



## Tracing the History of CMS Programs: From President Theodore Roosevelt to President George W. Bush

### President Theodore Roosevelt

Theodore Roosevelt, who served from 1901–1909, advocated the passage of social insurance programs his unsuccessful run for another term in 1912. Since he believed that a strong country required healthy people, he favored the passage of health insurance legislation, although he assumed that such legislation would come from the states, rather than the federal government, and cover only the working classes.

### President Franklin D. Roosevelt

Franklin D. Roosevelt, who was Theodore Roosevelt's distant cousin and who was married to TR's niece, continued the fight for social insurance. During the first of his four terms, Congress passed the Social Security Act of 1935. This epochal piece of legislation contained old-age insurance, unemployment compensation, and maternal and child health, but not health insurance. Although important administration officials, such as relief administrator Harry Hopkins, favored the passage of health insurance, President Roosevelt decided that it was too controversial to include in his proposed Social Security Act and sent the issue off for further study.

Surgeon General Thomas Parran served as the Roosevelt's principal spokesman on health care. As head of the Public Health Service, he was sometimes wary of proposals that would expand the power of the Social Security Board. He became an important proponent of federal aid for hospital construction, which led in 1946 to the Hill-Burton hospital construction program. In exchange for federal funds, hospitals were required to serve the poor. He was the first to propose limiting health insurance to Social Security beneficiaries.

## President Harry S. Truman

Harry Truman, who became President upon FDR's death in 1945, considered it his duty to perpetuate Roosevelt's legacy. In 1945, he became the first president to propose national health insurance legislation. After Congress rebuffed his request, he reiterated his appeal after his surprising victory in the 1948 presidential elections. Congress continued to oppose the measure. In 1950, he signed the Social Security Amendments, which provided federal funds to states for vendor payments for medical care of poor aged called Old-Age Assistance; it became the foundation for the Medicaid program.

## President Dwight D. Eisenhower

In 1954 Dwight Eisenhower proposed a plan to re-insure private insurance companies against usually heavy losses on health insurance as part of a comprehensive health and welfare program that Congress ultimately rejected. Although his proposal failed, President Eisenhower oversaw significant progress in services for the disabled. In 1954, vocation rehabilitation legislation was passed for states to help the disabled return to work. In 1956, in a significant expansion of Social Security benefits, President Eisenhower signed the disability insurance program into law. The Hill-Burton hospital construction program was expanded to cover rehabilitation facilities.

## Congressional Debate

Among the Congressional opponents of President Roosevelt and Truman's approach to national health insurance was Senator Robert A. Taft of Ohio. The son of President William Howard Taft, the younger Taft, who served in the Senate from 1939 to 1953, became one of the leading legislators of his generation. He favored providing federal aid for health care for the poor that would be administered by the states.

Representative Aime Forand of Rhode Island introduced the legislation in 1957 that is generally regarded as the direct precursor of Medicare. Forand, who served on the House Committee on Ways and Means, was not the first choice of the bill's authors. They turned to him only after two more senior-ranking members of the Committee turned them down.

Representative Wilbur Mills of Arkansas, who became head of the Ways and Means Committee in 1958, exerted more influence over Medicare and Medicaid than any other single legislator. The Social

Security Amendments of 1965, that initiated the two programs, reflected many of the priorities and preferences of Representative Mills.

Senator Robert Kerr of Oklahoma, who entered the Senate in 1949, quickly became a major factor in its deliberations over Social Security. His opposition to Medicare and his desire to find a constructive alternative led to passage in 1960 of Medical Assistance to the Aged, also known as Kerr-Mills. It expanded the Old-Age Assistance vendor payment program to include coverage to the "medically needy" aged, i.e., those not poor enough to qualify for Old-Age Assistance, but too poor to pay their medical bills.

Senator Clinton P. Anderson of New Mexico had served as President Truman's Secretary of Agriculture and entered the Senate in the same year as Robert Kerr and Lyndon Johnson. In 1961 he became the principal Senate sponsor of the Kennedy administration's Medicare bill.

