

THE PROPOSED FISCAL 1980 BUDGET:
WHAT IT MEANS FOR OLDER AMERICANS

AN INFORMATION PAPER

PREPARED BY THE STAFF OF THE
SPECIAL COMMITTEE ON AGING
UNITED STATES SENATE



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(II)

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President Carter submitted his fiscal 1980 budget to the Congress on January 22. The new budget proposes \$532 billion in outlays for fiscal 1980, and projects a deficit of \$29 billion.

The committee staff has prepared the following analysis to summarize the impact of the fiscal 1980 budget on programs serving older Americans, including trust fund outlays and discretionary spending.

ADMINISTRATION PROPOSES CUTBACKS IN SOCIAL SECURITY PROTECTION

The administration's fiscal 1980 budget includes several legislative recommendations affecting social security. Most proposals are designed to reduce social security outlays in fiscal 1980 and subsequent years.

(1) *Limit disability benefits.*—The maximum family benefit for a disabled person would be limited to 80 percent of the worker's average indexed monthly earnings (1980 savings: \$21 million). This proposal is designed to preclude a disabled worker and his or her family from receiving more in benefits than the employee made while working prior to becoming disabled. Recent data indicate that as many as 6 percent of all disability awards exceed predisability earnings levels.

(2) *Reduction in dropout years.*—In general, five low earnings years may be dropped out now in computing social security benefits for most eligible workers. The administration proposes to reduce the number of dropout years for younger disabled or deceased workers according to the following formula:

Age:	Number of dropout years
Under 27.....	0
27 to 31.....	1
32 to 36.....	2
37 to 41.....	3
42 to 46.....	4
47 and over.....	5

This proposal would reduce benefits (1980 savings: \$14 million) for some younger disabled or deceased workers (and/or their families).

(3) *Proposals to increase work incentives.*—Four proposals are recommended to increase work incentives (1980 cost: \$39 million) for disabled beneficiaries:

—An extension of the current 12-month trial work period to 24 months. Benefits would not be paid during this second 12-month period, but the disabled worker could be automatically reenrolled in the program if his or her attempt to return to work failed (thus avoiding a lengthy reapplication process).

- Continuation of medicare and medicaid coverage for 2 years after a disabled worker leaves the benefit roll.
- Require that only one waiting period for medicare protection (presently 24 consecutive months) must be met if a disabled worker fails at an attempt to return to work.
- Allow a deduction for impairment-related work and attendant care expenses in computing eligibility for disability benefits.
- (4) *Phase out postsecondary student benefits.*—Benefits paid to dependent children (18 to 22 years old) who are attending postsecondary schools would be phased out over a 4-year period (1980 savings: \$155 million).
- (5) *End mother's or father's benefit when youngest child is 16.*—Benefits paid to an adult caring for children would end when the youngest child reaches age 16, instead of 18 as under present law (1980 savings: \$23 million). The provision would be phased in over a 2-year period. Benefits for dependent children would still be payable until age 18.
- (6) *Eliminate minimum for new beneficiaries.*—The regular minimum monthly benefit (now frozen at \$121.80) would be eliminated for workers (and their survivors) who become entitled after May 1979 (1980 savings: \$53 million).
- (7) *Eliminate lump-sum death benefit.*—The \$255 lump-sum social security death benefit would be eliminated (1980 savings: \$221 million). The administration would replace it with a new SSI (supplemental security income) lump-sum death benefit (equal to 1 month's benefit or about \$220 in 1980 and increasing each year thereafter according to cost-of-living increases). This would have the effect of limiting the lump-sum death benefit to low-income aged, blind, and disabled persons.
- (8) *Federal pension offset.*—Social security benefits would be reduced by \$1 for each \$3 of pension income received from Federal employment which is not covered by social security (1980 savings: \$14 million). The offset would not apply if the Federal annuity is less than the average social security benefit (estimated at \$285 per month in 1980 for a retired worker without dependents). If the Federal pension exceeds the average social security benefit, only the portion above the average would be subject to the \$1-for-\$3 offset. The social security benefit, though, would never be less than 32 percent of the average indexed monthly earnings.

9.1 PERCENT COST-OF-LIVING INCREASE PROJECTED FOR SOCIAL SECURITY

The administration projects a 9.1 percent social security cost-of-living increase in July 1979. The adjustment will be based upon the rise in prices from the first quarter (January, February, and March) in 1978 to the first quarter in 1979. A 7.1 percent cost-of-living adjustment is forecast for July 1980.

Social security beneficiaries and benefits.—Nearly 30.7 million persons are expected to receive \$98.9 billion in retirement and survivor benefits in fiscal 1980, compared with \$87.1 billion in benefits for 30

million persons in fiscal 1979. The number of disabled social security beneficiaries is expected to increase from 4.9 million in fiscal 1979 to 5 million in fiscal 1980. Benefit payments are projected to rise from \$13.6 billion to \$15.3 billion.

RETIREMENT AND SURVIVOR BENEFITS

	1978 actual	1979 estimate	1980 estimate
Beneficiaries (millions):			
Retired workers.....	18.1	18.7	19.4
Dependents of retired workers.....	3.6	3.7	3.7
Survivors.....	7.6	7.6	7.6
Total beneficiaries.....	29.3	30.0	30.7
Benefit payments (billions):			
Retired workers.....	52.1	58.6	67.0
Dependents of retired workers.....	5.8	6.3	7.1
Survivors.....	20.6	22.2	24.7
Total benefit payments.....	78.5	87.1	98.9

DISABILITY BENEFITS

	1978 actual	1979 estimate	1980 estimate
Beneficiaries (millions):			
Disabled workers.....	2.8	2.9	3.0
Dependents of disabled workers.....	2.1	2.0	2.0
Total beneficiaries.....	4.9	4.9	5.0
Benefit payments (billions):			
Disabled workers.....	10.1	11.2	12.7
Dependents of disabled workers.....	2.2	2.4	2.6
Total benefit payments.....	12.2	13.6	15.3

\$558.766 MILLION PROPOSED FOR AoA ACTIVITIES

A \$558.766 million funding level is recommended for AoA activities in the administration's fiscal 1980 budget, or \$38 million above the comparable 1979 amount. AoA is now operating under a continuing resolution which, in effect, provides \$508.75 million. In addition, the administration will seek \$12.016 million in the fiscal 1979 supplemental appropriations bill:

- \$4.546 million for congregate meals because of the "hold harmless" provision in the 1978 Older Americans Act and to compensate for population shifts in determining State funding.
- \$3.97 million for social services because of the "hold harmless" provision and to compensate for population shifts in determining State funding.
- \$3.5 million because of the increase in the floor (from \$200,000 to \$300,000) for State administration.

