

# Public Welfare Amendments of 1962 *and* Proposals for Health Insurance for the Aged

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THE Public Welfare Amendments of 1962, which became Public Law 87-543 with President Kennedy's signature on ~~July~~ <sup>July</sup> 25, 1962, represent the most important changes in the public welfare provisions of the Social Security Act in that act's history. The amendments emphasize rehabilitation services and the training of staff, liberalize payments, and provide States with significant new tools for making welfare programs more effective.

The amendments, as passed, do not affect the program of old-age, survivors, and disability insurance. The major proposals of the Kennedy Administration for health insurance for the aged under social security were, however, offered, debated, and tabled by the Senate in the form of an amendment to the public welfare bill. The legislative history of the health insurance proposal is accordingly included in the last section of this article.

The most significant of the amendments to the public assistance titles are the following:

1. Seventy-five-percent Federal matching is provided for State expenditures for defined social services and training activities in the Federal-State public assistance programs.

2. Federal sharing in State assistance expenditures for the needy aged, the blind, and the disabled is increased. Federal sharing is also extended to expenditures to meet the need of the second parent when he is unemployed or incapacitated and is living in the home with needy children.

3. The provision for aiding the dependent children of unemployed parents is extended 5 years.

4. The provision for aid to certain children receiving foster-home care is made permanent; before October 1, 1964, such children may be receiving institutional care.

5. Protective payments in behalf of dependent children are authorized.

6. Provision is made for demonstration projects.

7. Funds are authorized for the use of the Secretary of Health, Education, and Welfare in providing

for the training of personnel, directly or by arrangements with institutions.

The major changes in the child welfare provisions (title V, part 3, of the act) are listed below:

1. The amount authorized for annual appropriation is increased from \$25 million to \$30 million for the fiscal year 1962-63 and, in steps of \$5 million, to \$50 million for 1968-69 and thereafter.

2. Beginning July 1, 1963, State child welfare plans must provide for coordinating their services with the services provided for dependent children under title IV, and they must also show by that date that they are working toward making child welfare services available by July 1, 1975, to all children in the State who need them.

3. A portion of the Federal child welfare appropriations is to be earmarked for day-care services, effective for the fiscal year 1962-63 and thereafter.

4. Specific requirements with respect to day-care services provided under the State child welfare plans are added, effective July 1, 1963.

5. Grants to institutions of higher learning for special projects for training in the field of child welfare are authorized, beginning 1962-63.

6. The purposes for which grants to States may be used are clarified and broadened through a new definition of child welfare services.

## Public Welfare Amendments of 1962

### BACKGROUND AND LEGISLATIVE HISTORY

The Public Welfare Amendments of 1962 constitute the most comprehensive and constructive overhauling of Federal legislation relating to public assistance and child welfare services that Congress has ever made. Detailed study of the operation of existing law, its weaknesses, and desirable modifications preceded the development of the new public law.

After his election but before his inauguration,

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President Kennedy established a task force on health and social security for the American people. This task force, which was chaired by Wilbur J. Cohen, reported to the President on January 10, 1961, and made a number of recommendations regarding public assistance and child welfare.

The recession situation of the early months of 1961 suggested the need for immediate action, and most of the provisions regarding public welfare recommended by the Administration were subsequently embodied in temporary legislation enacted that year, with most provisions scheduled to expire June 30, 1962.<sup>1</sup> This legislation provided for aid to dependent children of unemployed parents; for foster-family home care of certain children removed from their homes by a court because continuance in the home was contrary to their welfare; for modification and extension of the authority for training public welfare personnel; for an increase of \$1 in the amount of assistance subject to Federal participation in the programs for the aged, the blind, and the disabled; for assistance to American citizens returned from foreign countries; and for modest increases in the maximums on Federal grants for public assistance purposes to Puerto Rico, the Virgin Islands, and Guam.

In his testimony before the Committee on Ways and Means of the House of Representatives on February 15, 1961, when the bill to amend the program of aid to dependent children was under consideration, Secretary Ribicoff assured the Committee of his intention to make a thorough study of the public welfare programs. He also said that he would return to the Committee in 1962 with whatever recommendations might evolve from this study.

### **Prelegislative Studies and Developments**

On May 2, 1961, Secretary Ribicoff met with representatives of the National Association of Social Workers, discussing with them problems and needs in the welfare field and receiving from them an offer of cooperation and help in undertaking the studies that he had announced. On May 10 a somewhat expanded group, representing public welfare agencies, private welfare agencies, schools of social

work, and others, was constituted as the Ad Hoc Committee on Public Welfare and held its first meeting. On May 14, in a speech to the National Conference on Social Welfare the Secretary described the limitations of existing welfare programs and his determination to make substantial improvements in the existing structure. On the same date, he announced that a separate study of possible administrative and program changes would be undertaken by George Wyman, an administrator who had had local, State, and Federal experience in public welfare, as well as experience in the private welfare field.

After the enactment on May 8, 1961, of Public Law 87-31, the question of work relief came sharply into focus, as Federal participation in assistance was being provided for the first time to a group of individuals (unemployed parents) who were, by definition, employable. By midsummer the much broader issue of arbitrary public welfare limitations reached a boiling point, generally characterized in the public press and elsewhere by the name "Newburgh," referring to the New York community in which a set of very restrictive regulations with respect to welfare recipients had been adopted.

On August 26 the Wyman report was submitted to the Secretary, and on September 6 the Ad Hoc Committee on Public Welfare submitted its report. (Grants for staff services for both studies were furnished by the Field Foundation.)

A number of other studies were also made available to the Secretary. One of these, *Public Welfare: Time for a Change*, was a report by Elizabeth Wickenden and Winifred Bell of the project on public services for families and children, sponsored by the New York School of Social Work of Columbia University. Materials on needed welfare legislation were also submitted by the National Social Welfare Assembly, and less formal studies and advice were received from numerous other groups representing diverse interests in the public welfare field. The reports of the Advisory Council on Public Assistance and of the Advisory Council on Child Welfare Services, both established under the 1958 amendments to the Social Security Act, had been made to Congress at the beginning of 1960 and were also available.

To analyze the wealth of material available to him, the Secretary appointed a task force in the Department, which in turn established 12 work groups, each dealing with a different aspect of the public welfare programs. The groups considered

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<sup>1</sup> See the *Bulletin*, July 1961, pages 18-19, and September 1961, pages 8-9.

categories of public assistance, services in public assistance, child welfare services, project grants, levels of assistance, work relief, exemption of earned income of assistance recipients, various ways to promote the constructive use of assistance payments by recipients who have demonstrated their inability to handle money, residence requirements, training of public welfare personnel, medical care for recipients of aid to dependent children, and Federal financial participation in the public assistance programs. The task force and its work groups submitted a consolidated analysis of the available materials to the Secretary at the end of October.

### **Administrative Changes**

Out of all these materials it was entirely natural that certain recommendations could be handled administratively and that others would require legislation. On December 6, 1961, the Secretary announced 10 administrative changes. They dealt with (1) location of deserting parents, (2) administrative actions to reduce and control fraud, (3) allowing children to conserve income for education and employment, (4) safeguarding the children in families of unmarried parents, (5) safeguarding children in families in which the father has deserted, (6) safeguarding children in hazardous home situations, (7) improving State staff training and development programs, (8) developing services to families, (9) encouraging States and localities to provide more effective family welfare services, and (10) coordinating family and community welfare services.

On January 29, 1962, the Secretary announced six additional administrative changes. They related to (1) eliminating unnecessary paperwork, (2) initiating more effective services for children and youth, (3) intensifying efforts to combat illegitimacy, (4) placing increased emphasis on research and demonstration to reduce dependency, (5) strengthening vocational rehabilitation services for disabled recipients of public assistance, and (6) planning more effective training of public welfare personnel. Another administrative change, announced on March 5, provides for Federal participation in payments to patients of mental institutions who are no longer actually in the institutions but have moved into nursing homes, boarding homes, or the homes of relatives.

### **President's Message**

On February 1, 1962, President Kennedy sent to Congress a message concerning the public assistance and welfare programs in which he said:

Public welfare, in short, must be more than a salvage operation, picking up the debris from the wreckage of human lives. Its emphasis must be directed increasingly toward prevention and rehabilitation—on reducing not only the long-range cost in budgetary terms but the long-range cost in human terms as well. Poverty weakens individuals and nations. Sounder public welfare policies will benefit the Nation, its economy, its morale, and most importantly, its people.