Representative John Byrnes of Wisconsin served as the ranking minority member of the Ways and Means Committee in 1965. His alternative proposal to the administration's Medicare bill, a voluntary program that would cover physician services, led to the inclusion of Supplementary Medical Insurance (known as Medicare Part B) in the final legislation.

## President John F. Kennedy

John F. Kennedy made the passage of Medicare one of the priorities of his administration. Despite intense bargaining with members of Congress, Kennedy died before gaining his objective. The closest he came to his goal was a vote in the Senate on July 17, 1962. Thanks in part to the efforts of Senator Robert Kerr, the administration lost by 4 votes: a count of 52 to 48.

## President Lyndon B. Johnson

After the assassination of President Kennedy, the newly elected President Johnson made passage of Medicare his top legislative priority. Bureau of the Budget director Kermit Gordon echoed the thoughts of many when he called Medicare the "jewel in the crown of the federal government." Medicare and Medicaid were enacted as Title XVIII and Title XIX of the Social Security Act. Medicare extended health coverage to almost all Americans aged 65 or older (e.g., those receiving retirement benefits from Social Security or the Railroad

Retirement Board). Medicaid provided health care services to those receiving welfare benefits: low-income children deprived of parental support and their caretaker relatives, the elderly, the blind, and individuals with disabilities.

Lyndon Baines Johnson signed the Social Security Amendments of 1965 into law on July 30, 1965, at a dramatic ceremony held at the Harry S Truman Presidential Library in Independence, Missouri. Some of Johnson's advisors urged him to sign the legislation elsewhere, for fear people would think that the administration wanted to pass national health insurance for people of all ages, as President Truman had. Johnson dismissed such objections, saying he wanted to recognize President Truman as the "daddy of Medicare."

- July 1, 1966—Medicare begins

In implementing Medicare, Social Security Commissioner Robert Ball worked closely with Wilbur J. Cohen, the Under Secretary of Health, Education and Welfare. Cohen had served as the administration's Congressional liaison in the long fight to pass Medicare. Cohen compared beginning Medicare on July 1, 1966, to planning the invasion of Normandy. "We did a better job of preparation than we did for almost any other program," Cohen said. "As I look back on it....I don't know how in the hell we did it, to tell you the truth," Ball recalled. About 19 million elderly enrolled in Medicare when the program began 11 months after enactment.

- January 1, 1966—Medicaid begins

Federal Medicaid funds became available to States on January 1, 1966. Medicaid was optional; states were not required to participate in the program and could phase it in. Medicaid expanded upon the Old-Age Assistance and Medical Assistance for the Aged programs to include under 65 populations that received welfare benefits—parents and children receiving Aid to Families with Dependent Children; the blind receiving Aid to the Blind; and the disabled receiving Aid to the Permanently and Totally Disabled. About 8 million people were estimated to be eligible for Medicaid.

- Medicare prescription drug task force

Assistant Secretary for Health and Scientific Affairs Philip Lee, who more than twenty years later held the same position under President Clinton, chaired a Presidential Task Force charged by President

Johnson with examining whether prescription drugs should be added to the Medicare program. In December 1968, at the end of Johnson's term, the task force recommended adding outpatient prescription drugs to the Medicare program.

## President Richard M. Nixon

In 1972, Richard Nixon signed into law the most significant expansion of Medicare eligibility to date; nearly 2 million individuals under age 65 receiving Social Security disability insurance payments and individuals with end-stage renal disease (ESRD) were newly entitled to Medicare. ESRD patients were the first group granted Medicare eligibility based on a specific condition. Medicare was given the authority to conduct demonstration programs. Medicaid eligibility for the elderly, blind and disabled residents could be linked to eligibility for the newly enacted Federal Supplemental Security Income program (SSI).

