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EMERGENCY UNEMPLOYMENT HEALTH BENEFITS ACT OF 1975

GOVERNMENT

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HEARINGS

BEFORE THE

COMMITTEE ON

LABOR AND PUBLIC WELFARE UNITED STATES SENATE

NINETY-FOURTH CONGRESS

FIRST SESSION

ON

S. 625

TO ESTABLISH AN EMERGENCY HEALTH BENEFITS
PROGRAM FOR THE UNEMPLOYED
AND RELATED BILLS

MARCH 6 AND 11, 1975

Printed for the use of the Committee on Labor and Public Welfare



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INFORMATION



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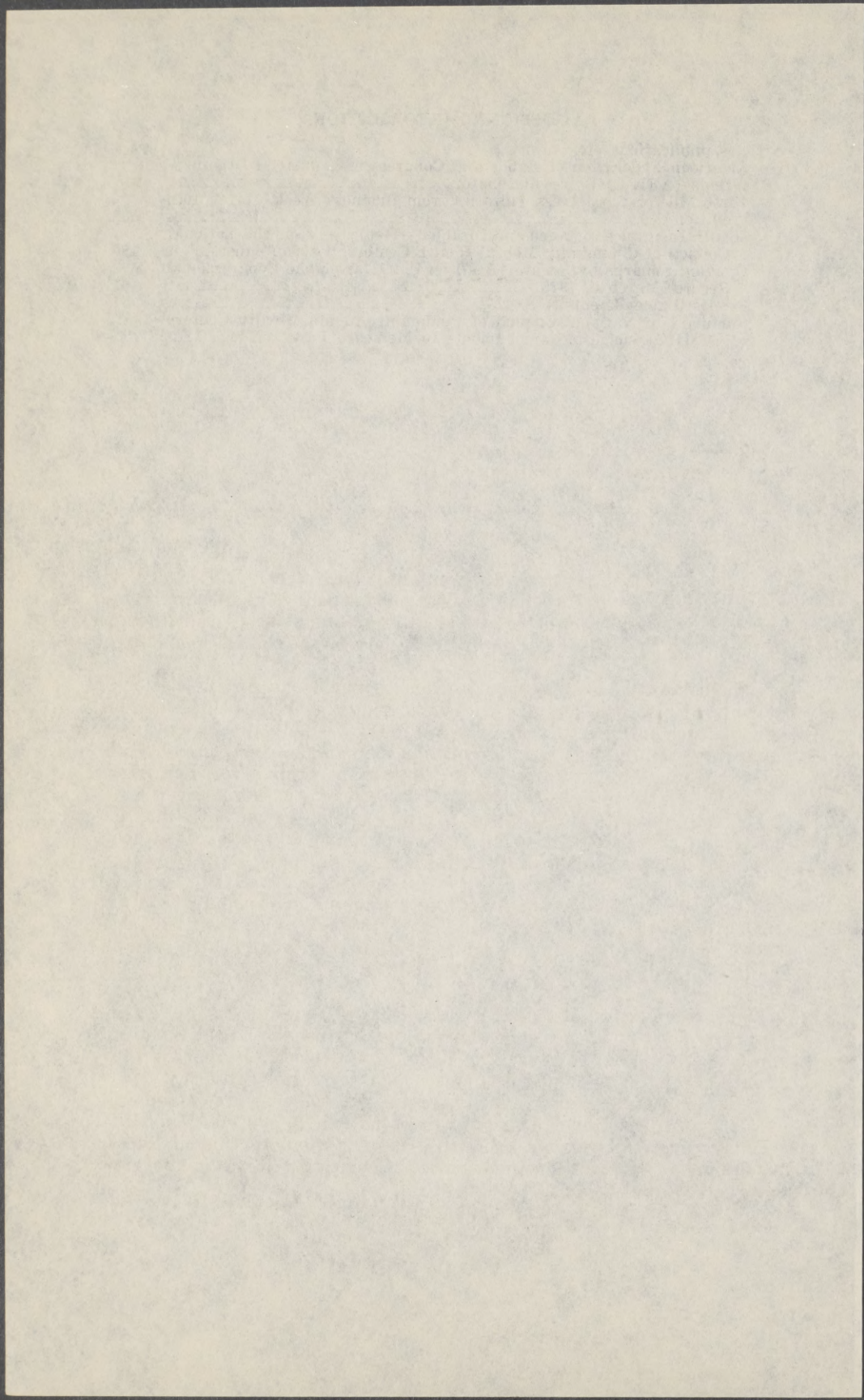
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EMERGENCY UNEMPLOYMENT HEALTH BENEFITS ACT OF 1975