This was the first Presidential message ever to be devoted exclusively to public welfare.

### **House Action**

On the same day that the President sent to Congress his public welfare message, the Administration's proposals for extending and improving the programs of public assistance and child welfare services under the Social Security Act were transmitted to Congress. The Administration bill (H. R. 10032) was introduced in the House by Representative Wilbur D. Mills, Chairman of the Committee on Ways and Means. The bill provided for—

1. Increased Federal participation in services designed to promote self-support and self-care and to strengthen family life and in expenditures for training of public welfare personnel.

2. Demonstration projects that States could undertake without having to meet all the conditions of the Federal act.

3. Progressive extension of child welfare services, with higher Federal authorizations.

4. Earmarking part of child welfare services funds for day-care services.

5. New authority for training child welfare personnel.

6. Community work and training projects, as part of the program of aid to families with dependent children.

7. As an incentive for recipients to accept employment, requiring the States to consider, in determining the amount of the assistance payment, all expenses reasonably attributable to work.

8. Protective payments when inability to manage money had been clearly demonstrated.

9. Counting, for Federal matching purposes, as a recipient of aid to families with dependent children

not only the single adult caring for the child but the husband or wife of that adult.

10. Extending the 1961 provision for aiding dependent children of unemployed parents, making permanent the 1961 provision for certain children receiving foster care, and temporarily broadening the latter provision to include children receiving care in private child-care institutions.

11. New training provisions for public welfare personnel.

12. Limiting to 1 year the maximum residence requirement that States can impose under Federal-State programs and increasing slightly the amount of Federal participation for States that abolish all residence requirements.

13. Permitting the States, on an optional basis, to combine their plans for the aged, the blind, and the disabled.

14. An advisory council on public welfare.

15. Extending the temporary \$1 increase in assistance payments for the aged, the blind, and the disabled, made in 1961.

16. Making permanent the program for aiding Americans repatriated from abroad.

17. Removing the dollar limitations on Federal assistance payments to Puerto Rico, Guam, and the Virgin Islands.

18. Changing the name of the program from "aid to dependent children" to "aid to families with dependent children."

The proposals also included a number of technical amendments.

The Committee on Ways and Means held hearings on February 7, 9, and 13, at which Secretary Ribicoff and other witnesses from the Department of Health, Education, and Welfare and many public witnesses were heard. In executive sessions held March 1, 5, 6, and 7, the Committee agreed to a number of modifications in the bill. The Chairman then introduced a "clean bill," H. R. 10606, on March 8, which was ordered to be reported the same day.

The Administration's recommendations were changed in a number of respects, listed below.

1. The Secretary was authorized to provide services to those persons who have been or are likely to become recipients of public assistance only upon their request.

2. Authority for financial participation in the cost of services provided under contracts between the State agency and nonprofit private agencies was deleted.

3. Specific language was introduced to avoid any possible duplication of services of public welfare agencies and of vocational rehabilitation agencies.

4. A number of minor amendments to make more explicit provisions for day care and for community work and training programs were included.

5. A new section, 107 (a), which was to become perhaps the most controversial in the bill, was added. This section authorized a State agency, in the best interests of the child, to provide counseling and guidance and to advise the relative caring for the child that failure to use the payments for the child's benefit might result in any one of a number of specified actions or in any other action authorized by State law, other than denial of payments while a child is in the home, without State loss of Federal funds. The language used in the bill, "any other action authorized by State law," clearly authorized voucher payments (that is, direct payments to grocers, landlords, etc.) and any other type of restriction or control. Such authorization would have represented a substantial departure from the usual pattern of the relationship between the Federal Government and the States.

6. The limitation in the Administration proposal on the ratio of protective payments to all other payments was increased from 1/2 of 1 percent to 5 percent.

7. The provision for aid to the spouse of the relative with whom a child is living was narrowed slightly to apply when the relative is the child's parent and the child is eligible because of a parent's unemployment or incapacity.

8. The provisions for training of public welfare personnel were somewhat modified.

9. The provision for payments under the dependent children program for children receiving foster-home care was made permanent, and the expiration date for provision of aid to children of unemployed parents was extended to June 30, 1967. An expiration date of June 30, 1964, was placed on the provision for assistance to repatriated American citizens.

10. The section on residence provisions was deleted entirely.

11. The proposal to eliminate the dollar ceilings on grants to Puerto Rico, the Virgin Islands, and Guam was eliminated, but modest increases in these ceilings were made.

12. The public assistance formula or Federal participation in the programs for the blind, the aged, and the disabled was modified so that additional

Federal funds of somewhat more than \$4 per recipient, in addition to those available under the temporary formula scheduled to expire June 30, would have become available on July 1, 1962.

13. The temporary exceptions that had been made for the programs of aid to the blind in Missouri and Pennsylvania since 1950 were made permanent, and the provisions for the optional combined State plan were modified so that, in States where aid to the blind is administered by a separate agency, these agencies could continue to administer the part of the program for the blind.

On March 13, the Rules Committee granted a rule providing for 4 hours of debate with a motion to recommit but no other amendments. Some of the minority members of the Ways and Means Committee attempted a motion to recommit, with instructions to delete the revised matching formula, when the bill was debated in the House on March 15. This motion was defeated by a voice vote. The House then went on to pass H.R. 10606 by a vote of 319 to 69.

#### **Finance Committee Action**

At the time that H. R. 10606 passed the House, the Senate Finance Committee was not able to take up the welfare bill immediately but held public hearings on May 14, 15, 16, and 17 and executive sessions on June 6 and 7. The Committee made a number of amendments in the bill.

1. It concluded that the requirement that a State provide minimum services prescribed by the Secretary in order to qualify for any Federal participation under a program was too drastic. It modified this requirement to provide that, if the State did not make the minimum prescribed services available, Federal participation in administrative costs would be reduced to 25 percent but that Federal participation in assistance payments would not be affected.

2. It adopted language clarifying the language in the House bill concerning the relationship between State public welfare agencies and State vocational rehabilitation agencies and stating more explicitly the circumstances under which services could be provided and reimbursement made.

3. It adopted the formula in the House bill for the \$4 increase in payments to the aged, the blind, and the disabled but made the effective date October 1, 1962. The \$1 increase that was scheduled to expire

June 30, 1962, was extended through September 30, 1962.

4. It adopted an amendment to the section on protective payments, under which a State would be permitted to use such payments for those cases that, under the State's usual standards, would have their needs met in full even though the operation of some other feature, such as a statutory maximum, prevented all recipients of aid to families with dependent children from having needs met in full.

5. It eliminated section 107 (a) of the House bill, which would have permitted voucher payments and any other action authorized under State law.

6. It adopted an amendment exempting payments for work on community work and training programs under title IV from Federal income tax and withholding liability.

7. It deleted the provision in the House bill that would have expanded foster care under the dependent children program to include Federal participation in payments for otherwise eligible children who were placed in private child-care institutions.

8. It adopted the "Baldwin amendment" for a 1-year period ending June 30, 1963. This provision would authorize Federal participation in foster-care payments when the placement and supervision were the responsibility of another public agency (such as the probation department of a juvenile court), if the other agency had in effect an agreement with the welfare agency assuring that the objectives of title IV would be carried out.

9. It revised the training provisions to authorize, within the dollar limitations established by the House bill, a program of direct Federal training and grant activity and of scholarships and stipends for those persons who are preparing for employment in public welfare agencies. The existing provisions of law that would have been made permanent, within dollar limitations, by the House bill would thus have been repealed. Under the House bill, provisions for training would have been handled entirely through grants to the States.

10. It raised the dollar limit on grants for public assistance to Puerto Rico from the House figure of \$9.8 million to \$10.5 million and for the Virgin Islands from \$330,000 to \$400,000.

11. It adopted an amendment that would provide, in programs of aid to the blind, for exempting, in addition to present exempted amounts (\$85 a month in earnings plus one-half the balance), other amounts of income or resources necessary to fulfill a State-approved rehabilitation plan for a blind indi-

vidual. The additional exemption would not be available for more than 1 year for one individual.

12. It adopted a clarifying amendment with respect to day care, indicating that families with ability to do so would be expected to pay reasonable fees for such care.

13. It restored Administration-proposed language, not included in the House bill, that would modify the existing authority for research and demonstration projects in child welfare to include grants to institutions of higher learning for special projects for training personnel for child welfare services.

14. It amended the House provision authorizing the Secretary to appoint advisory committees by limiting to 10 the number of such committees and to 15 the number of members in each committee.