Concern over the cost of health care led President Nixon to favor federal funds to stimulate the creation of Health Maintenance Organizations. The 1972 HMO Act provided for start-up grants and loans for the development of health maintenance organizations (HMOs); HMOs meeting Federal standards relating to comprehensive benefits and quality were given preferential treatment in the marketplace.

## President Gerald R. Ford

Vice-President Ford was Chairman of the Domestic Council Committee on the Right of Privacy. During that period, the Administration developed legislation that was subsequently signed into law by the new President Ford in 1974. The Privacy Act provided, for the first time, comprehensive rights to individuals with respect to personal information the Federal government held about them. It required public notice of new data systems and of intended uses of information, gave individuals a right to see their own records, and controlled how the Government could use their information.

## President Jimmy E. Carter

President Carter turned to former LBJ White House aide, Joseph Califano, to become his Secretary of the Department of Health, Education and Welfare.

As one of his first actions, Secretary Califano put together a team to explore ways of reorganizing the Department. Califano wanted Medicare and Medicaid put together for a variety of reasons including preparation for national health insurance, a reaction to a two-class system of medicine, to improve the management of the programs, and to increase their leverage in the health care marketplace. Because Califano wanted no interference from Congress or private interest groups, he made sure that the group worked in total secrecy and had the charts for the President's briefing printed at the Pentagon. In early March, barely three months into the new Administration, Califano announced the creation of the Health Care Financing Administration.

In 1979, HCFA Administrator Leonard Schaeffer consolidated HCFA operations in Woodlawn, outside of Baltimore. The consolidation brought former Social and Rehabilitation Service Medicaid employees who worked in downtown Washington and former Bureau of Quality Assurance employees who worked in Rockville, Maryland to the Medicare employees from the Bureau of Health Insurance at Social Security already at Woodlawn in suburban Baltimore. To deal with rapidly rising health care costs, President Carter proposed a national hospital cost containment program, which failed in the Congress.

## President Ronald W. Reagan

The financial crisis facing Social Security was one of the first problems that President Reagan faced upon taking office. The Greenspan Commission was quickly formed in 1981 to address the problem. Once a deal was created to save Social Security, the legislation moved through the Congress very rapidly. The Administration had prepared a proposal to slow the rate of growth in Medicare spending for hospital services, which had been rising very rapidly. The Social Security Amendments spawned by the Greenspan Commission provided a ready legislative vehicle for the new Medicare hospital prospective payment system. President Reagan promoted a competition plan for Medicare, which did not receive such favorable treatment from the Congress.

Over the course of President Reagan's two terms, a number of changes were made to Medicare and Medicaid, primarily through annual budget reconciliation legislation. Highlights of these changes include expanding Medicaid waivers to allow states more flexibility in providing home and community-based services to beneficiaries who otherwise would have been institutionalized as well as waivers allowing

states more flexibility in using managed care. Medicare changes included a new prospective payment system for inpatient hospital services, risk contracts for HMOs, and new Peer Review Organizations to improve the quality of health care. As a condition of participation in Medicare, hospitals with emergency rooms were required to provide emergency screening and treatment to all patients in COBRA 1985. The Clinical Laboratory Improvement Amendments (CLIA) of 1988 strengthened quality performance requirements for clinical laboratories in order to assure accurate and reliable laboratory tests and procedures.

Secretary Bowen came to HHS in 1986 with the goal of extending Medicare to cover the costs of catastrophic illness. President Reagan called upon the Secretary in the State of the Union to develop such a plan. A Secretarial task force made recommendations and Congress subsequently passed the Medicare Catastrophic Coverage Act of 1988. It made the most significant changes since enactment of the Medicare program; including improved hospital and skilled nursing facility benefits, an outpatient prescription drug benefit and a cap on beneficiary cost-sharing liability. The benefits were financed by beneficiaries through new premiums and an income tax surcharge.

Nursing home reform was enacted in OBRA 1987 after the Institute of Medicine issued a report calling for new national standards to improve the quality of nursing home care.