The administration will also request \$3 million in the 1979 supplemental appropriations bill for the White House Conference on Aging to be used over a 3-year period to pay for support staff, a statutorily mandated advisory committee, preconference activities, and the actual cost of the conference (including travel expenses of delegates).

FUNDING FOR OLDER AMERICANS ACT

[AoA activities; in millions of dollars]

	Fiscal 1979 estimate	Fiscal 1980 request	Fiscal 1980 authorization
Title II:			
National Clearing House.....	2.0	2.0	(1)
Federal Council on Aging.....	.45	.45	(1)
Title III:			
Administration.....	22.5	22.5	(1)
Social services and senior centers ²	196.97	196.97	360
Congregate meals ³			375
Home-delivered meals ³	254.546	277.546	100
Title IV:			
Training.....	17.0	17.0	(1)
Research.....	8.5	8.5	(1)
Gerontology centers.....	3.8	3.8	(1)
Special projects, including long-term care and legal services.....	15.0	30.0	(1)
Title VI:			
Direct Indian grants.....	0	0	(1)
Surplus Indian facilities.....	0	0	(1)
Total	4 520.766	558.766	6 835

¹ Such sums as may be necessary.² At least 1 percent or \$20,000, whichever is greater, of a State's title III social services allotment must support a state-wide nursing home ombudsman program.³ The budget request does not break down the amount allocated for congregated meals and home-delivered meals.⁴ The total funding includes \$12,016,000 in the administration's fiscal 1979 supplemental appropriations request.⁵ Plus such sums as may be necessary.

The 1980 budget request for title III-B (\$196.97 million) social services would support 560 area agencies on aging and more than 2,000 multipurpose senior centers. AoA estimates that 3,283,200 persons will receive community and neighborhood services in fiscal 1979, including information and referral, transportation, residential repairs, legal services, and outreach. AoA projects that 19,640 older Americans will receive in-home services: homemaker, home health, escort, and others.

A \$277.546 million request for the nutrition program would permit a modest increase in the number of meals served, from 563,370 in 1979 to 575,795 in 1980.

ESTIMATED DAILY MEALS SERVED (5 DAYS PER WEEK)

	Fiscal 1979	Fiscal 1980	Change
Congregate.....	478,864	451,603	-27,261
Home delivered.....	84,506	124,172	+39,666
Total	563,370	575,775	+12,405

States will be encouraged to maintain the current level of home-delivered meal services, which nationally is about 15 percent of the total nutrition program. Additionally, \$23 million has been requested for home-delivered meal activities.

Funding for training will focus on gerontological programs at higher educational institutions, State level training programs, continuing education for service providers, technical assistance projects, and other activities. Research activities will be concentrated primarily in three areas: (1) Demographic characteristics and social conditions affecting older persons, (2) advocacy-related activities (e.g., the impact of current policies on older persons and recommendations for change),

and (3) the development of community operated services, with special attention to assisting the vulnerable elderly. A substantial portion of the request for multidisciplinary centers of gerontology will probably be used to fund qualified centers of special emphasis (e.g., health, income maintenance, and housing), as provided in the 1978 amendments. A \$15 million increase is provided for special projects. Funding will be targeted primarily in five areas:

- Identifying and assisting elderly blind persons who need social services.
- Problems of nationwide concern, including long-term care services, in-home services, and minorities.
- Legal services.
- Disaster assistance; and
- Community services, especially for the vulnerable aged.

Funding for the National Information and Resource Clearing House will cover the annualized costs of the central control facility and the three resource centers for the Service Center for Aging Information (SCAN). The three resource centers (biomedical, social practice, and behavioral/social science) will probably be operational by September 1979.

MEDICARE BUDGET PROPOSES EXPANDED MENTAL HEALTH BENEFITS—RESTRUCTURING OF PART A BENEFITS FOR WORKING AGED

The fiscal year 1980 medicare budget proposed additional taxes to cover the cost of hospital insurance from employers of individuals who are 65 or older and from self-employed individuals age 65 or older. The proposal would produce estimated savings of \$200 million in fiscal year 1980. This, along with hospital cost containment and four other legislative proposals (see below) for medicare's hospital insurance (part A) program would result in total savings of about \$1.7 billion during 1980.

The budget also proposes legislation to expand medicare part B supplementary medical insurance benefits for outpatient mental health services by increasing the rate of payment for outpatient psychiatric services from 50 percent to 80 percent of reasonable charges, and increasing the maximum amount payable in a calendar year from \$250 to \$750. The cost of this expanded benefit is an estimated \$22 million in fiscal year 1980.

PROPOSED LEGISLATION—HOSPITAL INSURANCE

The 1980 budget proposes new legislation for hospital cost containment which could save medicare part A (hospital insurance) \$350 million in fiscal year 1979 and \$1.5 billion in fiscal year 1980. The budget estimates an additional cost of \$115,000 during 1980 for Federal administrative expenses to implement the proposed hospital cost containment program.

A proposal for medicare/medicaid common audits is estimated to save \$6 million in fiscal year 1980.