Where appropriate, conforming changes were made in the combined title under which States could merge their programs for the aged, the blind, and the disabled. Some other, essentially technical amendments were made, and the bill was ordered reported to the Senate.

### Senate Floor Action

H.R. 10606 was taken up by the Senate on July 3, with Senator Kerr managing the bill for the Senate Finance Committee. The Committee's amendments were adopted, as was an amendment presented by Senator Kerr for the Committee. This amendment provided that authority for Federal participation in payments for work on community work and training programs operated as a part of the program for dependent children would be retroactive to July 1, 1961, for States that had operated such programs. Certain requirements in the Committee bill would be waived until October 1, 1962. The Senate also adopted on that day an amendment by Senator Williams of New Jersey, providing an additional authorization under the child welfare services program of \$750,000 a year for the day care of children of migrant agricultural workers.

In accordance with an announcement that had been made earlier, Senator Anderson on July 5 called up his amendment, which would have provided health insurance for aged persons. This amendment was sponsored by 21 Democrats and 5 Republicans. Most of the debate on the bill from July 5 to July 17, when the Anderson amendment was tabled by a 52-48 vote, was devoted to that amendment and to substitutes for and amendments

to it. On July 9, a unanimous-consent agreement was adopted under which, beginning July 11, time for debate was controlled and equally divided between the proponents and opponents. The agreement provided that a vote on the motion to table the Anderson amendment was to occur at 3 o'clock on July 17. (Details on congressional consideration of the issue of health insurance for the aged are presented later in this article.)

During the debate on the Anderson amendment, the following additional amendments to the welfare bill itself were approved.

1. An amendment by Senator Saltonstall eliminating the reduction in Federal sharing in administrative costs required in the Finance Committee bill if States did not provide the minimum services prescribed by the Secretary. Under the Saltonstall amendment, beginning July 1, 1963, States would have to provide such minimum services in order to be eligible for 75-percent Federal participation in any of their services or training costs, but failure to provide the services would leave them with 50-percent matching in all administrative costs, as in the past.

2. An amendment by Senator Douglas permitting the States to exempt up to \$25 of the earned income of old-age assistance recipients. The proposal was modified on the Senate floor and the figure raised to \$50 and then approved.

3. An amendment by Senator McCarthy and others restoring language similar to that in the House-passed bill concerning Federal participation in payments for foster care under the dependent children program when the child was placed in a private child-care institution.

Two amendments were defeated during this period. One by Senator Moss would have prevented States from considering the ability of relatives to assist persons receiving aid to the blind. The other, also offered by Senator Moss, would have put a provision into the statute requiring that additional Federal funds going to the States because of the change in the formula for old-age assistance, aid to the blind, and aid to the permanently and totally disabled would have to be made available in full to the individual recipients. (The reports of both the Ways and Means Committee of the House of Representatives and the Senate Finance Committee included language making clear that this result was expected to occur and that the Committees believed it would occur.) The amendment was defeated on the basis of the technical problems involved.

After the tabling of the health insurance amendment on July 17, three additional amendments to the welfare bill were adopted and two were offered and withdrawn. The Senate adopted the following changes:

1. An amendment by Senator Hartke permitting Federal participation in payments made directly to suppliers of medical care when the services were rendered within the 3 months preceding the month of application for assistance.

2. An amendment by Senator Long of Louisiana, permitting policemen in that State to be covered under old-age, survivors, and disability insurance through the provisions for coverage available to policemen in certain other States.

3. An amendment by Senator Clark and others permitting adherents of certain religious groups to file a waiver of participation in the old-age, survivors, and disability insurance system if their teachings forbid acceptance of such benefits. (This amendment was concerned with members of the Amish group.)

One of the two amendments offered and then withdrawn was proposed by Senator Javits. It would have made explicit provision in the statute for judicial review of certain actions of the Secretary relating to State plans for their welfare programs. The other, proposed by Senator Wiley, would have reinstated section 107 (a) permitting voucher payments and other unspecified actions under State law.

The Senate approved the bill by a voice vote approximately an hour after the tabling of the Anderson amendment.

### **Conference Action**

The conferees of the House and Senate met on July 18 and made the following significant changes in the Senate-passed bill:

1. The Williams amendment making separate provision for day care of children of migrant agricultural workers was eliminated.

2. The Senate Finance Committee amendment exempting payments under community work and training programs from liability for income tax and income-tax withholding was eliminated.

3. Section 107 (a) was restored, in a limited form; the House language permitting "any other action" (in the interest of the child) that might be authorized under State law was limited to advice that

civil or criminal penalties might be imposed upon determination by a court of competent jurisdiction that the payment was not being used for the benefit of the child.

4. The Finance Committee limitation on the number of advisory committees that the Secretary might appoint and the number of members of each committee was eliminated, and a provision substituted that the Secretary should report annually to Congress on the number of advisory committees and their members and activities.

5. The provisions of the House and Senate bills concerning the training of public welfare personnel were included, with the same total dollar limitation set by each bill, and with the Secretary authorized to use a part of the appropriated funds for direct training activities and grants and the remainder to be allotted to States as provided in the House-passed bill.

6. The House version of the language on payment of foster care under the dependent children program when the child is in a private child-care institution was adopted with a beginning date of October 1, 1962, and a terminal date of September 30, 1964.

7. The ceilings on public assistance grants to Puerto Rico and the Virgin Islands were reduced to the House figures, \$9.8 million and \$330,000, respectively.

8. The Douglas amendment permitting exemption of earned income for recipients of old-age assistance was modified to permit the exclusion of the first \$10 of earnings and up to one-half the remainder of the first \$50.

9. The two amendments affecting the old-age, survivors, and disability insurance system—the one permitting coverage of policemen in Louisiana and the other permitting members of certain religious groups to withdraw from the system—were considered inappropriate for inclusion in a welfare bill and eliminated.

### **Final Action**

The House of Representatives on July 19 approved the Conference Committee report by a vote of 357 to 34. Later the same day the bill was approved by a voice vote in the Senate and was thus cleared for the President.

On July 25, the President signed the bill, which then became Public Law 87-543. In a statement

concerning the new legislation the President said, in part:

I have approved a bill which makes possible the most far-reaching revision of our Public Welfare program since it was enacted in 1935.

This measure embodies a new approach—stressing services in addition to support, rehabilitation instead of relief, and training for useful work instead of prolonged dependency. This important legislation will assist our states and local public welfare agencies to redirect the incentives and services they offer to needy families and children and to aged and disabled people. Our objective is to prevent or reduce dependency and to encourage self-care and self-support—to maintain family life where it is adequate and to restore it where it is deficient.

## **IMPROVEMENT IN PUBLIC ASSISTANCE SERVICES**

Beginning with the President's Welfare Message of February 1, 1962, the entire legislative history of Public Law 87-543 emphasizes the importance of the rehabilitative factor in the public assistance programs. The State-administered and State-supervised programs of public assistance provide income maintenance, medical care, and social services to the needy aged, the blind, the disabled, and families with dependent children. Services to applicants for and recipients of assistance provided by the staff of the welfare agency are an essential component of program administration.

### **Services and Other Administrative Costs**

Costs of services provided under the public assistance programs have been shared equally by the Federal Government and the States. Effective September 1, 1962, Federal matching in certain services and in the cost of staff training is increased from 50 percent to 75 percent. Thus, the new law offers an incentive to the States to offer more rehabilitative services and to increase the number of skilled public welfare personnel to provide the services.

The Secretary of Health, Education, and Welfare is to prescribe the minimum services necessary to help applicants and recipients attain or retain capability for self-care or self-support or to help them maintain and strengthen family life. These services are to be provided under State plans for old-age assistance, aid to families with dependent children, aid to the blind, and aid to the permanently and totally disabled. Services are authorized in the

program of medical assistance for the aged, with no minimum prescribed. The Secretary is also to specify additional services to applicants and recipients that prevent and reduce dependency, which would be entirely optional with the States.

The new law permits Federal participation in the cost of providing services not only to applicants for and recipients of assistance but also to those persons who request them and who, within periods defined by the Secretary, have been or are likely to become applicants and recipients. Effective July 1, 1963, a State that does not provide under its State plan for the prescribed minimum self-care or self-support services will receive Federal matching funds on only a 50-50 basis. This ratio applies to the cost of all services, training, and other administrative costs.