THURSDAY MARCH 6, 1975

U.S. SENATE,
COMMITTEE ON LABOR AND PUBLIC WELFARE,
Washington, D.C.

The committee met, pursuant to notice, at 10 a.m., in room 4232, Dirksen Senate Office Building, Senator Harrison A. Williams, Jr. (committee chairman) presiding.

Present: Senators Williams, Kennedy, Javits, Schweiker, Beall, Stafford, and Laxalt.

Committee staff present: LeRoy Goldman, professional staff member; and Jay B. Cutler, minority counsel.

The CHAIRMAN. The committee will come to order, please.

This is a hearing of the full Committee on Labor and Public Welfare, hearings on S. 625. This legislation was not heard at the subcommittee level. Because it deals with an emergency need and an emergency response to that need, we are having a hearing at the full committee level.

The committee is meeting today against the backdrop of a national unemployment crisis to deal with an urgent human problem—the loss of health insurance coverage for millions of American breadwinners and their families. At least 7.5 million men and women were without jobs during January and we all know that figures for February, March, and the months beyond are likely to be even higher.

Unemployment compensation for the average person in the United States is \$68 a week. And that amount of money is supposed to cover the rent and the electric bill, put food on the table and buy clothes for the kids.

But that is not all. When you lose your job in this country you usually lose your health insurance. After 30, 60, or at best, 90 days, your employer stops paying your premium, and your health benefits policy is cut off. In these circumstances, the family has no good options.

They could buy individual health insurance, but at a cost of 40 percent or more of their meager unemployment benefits. They could go into debt to pay rapidly rising hospital and medical costs. Or they could forgo, or be denied, the treatment they cannot afford.

Last month, Senators Kennedy, Javits, Schweiker, and I introduced S. 625, the Emergency Unemployment Health Benefits Act of 1975. Today and next week, we will be hearing testimony on this bill which is designed to finance continuation of the health insurance that covered workers before they lost their jobs.

[A copy of the bill referred to and related bills follow:]

94TH CONGRESS
1ST SESSION

S. 625

IN THE SENATE OF THE UNITED STATES

FEBRUARY 7, 1975

MR. KENNEDY (for himself, Mr. JAVITS, Mr. SCHWEIKER, and Mr. WILLIAMS)
introduced the following bill; which was read twice and referred to the
Committee on Labor and Public Welfare

A BILL

To establish an emergency health benefits program for the un-
employed.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Emergency Unemploy-
4 ment Health Benefits Act of 1975".

5 SEC. 2. The Emergency Jobs and Unemployment As-
6 sistance Act of 1974 is amended by adding at the end thereof
7 the following new title:

VII—O

1 "TITLE IV—EMERGENCY HEALTH BENEFITS
2 PROGRAM

3 "ELIGIBILITY FOR HEALTH INSURANCE BENEFITS

4 "SEC. 401. (a) It is the purpose of the title to pro-
5 vide—

6 "(1) to each individual who—

7 "(A) is unemployed and is entitled to receive
8 weekly compensation under a State or Federal un-
9 employment compensation law (including the spe-
10 cial unemployment assistance program established
11 by title II of this Act), and

12 "(B) would, if his employment by his pre-
13 vious employer had not been discontinued, be
14 covered under an employer-sponsored health insur-
15 ance plan, and

16 "(2) to each dependent spouse (as defined in regu-
17 lations of the Secretary) and to each dependent child (as
18 defined in such regulations) of an individual described in
19 clause (1),

20 health insurance benefits of the type and scope which would
21 have been provided to such individual (or to such dependent
22 spouse or dependent child) under the health insurance plan
23 referred to in clause (1) (B), if the individual described in
24 clause (1) were still employed by his previous employer.