Another proposal would require employers of individuals who are 65 or older to contribute to the cost of hospital insurance for these individuals. The specifics of this proposal are under development and

could involve changes in an employer's support of either private group health insurance or medicare. Self-employed individuals who are over 65 will be required to pay a small tax toward the costs of their medicare protection, depending upon income level.

Legislation is also proposed to eliminate the additional 24-month waiting period for medicare coverage for re-entitled disabled individuals, resulting in an additional cost of \$20 million during fiscal year 1980. Proposed legislation to extend medicare coverage to disabled workers who return to work but are not medically covered would cost an estimated \$5 million in fiscal year 1980.

MEDICARE HOSPITAL INSURANCE: PROPOSED LEGISLATION

(In millions of dollars)

	1979 estimate	1980 estimate
Hospital cost containment (savings).....	\$350	\$1,500
Administration (cost).....		.115
Common audit (savings).....		6
Restructured coverage for working aged (savings).....		200
Disability/waiting period (expanded benefits).....		20
Disability benefit expansion (expanded benefits).....		5

PROPOSED LEGISLATION—SUPPLEMENTARY MEDICAL INSURANCE

The fiscal year 1980 budget proposes to increase the rate of payment for outpatient psychiatric services from 50 percent to 80 percent of reasonable charges and raise the maximum amount payable in a calendar year from \$250 to \$750. This benefit expansion is estimated to increase costs by \$22 million during fiscal year 1980.

The budget also proposes only one waiting period for medicare protection (now 24 consecutive months) for reentitled disabled individuals (additional cost: \$7 million during fiscal year 1980). Extending part B coverage to disabled workers who return to work will result in an additional cost of \$2 million.

Part B reimbursements which would be eliminated or changed include (1) elimination of reimbursement for chiropractic services (savings: \$34 million); (2) changing reimbursement practices to "eliminate excessive reimbursement" to hospital-based radiologists, anesthesiologists, and pathologists (savings: \$48 million); and (3) a change in reimbursement for physician services (savings: \$3 million) in hospital outpatient departments and clinics (e.g., to insure that total reimbursement is made on the basis of costs, rather than charges).

Also proposed is legislation to authorize the Secretary of HEW to assess a fine, up to a maximum of \$2,000, against any person (after notice and opportunity for a hearing) filing a fraudulent claim. The budget estimates a savings of \$9.3 million, offset by \$1 million in new administrative costs for implementation. Under existing law, the Secretary must prove criminal fraud through the Justice Department and the courts.

MEDICARE SUPPLEMENTARY MEDICAL INSURANCE: PROPOSED LEGISLATION

[In millions of dollars]

1980 estimate

Outpatient psychiatric services (expanded benefits).....	22.0
Disability/waiting period (expanded benefits).....	7.0
Disability benefit expansion (expanded benefits).....	2.0
Chiropractic services (savings).....	34.0
Hospital-based physicians (savings).....	48.0
Reasonable cost reimbursement (savings).....	3.0
Civil penalties (savings).....	9.3
Administration of civil penalties (additional cost).....	1.0

CURRENT SERVICES

Total outlays for medicare hospital insurance (part A) are expected to increase by about 14.5 percent from fiscal year 1979 to fiscal year 1980. Estimated total payments for fiscal year 1980 are \$23.2 billion, compared to \$20.2 billion during fiscal year 1979. This increase results primarily from rising medical costs and the size of the covered population.

Approximately 600,000 additional elderly and disabled beneficiaries will become eligible for hospital insurance during 1980, and an estimated 180,000 additional beneficiaries will receive reimbursed services during the year.

Payments for inpatient hospital services are expected to increase by 15 percent from fiscal year 1979 to fiscal year 1980; payments for skilled nursing facility services are expected to increase by 8 percent; and home health benefit payments will increase by 20 percent.

MEDICARE HOSPITAL INSURANCE

[In millions]

	1978 actual	1979 estimate	1980 estimate
Beneficiaries:			
Persons with hospital insurance protection (average):			
Aged.....	23.5	23.9	24.3
Disabled.....	2.8	3.0	3.1
Beneficiaries receiving reimbursed services:			
Aged.....	5.3	5.5	5.6
Disabled.....	.7	.75	.8
Benefit payments:			
For inpatient hospital services:			
Aged.....	\$14,696	\$16,965	\$19,344
Disabled.....	1,935	2,325	2,744
For skilled nursing facility services:			
Aged.....	380	434	468
Disabled.....	15	18	20
For home health services:			
Aged.....	361	460	548
Disabled.....	28	37	47
Total benefit payments:			
Aged.....	15,437	17,859	20,360
Disabled.....	1,978	2,380	2,811
Total.....	17,415	20,239	23,171

Total outlays for medicare supplementary medical insurance (part B) will increase by about \$1.4 billion, or 17 percent, from fiscal year 1979 to fiscal year 1980. Rising medical costs and an increase in the number of covered beneficiaries are the two major reasons for the projected additional outlays.

The budget estimates that approximately 700,000 elderly and disabled beneficiaries will be added to the SMI rolls during 1980, and 900,000 additional beneficiaries will receive benefit payments.

Payments for physician services are expected to increase by 15 percent; home health services by 19 percent; outpatient services by 20 percent; and payments for other medical and health services by 19 percent.