The new law specifies how the services are to be furnished. The staff of the State and local public assistance agency is authorized, as before, to provide services. In addition, services that cannot be economically or effectively provided by agency staff or are not otherwise reasonably available may be obtained by agreement with another State public agency, subject to limitations prescribed by the Secretary.

Services identified in the Vocational Rehabilitation Act as "vocational rehabilitation services" are not ordinarily to be provided by the public assistance agency staff but by the State vocational rehabilitation agency. The latter is the only agency that may furnish these services if it (1) has in effect a State plan to furnish such services to individuals needing them, including recipients of public assistance, or (2) is not providing such services generally but is able and willing to provide them upon being reimbursed for their cost by the public assistance agency. Vocational rehabilitation services may not be obtained from any other public agency when the State vocational rehabilitation agency is able and willing to provide them.

### **Welfare Services for Each Child Under Dependent Children Program**

To further improve and coordinate services to children, a provision is added to the requirements for the dependent children program, effective July 1, 1963. Each State plan must provide for the development of a program of welfare and related services for each child recipient, geared to the child's home conditions and special needs. The plan must



also provide for coordinating these programs with those developed in the child welfare services plan under title V to further promote the welfare of dependent children and their families.

### **Technical Amendments Emphasizing Rehabilitation and Other Services**

The new law changes the name of title IV to "Grants to States for Aid and Services to Needy Families with Children" and makes the necessary conforming changes throughout this title. The emphasis on rehabilitation and other services is also identified in the purpose clause of each title, and there is authorization for such services not only to old-age assistance recipients but also to persons receiving medical assistance for the aged.

### **Community Work and Training Programs**

Another change in title IV is designed to assist the States in encouraging the conservation of existing work skills and the development of new ones. Federal financial participation is authorized in State expenditures for aid to families with dependent children made in the form of payments for work performed by a relative aged 18 or older with whom a dependent child is living. For this financial sharing the State plan must include provisions that give reasonable assurance to the Secretary that certain conditions are being met. These conditions include appropriate standards for safety, health, and other working conditions.

Payment for work must be not less than the minimum rate established by State law and not less than the prevailing community rate for similar work. The work must serve a useful public purpose and not result in the displacement of regular workers, and it cannot be work that would otherwise be performed by employees of public or private agencies, institutions, or organizations. Except for emergency projects or those generally nonrecurring, it must be work not normally undertaken by the State or community.

A State carrying on work and training projects must take into consideration, in determining need, expenses reasonably attributable to work. There must be provision that the person assigned to a work project shall have an opportunity to seek employment and to secure appropriate training or

retraining when it is available. Aid may not be denied when refusal to work is based on good cause.

The State plan must include a provision, similar to that in State plans for aid to children of unemployed parents, for entering into cooperative arrangements with the State public employment service so that the person may be returned to the labor force as quickly as possible. These arrangements would include provisions for registration and periodic re-registration for employment and also for maximum use of the placement services and other services and facilities of the employment offices.

In addition, the State plan must provide for entering into cooperative arrangements with the State vocational education agency and the State agencies responsible for adult education services and facilities for training or retraining in preparation for regular employment. So that the parent's absence at work will not affect the welfare of the child, there must be provisions for appropriate arrangements for the child's care and protection. The State plan must provide that no adjustment or recovery will be made for payments correctly made for work. The State may not include as an expenditure for Federal sharing the cost of making or acquiring materials or equipment in connection with a work program or the cost of its supervision.

The Secretary is to report the experience of the States in community work and training programs before January 1, 1967. The report will be sent to the President for transmission to Congress.

For States that, before the enactment of Public Law 87-543, carried on community work and training programs that met the plan requirements (with certain exceptions), the Federal Government shares in expenditures made from July 1, 1961, through September 30, 1962. After that date such programs must meet all the State plan requirements under the law.

### **Incentives for Employment**

As one step towards the goal of rehabilitation, the new law requires that the State consider all expenses attributable to employment in determining the need of a recipient of public assistance; formerly such consideration was optional and not always provided. In addition, in their programs of aid to families with dependent children, the States may permit earned or other income to be set aside for the

dependent child's future identifiable needs, such as his education.

### **Use of Payments for Benefit of Child**

When there is a question whether the money payment in aid to families with dependent children is being used for the child's benefit, the State agency may provide, to the relative caring for the child, counseling and guidance in the use of the payment and in the management of other funds. Upon continued failure to use the payment for the benefit of the child, the agency may advise the relative of the possibility of payment to another interested person or appointment of a guardian or legal representative, or that criminal or civil penalties, authorized by State law, may be imposed by a court of competent jurisdiction. These actions may be taken by a State agency without jeopardizing Federal financial participation or raising a question concerning the conformity of the State plan under title IV of the Social Security Act.

Another change relates to a 1961 amendment allowing the States time to amend their laws that require—contrary to a ruling of January 17, 1961, of the Department of Health, Education, and Welfare—aid to be denied because of conditions in the home in which the child is living. The new law permits States to deny aid if, pursuant to State statute, adequate care and assistance are otherwise provided the child.

### **Protective Payments Under Dependent Children Program**

The definition of "aid to families with dependent children" in title IV is amended to include payments made to another person interested in or concerned with the welfare of the child and his relative. Standards for determining who is "interested or concerned" are to be prescribed by the Secretary.

A State plan under which protective payments are made must provide for the following procedures: (a) determination by the State agency that the relative caring for the child is unable to manage funds to the extent that making payments to him is contrary to the child's welfare; (b) making protective payments that, for the recipients involved, in addition to other income and resources, are sufficient to meet all their needs, according to State

standards; (c) exerting special efforts to develop greater ability on the part of the relative to manage funds; (d) making periodic review to determine if serious mismanagement continues, stopping the protective payments if it does not, and seeking the appointment of a guardian or other legal representative if mismanagement is likely to continue; (e) furnishing aid in the form of foster-home care; and (f) giving the relative caring for a dependent child an opportunity for a fair hearing on any determination that he is unable to manage the payment.

The number of individuals for whom protective payments may be made in any month may not exceed 5 percent of other recipients under this program during the month.

The Secretary is to submit to the President for transmission to Congress before January 1, 1967, a report on the administration of the provision and on State experience in making protective payments, with recommendations for continuation or modification.

### **Aid for Both Parents of Dependent Child**

The definition of "aid to families with dependent children" is amended to provide for Federal sharing in State expenditures for assistance given to a second parent. The parent must be living with the child, and the child's deprivation must be based on the incapacity or unemployment of a parent. This change in Federal law recognizes the need of the family when both parents are in the home and provides Federal financial participation to assist the States to meet need more adequately.

## **IMPROVEMENTS IN ADMINISTRATION**

Several of the provisions of the new law were concerned with improving the administration of the public assistance programs.

### **Advisory Council on Public Welfare**

The Secretary is directed to appoint a 12-member advisory council on public welfare in 1964 to review the administration of the programs of public assistance and child welfare services and to make recommendations for improvement. The council is also to review the public assistance programs especially in relation to old-age, survivors, and disability insurance and to the fiscal capacities of the States and

the Federal Government, as well as matters bearing on the amount and proportion of Federal and State shares in the public assistance and child welfare services programs.

The council members are to include persons representing employers and employees in equal numbers, State or Federal agencies concerned with the administration and financing of the public assistance and child welfare services programs, and nonprofit social welfare organizations; other persons with special qualifications; and members of the public. The council is to report its findings and recommendations to the Secretary by July 1, 1966.

The Secretary is directed to appoint succeeding advisory councils under similar conditions. He is authorized also to appoint advisory committees to assist him in carrying out his functions under the Social Security Act and report annually to Congress on the number of committees and their membership and activities.

#### **Waiver of State Plan Requirements for Demonstration Projects**

Congress recognized the need for the development of new methods and for experimentation to better meet the complex social and economic problems in the public assistance programs. Accordingly, it authorized the Secretary to waive any of the requirements for State plans in States that desire to carry on an experimental, pilot, or demonstration project likely to assist in promoting the objectives of the programs.

The cost of such projects is to be financed with the help of Federal funds. The law makes available not more than \$2 million of the funds appropriated for payments to the States under the public assistance titles in any fiscal year up to July 1, 1967, to assist in paying any portion of the cost of these projects not otherwise subject to Federal participation.