25 "(b) For purposes of subsection (a) an individual is

1 'unemployed' for any week if, for such week, such indi-
2 vidual is entitled (or would, except for illness or disease, be
3 entitled) to receive compensation under a State or Federal
4 unemployment compensation law. The Secretary may, in
5 order to facilitate the administration of this title, provide by
6 regulation that an individual will, for purposes of subsection
7 (a), be deemed to be unemployed for all of the weeks in any
8 period of weeks (not in excess of six weeks) if such indi-
9 vidual is for one or more of the weeks in such period 'unem-
10 ployed' within the meaning of the preceding sentence.

11 "(c) No health insurance benefits shall be provided
12 under this title to any person—

13 "(1) during any period for which he is covered
14 (without regard to the provisions of this title), or has
15 the opportunity to obtain (by reason of action on his
16 part or on the part of any member of his family) cover-
17 age, under any employer-sponsored health insurance
18 plan, or

19 "(2) who would have received benefits under an
20 employer-sponsored health insurance plan which pro-
21 vided health benefits to formerly employed persons
22 which plan was in effect on February 7, 1975.

23 "ARRANGEMENTS WITH CARRIERS AND STATE AGENCIES

24 "SEC. 402. In carrying out the purpose of this title, the
25 Secretary shall (whenever he is able to do so) —

1 “(a) enter into arrangements with the carriers (and
2 in appropriate cases with employers or employee welfare
3 benefit plans (as defined in section 3 (1) of the Em-
4 ployee Retirement Income Security Act of 1974))
5 whereby individuals covered for benefits under this title
6 will be provided such benefits under the particular health
7 insurance plan by which such individuals were covered
8 while employed by their previous employer and there
9 will be paid to such carriers (or, in appropriate cases,
10 to such employer or employee welfare benefit plan)
11 amounts equal to the premiums or other charges pre-
12 scribed for such benefits plus any additional administra-
13 tive expenses reasonable incurred by the carrier (or by
14 the employer or health and welfare trust) in securing
15 such benefits under the arrangement, and

16 “(b) enter into agreements with the State agency
17 of each State under which such agency will be utilized
18 by him for the purpose of making determinations, in the
19 case of individuals in the State, of eligibility of such
20 individuals for the health insurance benefits provided by
21 this title, and for the purpose of making payments to
22 carriers (and employers or employee welfare benefits
23 plans) through whom such benefits are secured for in-
24 dividuals in such State; and any such agreement shall
25 provide that the Secretary will pay to each State agency

1 which is a party thereto amounts equal to the adminis-
2 trative and other expenses reasonably incurred by such
3 State agency which is a party thereto amounts equal to
4 the administrative and other expenses reasonably in-
5 curred by such State agency in performing the functions
6 specified in the agreement.

7 “DEFINITIONS

8 “SEC. 403. As used in this title—

9 “(a) the term ‘Secretary’ means the Secretary of
10 Labor;

11 “(b) the term ‘employer-sponsored health insur-
12 ance plan’ means a health insurance plan which covers
13 some or all of the employees of an employer and the
14 premiums for which are paid or collected wholly or in
15 part by the employer;

16 “(c) the term ‘health insurance plan’ means an in-
17 surance policy, contract, or other arrangement under
18 which a carrier undertakes in consideration of premiums
19 or other period payments, to provide, pay for, or reim-
20 burse the costs of, health services received by individuals
21 covered by the plan;