MEDICARE SUPPLEMENTARY MEDICAL INSURANCE

[In millions]

	1978 actual	1979 estimate	1980 estimate
Beneficiaries:			
Persons enrolled (average):			
Aged.....	23.3	23.9	24.4
Disabled.....	2.5	2.7	2.8
Beneficiaries receiving reimbursed services:			
Aged.....	14.1	14.9	15.6
Disabled.....	1.5	1.7	1.8
Benefit payments:			
For physician services:			
Aged.....	\$4,479	\$5,142	\$5,909
Disabled.....	546	656	779
For home health services:			
Aged.....	147	198	235
Disabled.....	12	16	19
For outpatient services:			
Aged.....	665	916	1,105
Disabled.....	456	637	756
For other medical and health services:			
Aged.....	498	604	711
Disabled.....	49	59	75
Total benefit payments:			
Aged.....	\$5,789	\$6,860	\$7,960
Disabled.....	1,063	1,368	1,629
Total.....	6,852	8,228	9,589

SENIOR COMMUNITY SERVICE EMPLOYMENT PROGRAM TO REMAIN
UNCHANGED

President Carter's fiscal 1980 budget would maintain the operating level of the title V (formerly title IX of the Older Americans Act) senior community service employment program at about 47,500 during the 1980-81 program year (July 1, 1980, to June 30, 1981). Title V is now operating at \$200.9 million.

Sponsor	Funds	Positions
Green Thumb.....	\$65,733,500	15,405
National Retired Teachers Association/American Association of Retired Persons.....	27,243,000	6,383
Forest Service.....	13,209,000	3,095
National Council of Senior Citizens.....	36,157,000	8,920
National Council on Aging.....	18,208,000	4,264
National Center on Black Aged.....	1,305,000	366
National Association for Spanish-Speaking Elderly.....	1,305,000	300
Urban League.....	2,871,000	715
States.....	34,868,500	8,028
Total.....	200,900,000	47,476

A funding level of \$211.7 million is projected for the national senior services corps for program year 1979–80 (July 1, 1979, to June 30, 1980). However, the administration will propose an additional \$8.9 million in a fiscal 1979 supplemental appropriations bill to cover additional costs from increases in the minimum wage (from \$2.65 per hour to \$2.90 in January 1979 and then to \$3.10 in January 1980), bringing the total amount from \$211.7 million to \$220.6 million. A \$234.8 million funding level is requested for program year 1980–81.

TITLE V SENIOR COMMUNITY SERVICE EMPLOYMENT PROGRAM

[In millions of dollars]

	Fiscal year—		
	1979	1980	1981
Authorization ¹	\$350.0	\$400.0	\$450.0
Appropriation or budget request ¹	200.9	² 220.6	234.8

¹ The authorization figures are based upon fiscal years 1979 (Oct. 1, 1978, to Sept. 30, 1979), 1980 (Oct. 1, 1979, to Sept. 30, 1980), and 1981 (Oct. 1, 1980, to Sept. 30, 1981). The appropriation or budget request figures are based upon program years 1978–79 (July 1, 1978, to June 30, 1979), 1979–80 (July 1, 1979, to June 30, 1980), and 1980–81 (July 1, 1980, to June 30, 1981).

² Figure includes \$8,900,000 in the supplemental request for fiscal year 1979 to cover the additional costs attributable to the minimum wage.

SECTION 202 LOAN AUTHORITY TO REMAIN AT \$800 MILLION

Section 202.—The fiscal 1980 budget includes \$800 million in loan authority for the section 202 program, which provides loans to non-profit sponsors of housing for the elderly and handicapped. This level is the same as for fiscal 1979. At least \$50 million must be used to finance an estimated 1,300 units for nonelderly handicapped persons; units constructed for the elderly from fiscal 1980 funds should total approximately 18,400.

This fiscal 1980 total of 19,700 units represents a decrease of 1,500 units from the estimated 21,200 units which will be reserved under fiscal 1979 loan authority.

Section 8 (housing assistance payments program).—The fiscal 1980 budget proposes budget authority of \$20 billion in the section 8 rental assistance program, which will support reservations for 250,000 units. The proposed distribution calls for 102,000 existing units and 147,000 substantially rehabilitated or newly constructed units. About 300,000 reservations will be made with fiscal 1979 budget authority.

Community development block grants.—A \$3.9 billion funding level for community development block grants is requested in the new budget. This represents a slight increase above the \$3.75 billion in budget authority for fiscal 1979, and \$3.6 billion for fiscal 1978.

Public housing operating subsidies.—The administration recommends increasing public housing operating subsidies from \$727 million in fiscal 1979 to \$741.5 million in fiscal 1980.

Congregate services program.—No additional resources are requested for this new program which provides meals, housekeeping assistance, and personal care to frail elderly residents of public and section 202 housing. The Congress appropriated \$10 million for congregate services in fiscal 1979.

FmHA repair grants.—Section 504 of the 1949 housing act authorizes grants and low-interest loans to very low-income elderly homeowners in rural areas. This assistance may be used for essential repairs and the correction of health and safety hazards. The program is administered by the Department of Agriculture's Farmers Home Administration. President Carter has requested \$24 million for fiscal 1980, a \$5 million increase above the \$19 million fiscal 1979 appropriation. It is estimated that this new funding level will permit 7,650 housing units to be assisted in fiscal 1980, compared to an estimated 6,300 units in 1979 and 3,183 units actually repaired in 1978.

SUPPLEMENTAL SECURITY INCOME

The number of aged, blind, and disabled persons projected to receive supplemental security income during fiscal year 1980 is 4.245 million (including 480,000 who receive only a State supplement). Nearly 1.9 million older Americans will receive Federal SSI payments and/or State supplemental payments in fiscal year 1980. The budget projects \$5.635 billion in Federal benefit payments in fiscal 1980 and \$1.638 billion in State supplemental payments.

Several legislative recommendations are incorporated in the budget, including:

(1) Restrict SSI eligibility for persons who dispose of assets in order to qualify for benefits (outlay reduction: \$6 million in 1980).

(2) Offset windfall SSI benefit payments when there is a retroactive social security payment in certain dual entitlement situations (outlay reduction: \$19 million in 1980).

(3) Phase in a system to determine SSI eligibility and payment amount based on a retrospective monthly accounting period.

(4) Provide that "affidavits of support" for legal aliens are enforceable contracts, with sponsors responsible for the support of legal aliens during the first 5 years of residence.

