to him. But there are, at
21 least in theory, two checks. Sometimes they combine them
22 for convenience.

23 Senator Matsunaga. Why 15 and not 16?

24 Mr. Stern. We picked 15 simply because that is the age
25 under the child care deduction where the Congress has

1 determined that a person doesn't need to provide care for
2 the child.

3 Senator Matsunaga. Well then, a child less than 16 is
4 not employable, is he? I mean, the minimum age requirement
5 is 16, isn't it, to be employed?

6 Mr. Humphreys. This doesn't go to the child's benefit.

7 Senator Matsunaga. I know, just to the mother's
8 benefit, but then the theory being, of course, that you are
9 saying at age 15 the mother would need to care for the
10 child, but at age 16 -- I can understand at age 15 a child
11 is unemployable, but at age 16, the child would be
12 employable, so there would be no real good reason for the
13 child to remain at home and need the mother's care.

14 The Chairman. I would like to suggest that we just
15 drop this one out. Now, this is a benefit that somebody
16 worked for. It was in the contract during Popa's working
17 years. Somebody worked to earn these Social Security
18 benefits. And it doesn't mean much. It is \$37 million.
19 You are going to have some situations where a mother is
20 supporting herself on that income, and I know if you've got
21 just one of them in your neighborhood, by the time she gets
22 through taxing you on that issue, you are going to change
23 your mind about that subject.

24 I have been in some of those type situations, where
25 these people suddenly find that their check is cut off. I

1 just put it this way. If you've got to explain it to just
2 one neighbor, you will change your mind about that. And it
3 is actually something people worked for. It was in the
4 policy limits. It was a policy set at the time they worked
5 for it, wasn't it, Mr. Stern?

6 Mr. Stern. That's correct.

7 The Chairman. I just think that what little we save
8 there, the headaches you run into would just outweigh it.
9 It is not quite the same as if it is public welfare, where
10 it is a gratuity you are handing out to somebody. Somebody
11 worked for this.

12 Senator Chafee. Well, I agree. I agree.

13 Senator Bradley. I agree.

14 The Chairman. Let's go on to the next one.

15 Senator Bradley. What is our total, Mr. Chairman?
16 Because a few minutes ago a number was up there before we
17 added 150. It was 1929. Then we added 150.

18 Senator Danforth. It is now 2233, except that we have
19 decided maybe to cut out 229, so it is either \$2.233 billion
20 or \$2.004 billion.

21 Mr. Stern. What we have -- we have been keeping a
22 running total on the blackboard -- is \$207.9, assuming the
23 \$191 million that Senator Dole questioned is in there.
24 Perhaps we should take that dollar amount out. That does
25 not include the \$229 million in Item 2-B.

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The Chairman. Well, I think we are going to keep the
229. I am not positive, but I believe that is going to stay
in. Now, if you add that in, how much does that give us?

1

RCT

1 Mr. Stern. \$2.2 billion.

2 That is assuming \$191 million.

3 Senator Dole. Jay has our little problem worked out.

4 It would be very inexpensive.

5 Senator Bradley. That is the \$191?

6 Senator Dole. The nursing home differential.

7 Mr. Constantine. We think we have that worked out.

8 Senator Bradley. So, you are saying \$191 could replace almost
9 the 2(b)?

10 Is the \$191 reflected in there?

11 Senator Dole. No, we passed it over.

12 What do we get, Jay?

13 Mr. Constantine. \$100 million less.

14 Senator Dole. We still have alot of things like trade
15 adjustment. We could save a bundle there.

16 Senator Bradley. The silence, I take it -- it is of interest.

17 Senator Dole. They just have not gotten into it yet.

18 I assume there are others that everyone agrees on. You have
19 not finished the list yet, have you?

20 Mr. Stern. No, sir.

21 I wanted particularly to mention item number 5(d), which,
22 although it does not show a savings, it would prevent a cost
23 from occurring.

24 This simply says that for the calendar years 1980 and 1981
25 that you reallocate the total Social Security cash payroll taxes

1 between the survivor fund -- the old age and survivor fund and
2 the disability fund, so that neither of them will run out of
3 funds during 1981, and that would give you next year to deal
4 with the financing problem.

5 The Chairman. We definitely ought to do that. We are going
6 to need that breathing room, that is some elbow room we will need
7 in order to find how to keep the program going. Because of the
8 recession, the fund, even with the tax we voted is going to have
9 problems.