22 “(d) the term ‘carrier’ means a voluntary associa-
23 tion, corporation, partnership, or other nongovernmental
24 organization which is engaged in providing, paying for,
25 or reimbursing the cost of, health services under group

1 insurance policies or contracts, medical or hospital service
2 agreements, membership or subscription contracts,
3 or similar group arrangements, in consideration of pre-
4 miums or other periodic charges payable to the carrier;

5 “(e) the term ‘employer’ shall have the meaning
6 given such term in the applicable State or Federal un-
7 employment compensation law described in section 401
8 (a) (1) (A) ; and

9 “(f) the term ‘State agency’ means the agency of a
10 State which administers the unemployment compensation
11 law of that State, approved by the Secretary under sec-
12 tion 3304 of the Internal Revenue Code of 1954.

13 “TERMINATION DATE

14 “SEC. 404. Notwithstanding any other provisions of this
15 title, no health insurance benefits may be provided under this
16 title with respect to any week ending after June 30, 1976.

17 “AUTHORIZATION OF APPROPRIATIONS

18 “SEC. 405. There are hereby authorized to be appro-
19 priated such sums as may be necessary to carry out the
20 provisions of this title.”

94TH CONGRESS
1ST SESSION

S. 951

IN THE SENATE OF THE UNITED STATES

MARCH 5, 1975

Mr. BEALL introduced the following bill; which was read twice and referred to the Committee on Labor and Public Welfare

A BILL

To create a temporary program, as an emergency measure during the current period of high unemployment, in order to assure continued health care for unemployed persons and their families; and for this purpose to provide for continuation of coverage under employer programs of health insurance for their employees, and Federal financing from general revenues to meet the cost of such continued coverage.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Emergency Health In-
4 surance Extension Act of 1975".

5 SEC. 2. The Public Health Service Act is amended by
6 adding at the end thereof the following new title:

II

1 "TITLE XVII—CONTINUATION OF EMPLOYEE
2 HEALTH INSURANCE DURING PERIODS OF
3 UNEMPLOYMENT

4 "SEC. 1701. (a) Every individual who is receiving bene-
5 fits under any Federal or State unemployment compensation
6 law (or would be entitled to benefits except for illness or
7 disease) and who, at the time of termination of his employ-
8 ment, was covered under an employer health insurance plan
9 for employees, and the members of his family if included in
10 such coverage, shall be entitled to a continuation of such in-
11 surance, with premiums paid therefor by the Secretary of
12 Health, Education, and Welfare as set out below, under the
13 following terms and conditions:

14 "(1) Insurance of an individual and his family under
15 this section shall become effective at such time as the obli-
16 gation of the employer to furnish insurance coverage under
17 the employer's health insurance program for employees
18 otherwise expires.

19 "(2) This section shall not apply in the case of an
20 individual who, together with members of his family previ-
21 ously covered through his employment, is covered or is eli-
22 gible for coverage under an employer's health insurance pro-
23 gram by which such coverage is available through another
24 member of his family.

25 "(3) To be entitled to benefits under this section an in-

1 individual shall make application therefor to the State unem-
2 ployment compensation agency or other appropriate State
3 agency, and such agency shall promptly determine eligibility
4 and give notice of certification of eligibility or rejection of the
5 application to the individual's last employer and the carrier
6 for such employer's health insurance program.

7 “(4) Application for benefits under this section shall be
8 made within thirty days following termination of the em-
9 ployment, and the initial certification shall be effective to
10 provide for coverage commencing on the date of termination
11 of the employment or, if later, the date of expiration of cov-
12 erage of the employee and his family by insurance under the
13 employer's health insurance program. Any certification of
14 eligibility shall be effective for a period of four weeks, and
15 the agency shall from time to time review and recertify any
16 individual's eligibility in order to provide for continuation of
17 coverage for the period during which he is unemployed and
18 eligible for compensation benefits.