NURSING HOMES

Nursing home costs continue to rise. Medicaid will account for approximately 50 percent of the total industry revenues. Medicaid funding for nursing home care (Federal and State) is projected at \$6.3 billion in 1979, and is expected to rise to \$6.7 billion by 1980. The Federal share for the above figures is about 55 percent, and the States contribute the remaining 45 percent. Payments for nursing home care continue to comprise the largest portion of Federal Medicaid outlays, almost 38 percent of total payments.

Medicare's contributions to nursing home care are small by comparison. In fiscal 1979, Medicare paid \$452 million to nursing homes on behalf of beneficiaries. In 1980 the President's budget projects \$488 million. The percentage of Medicare funds to pay for nursing home care has decreased slightly over the last several years—from 5 percent in the late 1960's to around 2.3 percent.

The Veteran's Administration also pays for nursing home services, estimated at \$329 million for fiscal year 1979 and \$359 million for fiscal year 1980.

Private contributions continue to be an important source of nursing home payments, accounting for slightly more than 45 percent of total nursing home revenues.

SMALL FUNDING INCREASES REQUESTED FOR ACTION'S OLDER AMERICAN VOLUNTEER PROGRAMS

The budget requests an increase of \$3.1 million for the retired senior volunteer program (RSVP); an increase of \$1.1 million for senior companions; and an increase of \$5.8 million for the foster grandparents for fiscal year 1980.

No new programs are anticipated. Increases are to be used primarily to raise (1) volunteer allowances and stipends, and (2) increase administrative support. Stipends for foster grandparents and senior companions will be raised from \$1.60 an hour to \$1.80 an hour on October 1, 1979. RSVP program increases will be used for additional support in volunteer insurance and transportation expense reimbursement.

OLDER AMERICAN VOLUNTEER PROGRAMS

(In millions of dollars)

	1978 actual	1979 estimate	1980 estimate	1980 authorization
RSVP.....	\$20.1	\$20.1	\$23.214	\$30
Senior companions.....	7.0	7.0	8.135	162.5
Foster grandparents.....	34.9	34.9	40.651	

† Senior companions and foster grandparents have a combined authorization of \$62,500,000 for fiscal year 1980

Approximately 250,000 older Americans participated in RSVP during fiscal year 1979. The same number will participate during 1980, but emphasis will be placed on increasing the proportion of male and minority participants.

During 1979, the foster grandparent program provided service opportunities for about 16,600 low-income older Americans. Approximately 41,600 children with special needs would be served during 1980.

Moreover, the senior companion program would provide volunteer opportunities to 3,300 low-income older Americans. Senior companions provide help, support, and companionship to other elderly with special needs.

NATIONAL INSTITUTE ON AGING

The National Institute on Aging's 1980 budget request of \$56.51 million is slightly below the 1979 level of \$56.91 million. In addition, NIA staff positions would decline from a ceiling of 258 positions to 233 positions in 1980.

The new NIA budget is projected to support 462 awards during 1980—385 for research, 50 for training, and 27 for research and development contracts. This is approximately 100 below the number supported in fiscal year 1979.

MEDICAID BUDGET PROPOSES LEGISLATION TO SAVE \$19.3 MILLION

The fiscal year 1980 medicaid budget makes 13 separate legislative proposals estimated to reduce Federal costs by \$19.3 million.

Proposed hospital cost containment legislation could save \$225 million in 1980 and an additional \$53 million in 1979. A proposal for a medicare/medicaid common audit is projected to save \$28 million in fiscal year 1980.

Other major cost saving proposals include (1) requiring individuals who have resources to pay for some portion of their long-term care (estimated savings: \$5 million); (2) permitting the Secretary of HEW to release social security wage information to States in determining medicaid eligibility, and permitting State unemployment agencies to release wage information to State medicaid agencies (estimated savings: \$13 million); (3) eliminating reimbursement for chiropractic services (estimated savings: \$1 million); (4) eliminating "excessive reimbursement" to hospital-based radiologists, anesthesiologists, and pathologists (estimated savings: \$7 million); (5) authorizing the HEW Secretary to assess civil penalties for fraudulent claims (estimated savings: \$14.3 million); and (6) considering stepparent income for AFDC/medicaid eligibility determination and standardizing the work expense disregard for AFDC/medicaid recipients (estimated savings: \$27 million).

Legislation is also proposed to expand medicaid benefits for the disabled by eliminating the "abrupt and complete" cutoff of medicaid when earnings of employed disabled persons exceed the current allowed level of \$240 per month. This proposal is estimated to cost \$4 million during fiscal year 1980.

Expanded benefits are also proposed for an additional 2 million low-income children and 100,000 low-income pregnant women, at a cost of \$288 million. In addition, the Secretary of HEW would be given authority to insure medicaid payments to eligible migrant workers, at an estimated cost of \$9 million during fiscal year 1980.

MEDICAID: PROPOSED LEGISLATION

[In millions of dollars]

	1979 estimate	1980 estimate
Hospital cost containment (savings).....	\$53	\$225.0
Common audit (savings).....		28.0
Transfer of assets (savings).....		5.0
Social security wage information (savings).....		13.0
Eliminate chiropractic benefits (savings).....		1.0
Hospital-based physician reimbursement (savings).....		7.0
Civil penalties (savings).....		14.3
AFDC stepparent income (savings).....		16.0
AFDC income disregard (savings).....		11.0
Disability benefit expansion (cost).....		4.0
Child health assurance program (cost).....		220.0
Low-income pregnant women (cost).....		68.0
Migrant workers (cost).....		9.0
Total savings		19.3

CURRENT SERVICES

Total Federal and State medicaid expenditures are expected to be about \$22.3 billion during fiscal year 1980. This is an increase of approximately 7 percent from total fiscal year 1979 Federal and State expenditures of \$20.9 billion. The Federal share is expected to increase by about 12 percent, from \$11.3 billion during fiscal year 1979 to \$12.6 billion during fiscal year 1980.