#### **Increase in Trained Welfare Personnel**

The present authorization for training grants in title VII has been made permanent, and the Secretary has been given new authority. An appropriation of \$3.5 million is authorized for the fiscal year 1962-63 and \$5 million for each succeeding fiscal year. An amount to be determined by the Secretary, but not more than \$1 million for 1962-63

and \$2 million each year thereafter, is to be available to him to provide directly or through grants to or contracts with public or nonprofit institutions of higher learning with respect to personnel employed by or preparing for employment with public assistance agencies for (1) training, (2) establishment and maintenance of fellowships and traineeships, and (3) special short courses of study (to last not more than 1 year).

The Secretary will allot the remainder of the appropriated funds to the States for the training objectives of title VII. The allotments will be based on population; relative need for trained public welfare personnel, particularly personnel to provide self-support and self-care services; and financial need.

To the extent the Secretary finds it necessary, he may prescribe requirements for the repayment of the amount expended on fellowships or traineeships when an individual fails to work the specified amount of time in a public assistance program. He may also waive these requirements when they would be inequitable or contrary to the purposes of the assistance programs,

#### **REVISION OF TEMPORARY PROVISIONS AND INCREASE IN FEDERAL SHARE OF PA EXPENDITURES**

##### **Dependent Children of Unemployed Parents or in Foster-Family Homes**

In 1961, aid to families with dependent children was broadened to include dependent children of unemployed parents. It was also extended to include payments for foster-family care for certain children removed from their homes by judicial determination. Both provisions, scheduled to expire June 30, 1962, have been extended by the new law—the former to June 30, 1967, and the latter permanently.

##### **Federal Share of Assistance Payments**

In addition to extending the temporary increase of \$1 in payments to the aged, the blind, and the disabled, effective October 1, 1961, through June 30, 1962, the new law increases Federal financial participation in these payments by an additional \$4. The formula change, effective October 1, 1962, is accomplished by increasing the Federal share of

the assistance payment from 4/5 of the first \$31, with an average maximum of \$66, to 29/35 of \$35, with an average maximum of \$70. Since the Federal Government continues to share in the vendor payments for medical care, up to \$15, for old-age assistance recipients, the average monthly maximum in old-age assistance in which it participates is now \$70 plus \$15 or \$85.

#### **Extension of Assistance to Repatriated American Citizens**

In 1961, temporary assistance was authorized for American citizens and their dependents returned from foreign countries because of destitution, illness, war, or similar crisis. This authorization expired June 30, 1962; it is extended by the new law through June 30, 1964.

#### **Refusal of Unemployed Parent To Accept Retraining**

Where a State plan includes aid to families with dependent children because of the unemployment of a parent, denial of aid is now required if the unemployed parent refuses without good cause to undergo retraining.

#### **Federal Payments for Foster Care in Child-Care Institutions**

The Federal Government will continue to share in State expenditures for payments when a child recipient of aid to families with dependent children, following a court determination, is placed in foster care in a nonprofit child-care institution. Formerly Federal sharing was limited to payments for children receiving foster-family care. Payment with respect to a child in an institution is to be limited, as prescribed by the Secretary, to the items of cost covered in the care in a foster-family home. The amendment is effective for the period October 1, 1962, through September 30, 1964.

#### **State Plans Not Meeting Income-and-Resources Requirements for Aid to the Blind**

A temporary provision, first enacted in 1950, authorized Federal financial participation in certain State programs of aid to the blind that do not meet the requirements of the income-and-resources

clause. This provision has been extended from time to time and was scheduled to expire in 1964. The new law makes it permanent.

#### **COMBINED STATE PLANS FOR AGED, BLIND, AND DISABLED**

Effective October 1, 1962, a new title (XVI) is added to the Social Security Act that gives the States the option, instead of having separate State plans for titles I, X, and XIV, of combining their programs of assistance for the aged, the blind, and the disabled and for medical assistance for the aged. A State filing a combined plan under the new title could not receive payments for the same period or future periods under titles I, X, and XIV.

The State plan requirements are, with few exceptions, unchanged. The necessary adaptations have been made, such as establishing income exemption for the aged and the blind and continuing the present limitation on residence requirements in medical assistance for the aged. States that administer aid to the blind through a separate agency may continue to do so under the new title.

Under title XVI the provision of separate and additional Federal funds for vendor payments for medical care for recipients of old-age assistance is extended to the blind and the disabled. The provision of medical care for 42 days in a medical institution because of a diagnosis of tuberculosis or psychosis, now limited to the aged, is also extended to the blind and the disabled.

#### **MISCELLANEOUS AND TECHNICAL AMENDMENTS**

To accompany the increase in the Federal share of expenditures for assistance among the States, the annual dollar limitations for Puerto Rico, the Virgin Islands, and Guam were raised to \$9,800,000, \$330,000, and \$450,000, respectively.

Under the program of aid to families with dependent children, the relative with whom a dependent child is living is permitted to receive money payments or medical care to meet his needs in a month, whether the child is receiving aid in the form of money payment or medical care. Formerly he could receive aid only if aid to the child was in the form of a money payment.

The new law amends the provisions for the disregarding of income in aid to the blind. As in the

past the States must disregard the first \$85 of earned income in a month, plus half the earned income in excess of \$85 a month. Additional amounts of other income and resources are now to be disregarded for a maximum of 12 months if the recipient has an approved plan for self-support. The additional income and resources must be necessary for the fulfillment of this plan.

The provisions for foster care of dependent children, as enacted in 1961, required that the responsibility for placement and care of children determined by a court to be in need of foster care must be in the agency administering the program of aid to families with dependent children. For the 9 months October 1, 1962—June 30, 1963, responsibility for such children may be given to another public agency with which the welfare agency has an agreement. The agreement must include a provision for (1) developing a plan for each child (including periodic review of the necessity for the child to continue in foster care) to assure his proper care while he remains in foster care and (2) services to improve the conditions in the home from which he was removed or to make possible his placement in the home of another, specified relative. The agreement must also include other provisions necessary to accomplish the purpose of the program under the State plan.

All public assistance titles are amended to permit Federal matching in State expenditures for medical or remedial care furnished for as long as 3 months before the month of application.

The States are given the option, in determining need, of disregarding a certain amount of income earned by a recipient of old-age assistance. As of January 1, 1963, out of the first \$50 per month of earned income, the State agency may disregard not more than the first \$10 plus half the remainder.

## **CHILD WELFARE SERVICES**

The new law contains, in substance, all the Administration's recommendations for expanding and improving child welfare services, as stated in President Kennedy's Welfare Message and embodied in the draft bill transmitted to the Speaker of the House by Secretary Ribicoff on February 1, 1962.

### **Extension of Child Welfare Services**

Under the previous law, \$25 million a year was authorized to be appropriated for grants to the

States for child welfare services. The new law increases the authorization to \$30 million for the fiscal year 1962-63, \$35 million for 1963-64, \$40 million each for 1964-65 and 1965-66, \$45 million each for 1966-67 and 1967-68, and \$50 million a year thereafter.

In the past the law has provided for grants to States for the use of cooperating State public welfare agencies in carrying out the State plan that they have developed jointly with the Secretary of Health, Education, and Welfare. The amendments require, effective July 1, 1963, that the State child welfare plan provide for coordinating its services with those under the State plan for dependent children, with a view to ensuring that dependent children and their families will receive welfare and related services that will be most effective in promoting their well-being.

State child welfare plans are also required, effective July 1, 1963, to make a satisfactory showing that the State is extending the program with a view to making available by July 1, 1975, to all children in need of them throughout the State, child welfare services provided by the staff of State and local public welfare agencies. The staff, to the extent feasible, is to be composed of trained child welfare personnel. In extending services, priority must be given to communities with the greatest need for such services, taking into consideration their relative financial need.

### **Day Care**

Effective for fiscal years beginning after June 30, 1962, funds appropriated for child welfare services in excess of \$25 million a year, up to a maximum of \$10 million, are to be earmarked for day-care services (including the provision of day care) under the State child welfare services plan. Such care may be provided only in facilities (including private homes) licensed by the State or approved (as meeting established licensing standards) by the State agency that is responsible for licensing facilities of this type.

The earmarked funds are to be allotted among the States on the basis of the population under age 21 and the State's allotment percentage (which varies between 30 percent and 70 percent in accordance with the relative State per capita income); the minimum allotment is \$10,000. The portion of its allotment that a State certifies it will not use may

be reallocated among States needing and able to use additional funds in providing day care under their State plan. The reallocation is to be based on need, the population under age 21, and the relative per capita income of the States needing such funds. The States are required to match all child welfare service funds allotted to them. Effective July 1, 1963, a State child welfare plan must meet four additional requirements:

1. It must provide for cooperative arrangements with the State health authority and the State agency primarily responsible for supervision of public schools to assure their maximum utilization in providing necessary health and education services for those children who are receiving day care.