19 “(5) Insurance coverage provided under this section
20 shall not apply with respect to elective services.

21 “(b) Payment of premium, actuarially determined for
22 coverage under this section, shall be made by the Secretary
23 of Health, Education, and Welfare directly to the carrier
24 or as reimbursement to the employer.

1 “SEC. 1702. There is authorized to be appropriated to
2 the Secretary of Health, Education, and Welfare such sums
3 as may be necessary to carry out the provisions of this sec-
4 tion. No payments may be made by the Secretary of Health,
5 Education, and Welfare for any benefits under this title for
6 any period subsequent to June 30, 1976.”.

94TH CONGRESS
1ST SESSION

S. 966

IN THE SENATE OF THE UNITED STATES

MARCH 5, 1975

Mr. HARTEE (by request) introduced the following bill; which was read twice and referred to the Committee on Labor and Public Welfare

A BILL

To amend the Emergency Jobs and Unemployment Assistance Act of 1974 to establish an emergency health insurance extension program to assure continued health care for unemployed persons and their families, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Emergency Health
4 Insurance Extension Act of 1975".

5 SEC. 2. The Emergency Jobs and Unemployment As-
6 sistance Act of 1974 is amended by adding at the end
7 thereof the following new title:

II

1 "TITLE IV—EMERGENCY HEALTH INSURANCE
2 EXTENSION PROGRAM

3 "SEC. 401. (a) Every individual who is receiving bene-
4 fits under any Federal or State unemployment compensation
5 law and who, at the time of termination of his employment,
6 was covered under an employer health insurance plan for
7 employees, and the members of his family if included in
8 such coverage, shall be entitled to a continuation of such
9 insurance, with premiums paid therefor by the Secretary of
10 Labor as set out below, under the following terms and
11 conditions:

12 "(1) Insurance of an individual and his family under
13 this title shall become effective at such time as the obligation
14 of the employer to furnish insurance coverage under the
15 employer's health insurance program for employees other-
16 wise expires.

17 "(2) This title shall not apply in the case of an indi-
18 vidual who, together with members of his family previously
19 covered through his employment, is covered or is eligible
20 for coverage under an employer's health insurance program
21 by which such coverage is available through another mem-
22 ber of his family.

23 "(3) To be entitled to benefits under this title an indi-
24 vidual shall make application therefor to the State unem-
25 ployment compensation agency or other appropriate State

1 agency, and such agency shall promptly determine eligi-
2 bility and give notice of certification of eligibility or rejec-
3 tion of the application to the individual's last employer and
4 the carrier for such employer's health insurance program.

5 “(4) Application for benefits under this title shall be
6 made within thirty days following termination of the em-
7 ployment, and the initial certification shall be effective to
8 provide for coverage commencing on the date of termination
9 of the employment, or, if later, the date of expiration of
10 coverage of the employee and his family by insurance under
11 the employer's health insurance program. Any certification
12 of eligibility shall be effective for a period of four weeks,
13 and the agency shall from time to time review and recertify
14 any individual's eligibility in order to provide for continua-
15 tion of coverage for the period during which he is unem-
16 ployed and eligible for compensation benefits.

17 “(5) Insurance coverage provided under this title shall
18 not apply with respect to elective services.

19 “SEC. 402. For the purposes of this title a person shall
20 be deemed eligible for insurance benefits even though he
21 may be disqualified for compensation benefits by reason of
22 inability to work because of illness or disease.

23 “SEC. 403. Payment of premium, actuarially determined
24 for coverage under this title, shall be made by the Secretary

1 of Labor directly to the carrier or as reimbursement to the
2 employer.

3 "SEC. 404. There is authorized to be appropriated to the
4 Secretary of Labor such sums as may be necessary to carry
5 out the provisions of this title. No payments may be made by
6 the Secretary of Labor for any benefits under this title for
7 any period subsequent to June 30, 1976."