Nearly 3.7 million elderly persons are expected to receive medicaid-reimbursed services in fiscal years 1979 and 1980. The budget estimates a slight increase in medicaid reimbursements for health services for

the permanently and totally disabled, from 3.1 million in fiscal year 1979 to 3.2 million in fiscal year 1980.

Fiscal year 1980 Federal medicaid expenditures for nursing home care are estimated to increase by about \$276 million from fiscal year 1979 levels. Nursing home care will account for about 38 percent of total Federal medicaid payments. Payments for skilled nursing facilities will constitute 16 percent of total Federal medicaid payments.

Federal medicaid payments for home health care are estimated to increase \$12 million, from \$142 million during fiscal year 1979 to \$154 million during fiscal year 1980. Home health payments continue to represent about 1 percent of total Federal medicaid payments.

RAILROAD RETIREMENT ANNUITIES

Payments for retirement, disability, and survivor benefits are projected at \$4.590 billion in fiscal 1980, nearly \$350 million above the fiscal 1979 estimate of \$4.255 billion. Actual payments during fiscal 1978 totaled \$3.984 billion. The number of persons receiving benefits is expected to decrease slightly from 1,024,000 at the end of 1978 to an estimated 1,016,000 at the end of 1979, with another decrease to 1,011,000 at the end of 1980. The number of persons receiving supplemental annuities is projected to increase from 176,000 at the end of 1978 to 178,000 at the end of 1979 and 184,000 at the end of 1980.

The administration plans to recommend legislation to strengthen the railroad retirement trust fund during 1979 through an altered payroll financing mechanism, changes in the computation of benefits, and the prospective application of social security rules to disability benefits.

4 PERCENT APRIL ANNUITY INCREASE FORECAST FOR FEDERAL RETIREES

The administration forecasts a 4-percent cost-of-living increase for Federal civil service annuitants in April 1979, followed by adjustments of 3.9 percent in October 1979 and 3.3 percent in April 1980. Cash outgo from the civil service retirement and disability fund is projected to increase from \$12.4 billion in fiscal year 1979 to \$14 billion in fiscal year 1980.

	1978 actual	1979 estimate	1980 estimate
Cash outgo during year:			
Payment of claims to retired employees.....	\$9, 186, 683	\$10, 446, 041	\$11, 898, 056
Payment to employees engaged in construction of Panama Canal.....	176	168	127
Payment to widows of former employees of the Lighthouse Service...	851	852	866
Payment of claims to survivor annuitants.....	1, 382, 204	1, 569, 967	1, 782, 595
Lump sum payments to estates or beneficiaries of deceased annuitants and employees.....	28, 168	28, 000	28, 000
Refunds to living separated employees.....	287, 084	300, 000	300, 000
Administration.....	22, 044	25, 561	25, 414
Gain from premium or discount on investments.....	417		
Total outgo.....	10, 907, 627	12, 370, 589	14, 035, 058

The number of annuitants is expected to rise from 1,638,600 in 1979 to 1,689,600 in 1980.

VETERANS' BENEFITS FOR OLDER AMERICANS

More than \$11.2 billion is projected to be expended in fiscal 1980 for Veterans Administration non-service-connected disability pensions (\$4.2 billion), service-connected disability compensation benefits (\$6.8 billion), and burial and other benefits (\$.2 billion). Of this total, veterans and survivors from World War I and prior conflicts are expected to receive \$989 million in pension payments and \$214 million in compensation payments for fiscal 1980. The projection for compensation payments will increase if the Congress enacts President Carter's proposed cost-of-living adjustment, expected to be 7.8 percent for veterans and their dependents, effective October 1, 1979.

The VA also operates the largest medical care delivery system in the Nation, with 172 hospitals, 16 domiciliary care units, 95 nursing homes, and 228 outpatient clinics. This system will treat over 1.3 million patients in 1980, and more than 18.1 million outpatient medical and dental visits will be funded by the VA. Approximately \$5.6 billion is expected to be expended.

Type of care	1978 actual	1979 estimate	1980 estimate
Nursing home care:			
Patients treated.....	11,671	12,308	12,662
Average daily nursing patient census.....	7,480	8,119	8,351
Domiciliary care:			
Members treated.....	17,275	17,197	14,936
Average daily member census.....	8,721	8,668	7,668
State nursing home care:			
Average daily nursing census.....	4,945	5,184	5,698
Patients treated.....	9,074	9,539	10,484
State home care (domiciliary):			
Average daily member census.....	5,236	5,628	5,746
Members treated.....	10,497	11,706	11,952
Community nursing home (contract care):			
Average daily nursing census.....	7,997	8,500	8,500
Patients treated.....	26,996	28,261	28,261
State hospital care:			
Average daily patient census.....	1,004	1,050	1,050
Patients treated.....	6,478	6,778	6,778

MILITARY RETIREMENT PAY EXPECTED TO REACH \$11.5 BILLION

The budget projects a \$1.31 billion increase in military retirement pay, from \$10.14 billion in fiscal 1979 to \$11.45 billion in fiscal 1980.

PROGRAM AND FINANCING

[In thousands of dollars]

Program by activities	1978 actual	1979 estimate	1980 estimate
Nondisability.....	7,362,993	8,199,011	9,311,081
Temporary disability.....	61,861	63,021	68,851
Permanent disability.....	963,342	1,022,485	1,107,572
Fleet reserve.....	637,166	660,396	731,885
Survivors' benefits.....	147,802	194,925	232,111
Total.....	9,173,164	10,139,838	11,451,500

The average number of individuals on the retired rolls is expected to rise by about 38,000, from 1.26 million in 1979 to 1.3 million in 1980.