2. It must set up a committee to advise the State public welfare agency on the general policy involved in furnishing day-care services under the State plan. The committee is to include representatives of other State agencies concerned with day care or related services and persons representing professional, civic, or other public or nonprofit private agencies, organizations, or groups concerned with the provision of day care.

3. It must establish such safeguards as may be necessary to assure provision of day care under the plan only when it is in the best interest of the child and the mother and only when it is determined, under criteria established by the State, that a need for such care exists. When the family is able to pay part or all of the costs of such care, the plan is to provide for the payment of fees considered reasonable.

4. It must give priority, in determining the need for day care, to members of low-income or other groups in the population and to geographical areas with the greatest relative need for the extension of day care.

### **Definition of Child Welfare Services**

The definition of child welfare services is clarified and somewhat broadened to read

Public social services which supplement, or substitute for, parental care and supervision for the purpose of (1) preventing or remedying, or assisting in the solution of problems which may result in the neglect, abuse, exploitation, or delinquency of children, (2) protecting and caring for homeless, dependent,

or neglected children, (3) protecting and promoting the welfare of children of working mothers, and (4) otherwise protecting and promoting the welfare of children, including the strengthening of their own homes where possible or, where needed, the provision of adequate care of children away from their homes in foster-family homes or day-care or other child-care facilities.

### **Training**

Before the amendments, the law authorized grants for research or demonstration projects in the field of child welfare. The new law adds authorization for grants to public or other nonprofit institutions of higher learning for special projects for training child welfare personnel, including traineeships with such stipends and allowances as may be permitted by the Secretary.

### **COST OF AMENDMENTS**

It is estimated that the Public Welfare Amendments of 1962 and the administrative actions taken in 1961 and 1962 by the Secretary of Health, Education, and Welfare will involve the expenditure in the fiscal year 1962-63 of nearly \$300 million in addition to the amounts authorized by earlier law. Of these amounts, \$97.9 million represents the cost of continuing the provisions for aid to families with dependent children in which need results from the unemployment of a parent, the foster-home care provisions, and the \$1 increase in assistance payments in which Federal participation is available for the aged, the blind, and the disabled—all provisions enacted on a temporary basis in 1961.

The President, in the 1962-63 Budget, asked for a total of \$190.1 million for this legislation (including the extensions of the temporary provisions). This figure covers the estimated amount of the increased Federal share of services and training costs, day-care costs, the inclusion in the recipient count of the second parent in needy families with dependent children, and the optional single program for the aged, the blind, and the disabled.

The President's Budget Message did not include the additional increase of more than \$4 for each aged, blind, or disabled recipient of public assistance. This is the major item accounting for the higher cost of Public Law No. 87-543, as it was enacted.

# Proposals for Health Insurance for the Aged

## ADMINISTRATION PROPOSAL

On February 9, 1961, President Kennedy transmitted to Congress his recommendations relating to a health program. To help meet the problem of financing the high cost of illness in old age, the President recommended the addition of a health insurance program to the present old-age, survivors, and disability insurance system.

Under his proposal as transmitted, all persons aged 65 and over who are eligible for old-age, survivors, and disability insurance or railroad retirement benefits would be entitled to (1) up to 90 days of in-patient hospital services in a single spell of illness, subject to a deductible amount (to be paid by the patient) of \$10 a day for up to 9 days, with a minimum of \$20; (2) up to 180 days of skilled nursing-home services after discharge from a hospital; (3) hospital outpatient diagnostic services for all costs in excess of \$20; and (4) visiting-nurse and related home-health services.

On February 13, a bill (H.R. 4222, the Health Insurance Benefits Act of 1961) proposing a program along the lines set forth by the President was introduced by Representative King of California. (A companion bill, S. 909, was introduced in the Senate by Senator Anderson.) The House bill was referred to the Committee on Ways and Means, which held public hearings from July 24 through August 4, 1961. There was no further congressional action in 1961 on health insurance for the aged.

In both his State of the Union Message of January 11, 1962, and his health message of February 27, President Kennedy renewed his 1961 request that the old-age, survivors, and disability provisions of the Social Security Act be amended to provide health insurance protection for the aged. On June 11, the House Ways and Means Committee went into executive session to consider the Administration's proposal for a health insurance program for the aged under the Social Security Act.

## SENATE FLOOR DEBATE

### Anderson Amendment

In the absence of action on the Administration's proposal by the House of Representatives or the

Senate Committee on Finance, Senator Anderson, on June 29, 1962, presented to the Senate for himself, 20 other Democratic Senators, and 5 Republican Senators an amendment intended to be proposed to H.R. 10606, the public welfare bill. Although the amendment provided the same health insurance benefits that would have been provided under S. 909 (except that skilled nursing-home benefits would have been payable only for services furnished in facilities affiliated with a hospital), the proposed amendment made several significant modifications designed to meet various objections raised to certain provisions of S. 909.

These major modifications included provision for (a) the payment of health insurance benefits financed from general revenues for aged persons not eligible for monthly cash benefits under the old-age, survivors, and disability insurance or railroad retirement systems; (b) the use of approved private organizations, selected by hospitals or the other providers of services, in the administration of the program; and (c) an option under which beneficiaries could receive the health benefits through private insurance, group practice, and other voluntary plans, instead of through the Government.

*Persons entitled to health insurance benefits.*—One frequent criticism of S. 909 had been that it did not provide protection for the uninsured aged. The Anderson amendment would have provided for this uninsured group of 2½ million aged persons the same health benefits that would have been provided for those insured under old-age, survivors, and disability insurance and would have financed the protection for the uninsured from general revenues. Under the amendment, persons who reach age 65 before 1967 and who do not meet the regular insured-status requirements of the old-age, survivors, and disability insurance program would have been deemed insured for health insurance benefits only. The uninsured reaching age 65 after 1966 would have needed, to be deemed insured for health benefits, 3 quarters of coverage—with a minimum of 6—for each year elapsing after 1964 and before reaching age 65.

The special insured-status requirements for health insurance would therefore have "washed out" in 1970 for women and 1972 for men, since in those years the number of quarters that would have been required to qualify for health benefits would have been the same as the number required under present law for cash benefits under old-age, survi-

vors, and disability insurance. The effect of the special insured-status provision would have been to ensure for practically everyone aged 65 or over protection under the program, since most jobs are now covered by the Social Security Act.

*Use of private organizations in administering the program.*—The amendment would have considerably broadened the opportunity for use of private organizations in the administration of the program. Groups of “providers,” or associations of providers on behalf of their members, would have been permitted to designate a private organization of their own choice to receive provider bills for services and to pay these bills. In addition, such organizations could have been authorized—to the extent the Secretary considered it advantageous—to perform related functions, such as auditing provider records and assisting in the application of utilization safeguards. The Government would have provided advances of funds to such organizations for purposes of benefit payments and as a working fund for administrative expenses.

During their testimony before the Committee on Ways and Means on H. R. 4222, representatives of the American Hospital Association recommended that the Government use the services of voluntary organizations, such as Blue Cross, to administer the health insurance program. The principal advantage hospitals and other providers of services saw in an arrangement of this sort was that the policies and procedures of the Federal program would be applied by the same private organizations that administer the existing health insurance programs from which providers now receive payments.

It was believed that the participation of Blue Cross plans and similar third-party organizations offered possible advantages that go beyond the benefits derived from their experience in dealing with various types of providers of services. Having such private organizations serve as intermediaries between the Government and the providers would have helped to reduce anxiety on the part of providers of service and certain segments of the public about possible Government intervention in hospital practices.

*Private insurance option.*—A basic premise of S. 909 was that private insurance would play the same important complementary role that it has played in old-age, survivors, and disability insurance—that is, health insurance under the Social Security Act

would be a base on which a beneficiary could build private supplementary protection. Many persons expressed the conviction that the health insurance proposal should have allowed beneficiaries to have all their protection with private insurance companies and health benefits plans instead of having Government protection or to continue any private insurance protection they may have acquired before attaining age 65 without changing it into a policy designed as a supplement to the Government protection.

The amendment included a provision under which an individual who had an approved private health plan or policy in effect for a period before reaching age 65—one furnishing at least all the benefits of the Government plan as well as some additional health benefits—could have an optional arrangement. He could, if he wished, have the Government reimburse the private organization with which he had the policy for the cost of the statutory benefits used. The carrier’s administrative cost related to the payment of statutory benefits would have been included in the reimbursement.