The CHAIRMAN. Frankly, this legislation and these proceedings should not have been necessary. A national health insurance program would already have been enacted if the Federal Government had kept pace with the will of the people. But there is no national health insurance, and in its absence, the committee feels a strong responsibility to meet the emergency needs of the unemployed.

When it submitted its budget last month, the administration made no provision for responding to this need. They told us that the matter is under study. In its budget briefings, an HEW official pointed out that medicaid is available when the jobless qualify for public assistance after their unemployment benefits run out.

This is no solution at all. It provides nothing for those who are receiving unemployment compensation. We cannot in good conscience say to the millions of unemployed Americans that they have to exhaust their jobless benefits and go on welfare before their Government will help them obtain medical care.

It is my hope that the administration witnesses—and they will appear next week—are prepared to report that their study is complete, to advise us of the findings, and to recommend a course of action.

I expect that our other witnesses will also respond to this problem, so that we can swiftly and constructively get on with the job at hand.

One of the original sponsors of the legislation, Senator Schweiker. Would the Senator yield for one moment?

Senator SCHWEIKER. Yes.

The CHAIRMAN. I am chairing a hearing in the Banking Committee at this same hour, so I will have to leave. It is on another matter of common concern here, the foreign investment activity that we are responding to with some legislation there. It's in my subcommittee's bill, so if my colleagues will excuse me, I know that this hearing will be in capable and certainly understanding hands.

Thank you, very much, Dick.

Senator SCHWEIKER. Thank you, Mr. Chairman.

The rate of unemployment in this Nation continues to climb. I am personally fearful that this steady escalation in unemployment signals that the situation will get much worse long before it gets better.

Obviously, our economic dilemma is a nightmare for those Americans who daily join the ranks of the unemployed. Families must turn to unemployment compensation, food stamps, social services, and any other source of support and come forth during this difficult period.

Thousands of American workers every day are faced with bitter choices as a result of their unemployment, lose their eligibility for health insurance coverage or pay for it themselves at high individual rates.

I am talking about the 8 million unemployed workers who, with their families, face the terrible risk of not being able to pay for needed medical services. It's my understanding that in the last year alone, nearly 2 million workers lost their coverage. This situation and the current economic crisis dictates we take emergency steps. That means continuing health benefit coverage with unemployed workers, some of whom must pay close to \$100 a month to retain their health insurance coverage.

A family of four which had been making \$10,000 a year might have to pay nearly one-fourth of its monthly unemployment benefits for health insurance. That cannot be tolerated, especially considering the high cost of food, housing, and other consumer necessities with today's inflation.

I am pleased to have joined with the chairman and several of my colleagues of this committee in introducing the Emergency Employment Health Benefits Act. We have an emergency on our hands, and this is an emergency measure. It is not a program of national health insurance, although such a program, if it were in place, would undoubtedly eliminate the need for a measure of this kind.

This measure does not cover all those unemployed workers who need health insurance coverage. I am not sure this measure necessarily represents the best way to proceed in solving this problem.

Nevertheless, despite its defects, I feel this bill is necessary so that we can move quickly to enact a program to provide some help to the unemployed. I look forward to receiving the comments and recommendations of the experts in this area, as well as those who will benefit from the program. This will allow us to refine and improve the bill and quickly bring it to the floor of the Senate.

Mr. Chairman, I am pleased to be a cosponsor of this legislation. I look forward to this hearing, and I want to commend you personally for your leadership in this area and for promptly convening this hearing.

Senator Laxalt, would you like to make any statement at this time?

Senator LAXALT. Not at this point, Mr. Chairman.

Senator SCHWEIKER [presiding pro tempore]. At this point we will call as our first witness the health insurance panel.

Please come forward and take your seats at the witness table.

Blue Cross Association, National Association of Blue Shield Plans, Health Insurance Association of America, Group Health Insurance Association of America. I will ask the representatives to identify themselves for the benefit of the stenographer.