AVERAGE NUMBER

	1978 actual	1979 estimate	1980 estimate
Nondisability.....	921,385	959,795	991,269
Temporary disability.....	12,426	12,306	12,167
Permanent disability.....	140,354	140,834	140,229
Fleet reserve.....	98,165	94,947	96,115
Survivors' benefits.....	47,514	54,031	60,230
Total.....	1,219,844	1,261,913	1,300,010

ADEA ENFORCEMENT TRANSFERRED TO EQUAL EMPLOYMENT OPPORTUNITIES COMMISSION

Effective July 1, 1979, responsibility for the enforcement of the Age Discrimination in Employment Act will be transferred from the Department of Labor's Employment Standards Administration to the Equal Employment Opportunities Commission.

The administration requests \$125 million for EEOC's antidiscrimination activities, as well as full-year funding to support functions transferred from the Department of Labor's Employment Standards Administration and the Office of Personnel Management and the Merit System Protection Board (formerly the Civil Service Commission). Also, \$8,230,400 is allocated for ADEA enforcement activities. This amount will support 287 staff positions.

To improve its operations, EEOC has abolished its regional administrative and litigation office and will provide direct service through 22 full-service district offices and 37 area offices to persons who believe they have been victims of discrimination.

CETA FUNDING DOWN, NEW PROGRAM DIRECTIONS SPELLED OUT IN REAUTHORIZATION

The fiscal 1980 budget recommends \$9.4 billion for the Comprehensive Employment and Training Act, down \$2.1 billion from the \$11.5 billion recommended budget authority for fiscal 1979. Public service employment (PSE) will experience the sharpest cutbacks. CETA-financed jobs would be trimmed from 625,000 to 467,000, producing an estimated savings of \$1.5 billion.

The 1978 amendments to CETA restructured public service employment (PSE) into two new major programs. Title II-D authorizes PSE for low-income, long-term unemployed persons to help them obtain skills, experience, and placement aid. Title VI authorizes public service employment for individuals who are out of work primarily because of cyclical changes in the economy.

In addition, the CETA reauthorization and the Revenue Act of 1978 place increased emphasis on securing unsubsidized private sector jobs. A supplemental appropriation of \$400 million is requested to carry out this goal.

The 1980 budget continues the 1979 level of 267,000 public service jobs for the structurally unemployed with outlays of \$2.4 billion. However, the 1980 budget request would reduce the title VI counter-cyclical public service employment program from a 1977 high of 415,000 jobs to 200,000 jobs by the end of 1980.

COMMUNITY SERVICES ADMINISTRATION

Senior opportunities and services (SOS).—The 1980 budget requests \$10.5 million for SOS, the same spending level as for fiscal year 1979. Approximately 1 million low-income elderly are served by the program.

Community food and nutrition.—The 1980 budget requests \$8 million for the community food and nutrition program, a decrease of \$22 million from the fiscal year 1979 funding level of \$30 million. The reduction would occur primarily in food stamp outreach activities, as the Department of Agriculture improves and expands its outreach efforts. The \$8 million requested in the budget would be used for crisis relief, advocacy, and self-help activities.

Energy conservation services.—The fiscal year 1980 budget requests no funding for energy conservation services, since funding for weatherization activities is provided in an energy conservation program, now administered by the Department of Energy (see below).

Energy crisis intervention.—A \$40 million contingency fund is requested for fiscal year 1980 to enable CSA to meet emergency situation needs for purchase of home-heating fuels and other energy-related crisis intervention. A portion of CSA's energy conservation program, primarily weatherization activities, had been allocated for crisis intervention in prior years, but this is the first administration request specifically for this purpose. Congress appropriated \$200 million for this activity for fiscal years 1977 and 1978. Moreover, \$200 million is available for fiscal year 1979 through a continuing appropriations resolution.

Community action agencies.—\$381 million is requested for community action agencies for 1980. This is an increase of \$12 million from the fiscal 1979 spending level of \$369 million. The increase would be used to strengthen the administrative capacity of existing community action agencies, particularly small, rural agencies.

DEPARTMENT OF ENERGY ACTIVITIES

Weatherization grants for low-income persons.—The fiscal 1980 budget for the Department of Energy includes \$200 million in budget authority for weatherizing the homes of low-income persons, with particular attention devoted to the elderly and handicapped. This is the same amount that was appropriated for the program's first year of operation in fiscal 1979.

Utility programs and regulatory intervention.—The Economic Regulatory Commission is authorized by the Public Utilities Regulatory Policies Act of 1978 to encourage the adoption of utility rate reforms which promote conservation and equity. The administration has requested \$28.1 million for these activities in fiscal 1980.

CONTROL OF FRAUD AND ABUSE IN HEALTH CARE DELIVERY TO THE ELDERLY

Office of the Inspector General, Department of Health, Education, and Welfare.—The fiscal 1980 budget proposes a funding level of \$39,868,000 for antifraud activities, which include operations of the Immediate Office of the Inspector General, the Office of Health Care and Systems

Review, the Audit Agency, and the Office of Investigations. This funding would continue staff at approximately the same level as in fiscal 1979.

The Health Care Financing Administration, the Office of Program Integrity (HCFA).—Major initiatives in the control of fraud and abuse are managed by the Health Care Financing Administration and the Office of Program Integrity within HCFA. The 1980 budget recommends \$156 million for overall HFCA administrative management of these programs. Of this total, the Office of Program Integrity is projected to receive about \$15 million.

State fraud control units.—Public Law 95-142 (medicare-medicaid anti-fraud and abuse amendments) provide 90 percent Federal funding for a 3-year period for States to establish antifraud units. Federal funding for 21 units currently authorized is \$55 million.

MENTAL HEALTH

The administration's budget requests \$916 million for the National Institute of Mental Health, which includes the Center for Mental Health and Aging, to continue research, training, and service activities. This is \$100 million below the 1979 estimated expenditure but slightly more than the 1978 figure.

LEGISLATION

The administration plans to propose legislation to restructure Federal support to States and communities for the development and delivery of comprehensive mental health services, reflecting the recommendations of the President's Commission on Mental Health. An additional \$198 million has been requested by President Carter to make appropriate mental health treatment and preventive services available to the unserved and underserved. The new services will focus on elderly, minorities, children, and persons with chronic mental illness.