10 We are going to have to find a way to handle it. I think we
11 are going to need that elbow room. There is not way to predict
12 who is going to be trying to solve this problem next year, but
13 whoever the President is, or whoever has that problem in his lap,
14 as far as I am concerned, he is welcome to it. It is a real
15 problem trying to figure out how you are going to keep these
16 Social Security benefits going. This will give them a little
17 space.

18 Mr. Stern. It will give you calendar year 1981. Otherwise,
19 the old age and survivors trust fund might run out earlier.
20 This reallocates between the two funds.

21 It simply gives you 1981. It does not improve the financing
22 any.

23 The Chairman. Without objection, we will do this. Whoever
24 has the burden of having to find the answer next year will have
25 a year to work on it.

1 Mr. Stern. That would bring us to item number 6, which is
2 trade adjustment assistance.

3 Senator Dole. We have a vote.

4 The Chairman. Since we are voting, why do we not just break
5 up for now, and we will come back tomorrow. We have to discuss
6 this item that Senator Ribicoff wanted to reserve. There might
7 be some other items somebody wanted to hold up.

8 Senator Dole. Part B.

9 Senator Danforth. To increase the deductible figure for
10 Part B Medicare from \$60 to \$65. It has not changed since 1972.

11 Senator Dole. It is the voluntary end of it, is it not?

12 The Chairman. How much would you make on that?

13 Senator Dole. \$90 million.

14 The Chairman. It is a nice little pickup.

15 Senator Danforth. What would be the Administration's
16 position?

17 Mr. Palmer. I assume that we would be in opposition to
18 doing that, because in fact it really is impinging on one of the
19 more vulnerable populations.

20 Senator Dole. So is inflation.

21 Mr. Palmer. One would have to look at that relative to the
22 alternatives that you otherwise would pick, before I could give
23 you a judgement.

24 Senator Danforth. A \$5 increase in a deductible for a
25 doctor's bill would not really be a substantial blow, would it

1 to very many people?

2 Also, the \$60 figure was set in 1972. \$60 then was clearly
3 more valuable because of the inflation factor, than \$60 now.
4 Also, obviously since I think medical bills have gone up faster
5 than the general rate of inflation, there has been a much
6 higher percentage of the total bill.

7 Senator Dole. I think that Sheila has some information on
8 it.

9 Ms. Burke. Senator, the relationship between the Part B
10 deductible in 1972 when it was increased was higher in terms of
11 what the total physician's bills are. It has dropped down to
12 12 percent now in terms of the relationship.

13 One point on the other side, I have to point out, the
14 elderly in addition have to pay that increase, if we do that.
15 Also, there are some instances where there is a higher amount
16 because there are fewer physicians who are accepting assignment.

17 On the other side, there are higher costs for them to face
18 also. So, there are increases on both sides. Part B is the
19 voluntary side of the Medicare program.

20 Senator Dole. We can discuss that tomorrow.

21 Senator Chafee. I would rather put that off, if we could,
22 Mr. Chairman.

23 The Chairman. Let us discuss that tomorrow.

24 It might be well is Senators would let us know if they have
25 some significant amendments to bring up tomorrow, so that the

1 Senators can be thinking about it over night.

2 Mr. Stern. Mr. Chairman, for purposes of the press
3 release on today's session, should we assume that this \$191
4 million is just passed over?

5 The Chairman. Which \$191 million?

6 Senator Dole. The differential.

7 Mr. Stern. You might do it tommorrow. You might modify
8 it. We will not put it in as though it had been agreed to
9 one way or the other.

10 Senator Dole. Jay has a compromise.

11 Before Lloyd Bentsen leaves, I think earlier, Lloyd, they
12 talked about some relief for the royalty owners. We were not
13 here, but they are going to come back with some proposals.

14 The Chairman. We instructed the staff to see if they could
15 work up a proposal that would take care of royalty owners
16 particularly those who pay \$30,000, no more than \$30,000, to
17 try and help those people. They are on Social Security, and
18 things like that, so that they would not be adversely affected
19 by the windfall profits tax.

20 Senator Bentsen. Yes.

21 The Chairman. Thank you.

22 (Whereupon, the Committee recessed at 12:05 o'clock p.m.)
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