Mr. PEARCE. I am Harold G. Pearce, senior vice president of the Blue Cross Association.

Mr. RYAN. I am William Ryan, senior vice president of the National Association of Blue Shield Plans.

Mr. NEWMAN. I am Dr. Harold F. Newman, representing the Group Health Association of America.

Mr. MILLER. I am Morton D. Miller, executive vice president and chief actuary of the Equitable Life Insurance Society, here today on behalf of the Health Insurance Association of America.

STATEMENT OF HAROLD G. PEARCE, SENIOR VICE PRESIDENT, BLUE CROSS ASSOCIATION

Mr. PEARCE. I would like to commend this group for being one of the earliest groups to recognize the problem and to suggest positive action, because we agree that we have a very unique problem of a very singular magnitude confronting us. Action, if anything, may be overdue which calls for prompt decision and prompt completion of implementation at the earliest possible date.

In the interim, the Blue Cross plans, of which there are 73 in the country covering some 83 million private contracts, will offer every single laid off person at least a conversion contract. Coverage is available. We have urged groups to extend coverage to the maximum period possible on the group basis.

We are taking steps to enable the working spouse to be able to pick up another family member who may be unemployed on their contract.

The issue still remains: Can these people who are unemployed pay for their coverage, pay for any form of coverage. I think that is the issue largely before us at this point. We would submit that this is an occasion on which it will take a government and a private sector partnership to solve the problem, particularly to provide the means by which these people may be allowed to preserve their health coverage and, in fact, preserve the health of the work force so that on return to more normal conditions, we can pick up where this country left off.

There are as many as a half dozen possible solutions to the problem. They are largely divided into two classes. That being to utilize some form of on-hand program such as medicare or medicaid, or to devise a special benefit program in hopes that it would be tailored to the needs of these individuals.

Largely those three classes would utilize a program not specifically designed for this kind of population. The medicaid, for example, being largely a long-term care proposition, and the administrators of that program largely dealing in long-term care and speed-down requirements.

Medicare being designed for aged people, having a fairly large deductible which would be difficult for these people to fill, and again the administration of that program largely being taxed at this point.

The development of a brand new program would take an educational program, as well as some kind of super thinking as to what might be best, of the order of a national health insurance solution, for example, which seems to be conceded is not imminent within the time frame of the emergency before us.

That particular brace of solutions, in our opinion, would take more time than is available, a matter of months, possibly up to 6 months to develop special machinery of that type.

It's been our recommendation, therefore, that maximum use be made of in-place mechanisms, the in-place system. This is the best known to the unemployed person. This is the best known to his provider of care.

We do have a channel by which the program can be carried from the Federal level to the individual, back on the street, and through his provider.

I would suggest that there is a mechanism such as we have in effect for the Federal employees which could be duplicated which would permit an agency of the Federal Government to be able to deal with a very small number of people representing nationally the agencies who are delivering the program, and having decided what shall be the report mechanisms, what shall be the payment funnel mechanisms.

That program could be implemented, as I say, all the way back to the very individual receiving care on the street, and the money in the pipeline forced through such mechanism with relative simplicity to the Federal Government, and relatively expeditiously.

There are 5 million people now being served by such a mechanism. I think we could, therefore, utilize the in-place coverages, utilize the in-place mechanism and develop a partnership between the Federal Government and the private agencies which could make this program work, could make it on a very relatively short period of time.

Possibly it should be considered, that the program retroact a brief period, depending upon your judgment as to how long the emergency has existed. It appears we have been in the emergency several months at this point.

Finally, let us assure you that as a first priority our system is prepared to work with government in the development of, first, an administrative program; secondly, to implement the program with the greatest of haste as our very top priority, and would be most appreciative of the opportunity to work further with you on this subject.