The administration has also recommended legislation to improve outpatient psychiatric services under medicare. (See page 2 for more details.)

HOME HEALTH DEMONSTRATION PROGRAM TO BE PHASED OUT

The 1980 budget proposes to phase out the home health demonstration program in 1980, requesting only \$804,000. The fiscal year 1979 funding level was \$6 million. The \$804,000 would be used during 1980 to fund approximately 15 new projects. The program has assisted more than 200 agencies to develop new home health services or expand existing services.

\$2 MILLION INCREASE PROPOSED FOR HYPERTENSION SCREENING

The budget requested \$13,261,000 for hypertension screening programs, an increase of over \$2 million from the 1979 funding level of \$11 million. Approximately one-third of all older Americans suffer from some form of hypertension.

ADMINISTRATION REQUESTS INCREASE IN TITLE XX CEILING

The Congress increased the title XX social services ceiling from \$2.5 billion to \$2.9 billion for fiscal year 1979. The administration is requesting a \$2.9 billion ceiling for fiscal year 1980 to "accommodate the amounts which have previously been made available for child day care and also to focus on assistance to areas of special need as emphasized in the President's urban initiative." Of the \$2.9 billion, the administration estimates that approximately \$332 million would be spent on homemaker and chore services and approximately \$140 million for health related services.

NEW INITIATIVES IN COMMUNITY CARE RESEARCH AND DEMONSTRATION

Increased budget authority for research and demonstration programs in community long-term care and community services is requested for the Administration on Aging, the Health Care Financing Administration, and the Administration for Public Services.

Administration on Aging.—The 1980 budget request includes \$15 million for special demonstration programs in community long-term care services.

Health Care Financing Administration.—An increase of almost \$19 million is requested for research, demonstration, and evaluation projects (from \$32.5 million in fiscal 1979 to \$51.3 million in fiscal 1980). Of this amount, \$15 million is to be used for special projects in community long-term care and nursing home improvement projects.

Administration for Public Services.—The 1980 budget requests an increase of about \$3 million for research and demonstration projects (from \$2,955,000 in fiscal year 1979 to \$5,975,000 in fiscal year 1980). A portion of the increase is to be applied to demonstration and evaluation of social/health maintenance organizations and coordination of systems for delivery of health and social services.

SMALL INCREASE IN LEGAL SERVICES

The administration is requesting a \$13 million increase in funding for direct legal services grants under the Legal Services Corporation, from \$235 million in fiscal year 1979 to \$248 million for fiscal year 1980. In addition, the Corporation would receive funding for administrative functions and research, bringing its total fiscal year 1980 budget request to approximately \$282 million. This budget is expected to support about 7,000 attorneys and 3,000 paralegals in 360 local legal services programs.

TRANSPORTATION

Urban Mass Transportation Administration.—Section 16(b)(2) of the Urban Mass Transportation Act, as amended in 1978, reserves up to 2 percent of the annual allotment of urban discretionary funds for capital assistance grants to private nonprofit groups for transit services to elderly and handicapped individuals.

Urban discretionary grants under the proposed 1980 budget would be \$1.279 billion, compared to an estimated \$1.250 billion in fiscal 1979 and an actual \$1.399 billion in 1978. Thus, up to \$25.6 million would be available in fiscal 1980 for 16(b)(2) capital assistance.

Revisions of transit legislation in 1978 also created a new nonurban formula grant program to provide both capital and operating assistance for small cities and rural areas. For fiscal 1980, \$75 million is planned for this new activity. This would support about 50 grants.

FEDERAL EMPLOYEES PART-TIME CAREER EMPLOYMENT ACT OF 1978

No new spending authority is provided for the Federal Employees Part-Time Career Employment Act. However, the law requires Federal agencies to express schedules of permanent positions in terms of full-time equivalence in the work year ceilings (by the end of 1980). This would be achieved by counting the number of hours worked rather than the number of staff positions.

Controls imposed by rigid personnel ceilings, rather than the more flexible full-time equivalence approach were cited by the GAO as a significant barrier to the employment of workers unwilling or unable to work the standard workweek.

The Congressional Budget Office estimates that some 3,000 new employees will fill part-time positions which, under the full-time equivalence standards, will be counted as part of the current employment ceiling.

Beginning October 1, 1978, selected test agencies (Veterans Administration, General Services Administration, Environmental Protection Agency, Federal Trade Commission, and the Export-Import Bank) began to measure and report on their employment by counting the number of hours worked rather than staffing levels.

The experiment is designed to accomplish two objectives: (1) To break down artificial barriers that may have inhibited the employment of permanent part-time workers; and (2) to determine whether full-time equivalent controls can improve personnel management, overcome some of the criticisms directed at the existing year end control systems, and not significantly increase the Federal work force.

FOOD STAMP PROGRAM

The administration estimates that food stamp participation will increase from 16.5 million recipients in 1974 to 17.4 million in 1980. Approximately \$6.5 billion will be paid out in food stamps. Regulations became effective on January 1, 1979, to eliminate the purchase requirement for food stamp recipients.

\$2.2 MILLION CUTBACK PROPOSED FOR COMMUNITY SCHOOLS

Funding for community schools would be cut back by \$2.238 million under the new budget, from \$5.376 million in fiscal 1979 to \$3.138 million in fiscal 1980. The community schools program provides

Federal funds to State and local educational agencies to assist in the delivery of coordinated social, recreational, and cultural services.

SCORE AND ACE

The fiscal 1980 budget requests \$2.27 million for the Service Corps of Retired Executives (SCORE) and the Active Corps of Executives (ACE). The fiscal year 1979 funding level was \$2.25 million. The 1980 request would enable approximately 12,500 retired executives to continue to provide volunteer services. The Small Business Administration administers SCORE and ACE.