## President George H.W. Bush

Newly confirmed Secretary Louis Sullivan was confronted with upset higher-income seniors who did not want to pay for the new benefits in the Medicare Catastrophic Coverage Act of 1988, since many of them already had similar benefits from their prior employers. After months of such protest, Congress repealed the law in 1989, before much of it had taken effect. The repeal left many on Capitol Hill stunned by the rapidity with which a major new benefit was turned on by its supposed beneficiaries.

HCFA Administrator William Roper worked with Congress on physician payment reform legislation enacted in 1989. Physician payments were made through a new Medicare fee schedule based on a resource-based relative scale, which replaced charge-based payments. For the first time, physicians were limited in how much they could bill beneficiaries above the new fee schedule. Medicaid coverage of pregnant women and children was expanded several times, a Medicaid prescription drug

rebate program was established and low-income Medicare beneficiaries were provided help in paying Medicare premiums and cost sharing.

HCFA Administrator Gail Wilensky consolidated Medicaid operations into a single bureau within the agency to improve its management. She developed the plan to consolidate HCFA from multiple buildings in the Woodlawn area into one new building.

To deal with the problem of a growing number of Americans without health insurance, President Bush proposed a "Comprehensive Health Reform Program" which featured tax credits and vouchers in the Spring prior to his re-election campaign.

## President William J. Clinton

In 1993, newly elected President Clinton proposed a "Health Security Act" which would have provided universal health care coverage to all Americans. Critics of the plan prevailed in the Congress, which gave it, and alternative proposals advanced by Republican members, vigorous debate, but did not enact it.

HCFA Administrator Bruce Vladeck presided over the move from the campus of the Social Security Administration to the present CMS headquarters building, which opened in 1995. With the opening of "single-site" as the employees referred to it, all HCFA central office staff were located in one office complex. One of the primary objectives, consolidation of Medicare and Medicaid staff, of Joseph Califano's 1977 reorganization had finally been met.

After a hard-fought debate in the Congress, President Clinton signed welfare reform legislation in August 1996. It replaced welfare with new work requirements and broke the link between Medicaid and welfare.

The Health Insurance Portability and Accountability Act of 1996 contained private health insurance reforms that had been the subject of debate for years, administrative simplification, a new Medicare Integrity Program, and privacy provisions.

A financing crisis in Medicare precipitated passage of the Balanced Budget Act of 1997 where the rate of increase in Medicare payments was slowed thereby extending the life of the Hospital Insurance program (Part A) by a decade, several new prospective payment systems were required, a new Medicare + Choice program to increase the availability of private health plans was established, and a new



State Children's Health Insurance Program (SCHIP) was created to extend health insurance coverage to children in families with incomes too high for Medicaid but not high enough to be able to afford private insurance on their own. HCFA Administrator Nancy-Ann Min DeParle oversaw the implementation of the new legislation.

## President George W. Bush

George W. Bush, the second son of a President to reach our Nation's highest office, has provided States with increased flexibility to manage their Medicaid programs including the new Health Insurance Flexibility and Accountability waivers, which are designed to increase the number of low-income individuals with health insurance coverage. His proposals to more fundamentally change the Medicaid program are under review in the Congress.

HHS Secretary Tommy Thompson in July 2001 renamed the Health Care Financing Administration the Centers for Medicare & Medicaid Services as part of his effort to create a new culture of responsiveness in the agency. CMS launched a series of Open Door Forums and listening sessions, held around the country, with health care providers to listen to suggestions for improvement and to strengthen communication.

After many years of Congressional debate about a Medicare drug benefit, and a cliffhanger vote in the U.S. House of Representatives, on December 8, 2003, President Bush signed the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (known as MMA) into law. MMA made the most significant changes in the Medicare program since its enactment in 1965. Changes include an outpatient prescription drug benefit starting in 2006, a prescription drug discount card available in the interim, new preventive benefits, and many other changes.