The amendment would have required the beneficiary to make the election within 3 months after he became entitled to health insurance benefits. Only one such election would have been permitted, although a beneficiary could have later revoked his election if he desired.

To keep the administrative difficulties of dealing with private insurance carriers and health plans within reasonable limits the amendment also included criteria that private plans would have had to meet in order to qualify for handling the payments. Commercial nongroup carriers that are licensed in all 50 States and make at least 1 percent of all health insurance payments in the United States, or that were determined by the Secretary to be otherwise national in scope, would have qualified. A commercial nongroup carrier that could not meet these requirements would have qualified in a particular State if it did at least 5 percent of the health insurance business in that State. In addition, any other carrier that sells group health insurance would have qualified with respect to its group plans. Non-profit plans would have been approved without regard to these requirements.

*Additional modifications.*—The Anderson amendment also modified or clarified certain provisions of S. 909 to give additional assurance that the Federal Government would not have exercised control over



providers of services. An amendment provided that hospitals accredited by the Joint Commission on the Accreditation of Hospitals (and many small hospitals are not ordinarily accredited) would have been conclusively presumed to meet all the statutory requirements for participation, save that for utilization review. In the event the Joint Commission adopted a requirement for utilization review, accredited hospitals would have been presumed to meet all the statutory conditions. In addition, the health and safety requirement was modified to permit the Secretary to prescribe further conditions only to the extent that these conditions were included in the requirements of the Joint Commission. Linking the conditions for participation to the requirements of the Joint Commission would have furnished assurance that providers would have been required to meet only professionally established conditions.

The provisions in S. 909 for a "hospital utilization committee" were replaced in the amendment by provisions for a "utilization review plan." A plan would have been required to provide for a review of admissions, length of stays, and the medical necessity for services furnished as well as the efficient use of services and facilities. The amendment specified that such review take place within 1 week following the twenty-first day of each period of continuous hospitalization and subsequently at such intervals as may have been specified in regulations. The utilization committee would also have been required to notify the attending physician of its findings and provide an opportunity for consultation between the committee and the physician. The utilization review plan of a hospital would have been extended to include review of admissions and length of stays in a skilled nursing facility affiliated with the hospital.

The Joint Commission, which has been considering adding utilization review as an accreditation requirement, has not decided what form the requirements should take. The utilization review requirement in the amendment therefore provided that both hospital staff reviews and other types of physician review arrangements outside the hospital would have been acceptable for purposes of the proposed program.

In addition, the amendment included several technical changes to take into account suggestions made by various professional organizations. The definition of the terms "drugs" and "biologicals," for example, was expanded to include those drugs

listed in *Accepted Dental Remedies* and those approved by a drug or pharmacy committee of the hospital furnishing such drugs. The provisions relating to the definition of a "skilled nursing facility" were also revised to include only such a facility affiliated or under common control with a hospital. This more restrictive requirement was added to provide greater assurance that payments would have been made only to those skilled nursing facilities that have adequate medical supervision.

*Financing.*—The proposed amendment would have provided for an increase in the social security contribution rates of  $\frac{1}{4}$  of 1 percent for employers and for employees and  $\frac{4}{10}$  of 1 percent for the self-employed. (The latter rate would have been  $\frac{3}{8}$  of 1 percent under S. 909.) The taxable earnings base would have been increased from \$4,800 to \$5,200 (\$5,000 under S.909) a year. A separate health insurance trust fund would have been established for the program; S.909 would have provided for one social insurance trust fund with separate accounts for old-age and survivors benefits, disability benefits, and health insurance benefits, respectively.

### **Alternative Proposals**

On the floor of the Senate, three major alternatives to the health insurance program proposed in the Anderson amendment were debated. All the alternatives accepted the need for additional Federal action with respect to financing the health care costs of aged persons but proposed to meet this need either by providing Federal funds to States or by providing a cash supplement to monthly old-age and survivors insurance benefits to help meet the cost of private insurance premiums.

*The Morton amendment.*—Senator Morton proposed on July 5 an amendment under which States offering approved group insurance plans for the aged through private carriers would have received Federal reimbursement for the cost of the premiums paid on behalf of eligible aged persons. Anyone participating in the State program could have elected to receive either ordinary or catastrophic illness coverage. Group-practice, service, and indemnity-benefit private plans would all have been eligible to participate under State programs. It would have been necessary for State programs to receive the Secretary's approval.

General Federal revenues would have been used to reimburse the States for costs up to \$125 a year per participant. States would have paid the administrative costs of the program, plus any premiums in excess of \$125 per person. Individuals with a Federal income-tax liability would have paid up to \$100 toward their own premiums; the exact amount would have been dependent upon the amount of the liability.

Senator Morton estimated the initial costs of his proposal at about \$1.3 billion a year. Senator Anderson suggested that the cost of the Morton proposal could have run as high as \$2 billion a year.

The Morton amendment was defeated by voice vote on July 6, 1962.

*The Saltonstall amendment.*—The amendment proposed by Senator Saltonstall on July 9, 1962, was essentially the same proposal as S. 937, the bill introduced on February 13, 1961, by Senator Javits for himself and eight other Republican Senators, including Senator Saltonstall. This amendment, like the Morton amendment, would not have used social security financing. It would have provided for a program of Federal matching grants to the States for health benefits for the aged, furnished under a State plan approved by the Secretary of Health, Education, and Welfare.

State plans would have been required to offer the aged individual a choice between three types of packages: (1) short-term illness benefits covering up to 21 days of hospital services, up to 63 days of skilled nursing-home services (with substitution for hospital days permitted at a ratio of 3 to 1), up to 12 physician visits, outpatient diagnostic services, and up to 24 days of home health services; (2) long-term illness benefits with 80-percent coinsurance and a "deductible" of \$175 for a maximum of 120 days of hospital care, surgical services, skilled nursing-home services, home health services, and certain other services at the option of the State; and (3) private insurance benefits, consisting of payment of half the premiums for a private health insurance policy, with the maximum payment amounting to \$60 a year.

The Federal matching would have ranged from 33 $\frac{1}{3}$  percent to 66 $\frac{2}{3}$  percent. An individual whose income exceeded \$3,000 and a married couple with income of more than \$4,500 would have been required to pay enrollment fees related to income.

The Saltonstall amendment was defeated by a vote of 50 to 34 on July 12, 1962.

*The Bush amendment.*—On July 9, Senator Bush proposed an amendment under which reimbursement from social security trust funds would have been made to aged beneficiaries of old-age, survivors, and disability insurance for premiums paid for voluntary insurance. Beneficiaries would have been reimbursed, up to \$9 a month, for the cost of premiums paid for any guaranteed renewable health insurance. To finance the program, the employer-employee contribution rate for old-age and survivors insurance purposes would have been increased 0.5 percent and the self-employed contribution rate, 0.375 percent. At \$108 a year for 12.2 million beneficiaries—the number Senator Bush estimated would take advantage of the program—costs would be \$1.3 billion in the initial year.

The Bush amendment was defeated on July 13, 1962, by a vote of 74 to 5.

#### **Changes in Anderson Amendment**

During the course of debate on the Senate floor, several amendments to the Anderson amendment were proposed and either accepted by Senator Anderson or approved by a vote of the Senate.

On July 12, Senator Javits proposed an amendment designed to modify the provisions of the Anderson amendment relating to the beneficiaries' option to continue private health insurance protection. Under his proposal, an approved private plan could have provided, in place of the 90-day hospital benefit with a deductible, a 45-day hospital benefit with no deductible. Group insurance plans, prepayment group-practice plans, nonprofit plans, and plans having acquisition costs comparable to those of approved group plans would have been qualified to offer the option of either the 90-day hospital benefit or the 45-day hospital benefit. Other nongroup plans would have been permitted to offer only the 90-day hospital benefit. The amendment changed the period during which a person would be required to have been covered by the approved plan from the 5 years that would eventually have been required under the Anderson amendment to only 1 year in group and nonprofit plans and 2 years in commercial individual policies. Senator Anderson accepted Senator Javits' proposal and modified his amendment accordingly.

An amendment proposed by Senator Carroll contained a declaration of congressional intent that

enactment of a health insurance benefits program should not result in the loss of any benefits to which an individual may be entitled under a State medical care program. This amendment was approved by voice vote on July 13.

On July 16, a proposal by Senator McNamara to modify the "benefit period" provision of the Anderson amendment was accepted by Senator Anderson. A "benefit period" was defined as a period beginning with the first day covered services are furnished and ending with the ninetieth day thereafter (not necessarily consecutive) on each of which the beneficiary is not an in-patient in a hospital or skilled nursing facility.

On July 17, Senator Anderson also accepted a modification of his amendment proposed by Senator Muskie. Skilled nursing facilities that are not affiliated with a hospital would have been permitted to participate if the Secretary, on the basis of full and complete study, determined that they were equipped to provide good quality care and that their participation would not create an actuarial imbalance in the Federal health insurance trust fund.

On July 17, the Senate voted to table the proposed Anderson amendment. The vote was 52 to 48.

## Major Legislative Documents in the Field of Social Security—Eighty-seventh Congress

### **PUBLIC LAW 87-31—AID TO DEPENDENT CHILDREN OF UNEMPLOYED PARENTS**

President's Message—Program To Restore Momentum to the American Economy (H. Doc. No. 81), February 2, 1961.

H.R. 3865 introduced February 6, 1961.

Hearings on H.R. 3865 before the Committee on Ways and Means, House of Representatives, February 15, 16, and 17, 1961.

H.R. 4884 introduced February 27, 1961, reported February 27, 1961, and passed by the House of Representatives March 10, 1961.

Report of the Committee on Ways and Means, House of Representatives, on H.R. 4884 (Report No. 28), February 27, 1961.

House of Representatives debate on H.R. 4884, March 10, 1961, *Congressional Record* (Vol. 107, No. 43).

Report of the Senate Committee on Finance on H.R. 4884 (Report No. 165), April 14, 1961.

H.R. 4884 reported by the Senate Committee on Finance, April 14, 1961, and passed by the Senate, April 20, 1961.

Senate debate on H.R. 4884, April 20, 1961, *Congressional Record* (Vol. 107, No. 67).

Conference Report on H.R. 4884 (H. Rpt. No. 307), April 25, 1961.

House and Senate debate on Conference Report on H.R. 4884, April 26 and 27, *Congressional Record* (Vol. 107, Nos. 70 and 71).

Public Law 87-31, signed by President Kennedy, May 8, 1961.

### **PUBLIC LAW 87-64—SOCIAL SECURITY AMENDMENTS OF 1961**

President's Message—Program To Restore Momentum to the American Economy (H. Doc. No. 81), February 2, 1961.

H.R. 4571 introduced February 20, 1961.

Executive Hearings on H.R. 4571 before the Committee on Ways and Means, House of Representatives, March 9, 13, 22, 24, and 27, 1961.

H.R. 6027 introduced March 29, 1961, reported April 7, 1961, and passed by the House of Representatives April 20, 1961.

Report of the Committee on Ways and Means, House of Representatives, on H.R. 6027 (Report No. 216) April 7, 1961.

House of Representatives debate on H.R. 6027, April 20, 1961, *Congressional Record* (Vol. 107, No. 67).

Hearings on H.R. 6027 before the Senate Committee on Finance, May 25 and 26, 1961.

Report of the Senate Committee on Finance on H.R. 6027 (Report No. 425), June 20, 1961.

H.R. 6027 reported by the Senate Committee on Finance June 20, 1961, and passed by the Senate June 26, 1961.

Senate debate on H.R. 6027, June 26, 1961, *Congressional Record* (Vol. 107, No. 106).

Conference Report on H.R. 6027 (H. Rpt. No. 611), June 28, 1961.

House and Senate debate on Conference Report on H.R. 6027, June 29, 1961, *Congressional Record* (Vol. 107, No. 109).

Public Law 87-64, signed by President Kennedy, June 30, 1961.

President's Statement, The White House, June 30, 1961.

### **PUBLIC LAW 87-543—PUBLIC WELFARE AMENDMENTS OF 1962**

President's Message—Public Assistance and Welfare Program (H. Doc. 325), February 1, 1962.

H.R. 10032 introduced February 1, 1962.

Hearings on H.R. 10032 before the Committee on Ways and Means, House of Representatives, February 7, 9, and 13, 1962.

*Report of the Ad Hoc Committee on Public Welfare* (printed in House hearings on H.R. 10032, pages 65-106).

*Report for the Secretary of Health, Education, and Welfare*, by George Wyman (printed in House hearings on H.R. 10032, pages 107-157).

Administrative actions taken by Secretary Ribicoff (printed in House hearings on H.R. 10032, pages 158-164).

*Report of the Advisory Council on Child Welfare Services* (printed in House hearings on H.R. 10032, pages 221-278).

H.R. 10606 introduced March 8, 1962, reported March 10, 1962, and passed by the House, March 15, 1962.

Report of the Committee on Ways and Means, House of Representatives, on H.R. 10606 (Report No. 1414), March 10, 1962.

House of Representatives debate on H.R. 10606, March 16, 1962, *Congressional Record* (Vol. 108, No. 38).

Hearings on H.R. 10606 before the Senate Committee on Finance, May 14, 15, 16, and 17, 1962.

Report of the Senate Committee on Finance on H.R. 10606 (Report No. 1589), June 14, 1962.

H.R. 10606 reported by the Senate Committee on Finance, June 14, 1962, and passed by the Senate, July 17, 1962.

Senate debate on H.R. 10606, July 3-17, 1962, *Congressional Record* (Vol. 108, Nos. 112-121).

Conference Report on H.R. 10606 (H. Rpt. No. 2006), July 13, 1962.

House and Senate debate on Conference Report on H.R. 10606, July 19, 1962, *Congressional Record* (Vol. 108, No. 123).

Public Law 87-543, signed by President Kennedy, July 25, 1962.

President's Statement, The White House, July 26, 1962.

#### HEALTH INSURANCE FOR THE AGED

H.R. 4222 and S. 109, introduced February 13, 1961.

President's Health Message (H.Doc. No. 85), February 9, 1961.

Hearings on H.R. 4222 before the Committee on Ways and Means, House of Representatives, July 24, 26, 27, 28, and 31 and August 1, 2, 3, and 4, 1961.

Secretary Ribicoff's *Report on Health Insurance* (printed in House hearings on H.R. 4222, Vol. 1, pages 67-180).

*Actuarial Cost Estimates for Health Insurance Benefits Bill*, Actuarial Study No. 52, Social Security Administration (printed in House hearings on H.R. 4222, Vol. 1, pages 41-66).

President's Message—Health Program (H. Doc. No. 347), February 27, 1962.

Amendment to H.R. 10606 proposed by Senator Anderson (Amendment 6-29-62-A).

Senate debate on Anderson amendment to H.R. 10606, July 3-17, 1962, *Congressional Record* (Vol. 108, Nos. 112-121).

S. 3565 introduced July 25, 1962 (identical with amendment to H.R. 10606 tabled by Senate July 17, 1962).

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## Notes and Brief Reports

### Purposes for Which Credit Union Loans Were Made, 1961\*

In 1961 the Bureau of Federal Credit Unions made its third study of the purposes for which members of Federal credit unions borrow money. The Bureau's first study on the subject was made in 1948, and the second in 1956. During the years from the first study to the most recent, the number of operating Federal credit unions has risen from 4,058 to 10,271, membership has increased from 1.6 million to 6.5 million, and total assets have advanced sharply from \$250 million to \$3 billion.

Loans made by credit unions have also increased, both in number and in size. Whether the purposes for which members borrow have also changed is the major question that the 1961 survey was designed to answer.

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\* Prepared by Ronald M. Gardner, Statistics and Reports Branch, Bureau of Federal Credit Unions.

#### METHODOLOGY

The report form for the study and the accompanying instructions were mailed to all Federal credit unions early in 1961. Participation in the study, however, was on a voluntary basis. Response was excellent; usable returns were received from almost one-fourth (2,497) of all Federal credit unions in operation at the end of 1961.

The sample included returns from credit unions of all sizes but was slightly overweighted by the presence of the larger credit unions. This factor appears, however, to have had little or no adverse effect on the overall results. The weighting probably results in an overstatement of the significance of the larger loans, which are obviously more prevalent in the larger credit unions. Such loans are relatively unimportant in the overall lending program among Federal credit unions of all sizes.

The 1961 study was based on a larger number of responses than were the earlier studies. The 2,497 Federal credit unions making up the sample in 1961 represented 24.3 percent of the 10,271 in operation at the end of the year. In 1956 there were 1,895 credit unions in the sample (22.7 percent of the total