[The prepared statement of Mr. Pearce follows:]

A Statement On

HEALTH INSURANCE FOR THE UNEMPLOYED

By

BLUE CROSS ASSOCIATION
Harold G. Pearce
Senior Vice President

Presented To The

SUBCOMMITTEE ON HEALTH
COMMITTEE ON LABOR AND PUBLIC WELFARE
UNITED STATES SENATE

March 6, 1975

Mr. Chairman and Members of the Committee, I am Harold G. Pearce, Senior Vice President of the Blue Cross Association, the national organization of the 73 Blue Cross Plans in the United States.

Begun in response to community need in 1929, Blue Cross Plans have grown from a year-end membership in that year of 1,500 persons to our present enrollment of well over 80 million. In addition, the Blue Cross system serves as an intermediary, under contract with government, for the Medicare, Medicaid, CHAMPUS, and other public programs.

In total, the Blue Cross system has programs and systems in place serving nearly half the population of the United States. Our non-profit, independent Plans serve local and national markets under policies set by community-oriented boards ⁽¹⁾ and comprise a major component of the American health system.

As a representative of the Blue Cross system, I commend this Committee and the Congress for assigning a high priority to the subject we are addressing today: health benefits for the unemployed. This country's system of health and welfare benefits for the working population has been developed in large part through the efforts of employers and unions and, as presently constituted, is dependent on

a relatively stable employed population. During a period of unusually high unemployment, such as we see today, a significant number of people lose their health benefits along with income.

Because today's need is so immediate and compelling, it is necessary to fashion an expedient program of health benefits for the temporarily unemployed, while longer range solutions are being debated. The challenge in designing and implementing such a program can only be met by concentrated effort of all parties concerned: employers, the health industry, and the federal government.

Several conceptual alternatives may be considered, each with advantages and disadvantages to all parties involved. At least two of these alternatives are represented in legislation before Congress. From our perspective, the following options should be debated:

1. Design a uniform program of essential basic institutional and professional care financed by the federal government and administered by the private sector.

On the positive side, greater equity to the temporarily unemployed is achieved by making the same benefits available to all in this category.

There are problems in this approach. Probably the most difficult would be the length of time required to set up such a program. Several months would be required to deliver benefits. Decisions would have to be made on many details, e.g., eligibility, benefit structure, flow of payment from government to carrier, prevention of duplicate coverage, and the treatment of an unemployed person with a working spouse. Such a uniform benefit program would at the same time increase and decrease benefits over coverage during employment, creating a communication problem in familiarizing beneficiaries with new levels of coverage.

2. Extend Medicare benefits to the unemployed, with the administration of the program continuing through Medicare carriers and fiscal intermediaries.

Medicare benefits are directed toward a population with unique needs. One result is that the program covers a scope of health services more comprehensive than many current health insurance contracts. A question exists whether this full range of benefits is appropriate for a short-term project aimed at a healthier, more youthful population.

Also, some aspects of the Medicare regulations have been specifically designed for the over 65 population. An example is the nursing differential in the provider reimbursement formula. This and other unique features designed for the existing Medicare population would have to be modified.

As presently designed, Medicare requires significant deductibles and coinsurance for both hospital and medical services (Parts A and B). It is questionable whether many temporarily unemployed, lacking the private supplemental insurance held by many Medicare beneficiaries, would be able to pay these amounts. This problem exists for private coverage, to varying extents, as well.

3. Provide entry into the various state Medicaid programs for the temporarily unemployed.

Enhancing this option is the fact that a system for administering health benefits through Medicaid exists.

However, there are several drawbacks to this route.

- Medicaid administration and benefits are very uneven from state to state.
- There is little assurance that all state Medicaid forces would be able to cope with a suddenly increased load.
- Because the provision of health benefits for the unemployed is expected to be a short-term program, it is difficult to envision that it would be economically feasible, under either a Medicaid or Medicare pattern, to recruit and train additional temporary staff for a short-term swell in recipients.

- The current Medicaid program is a welfare program, requiring recipients to spend down their resources in order to qualify. It is possible to waive the spend-down provisions of the medicaid program for the temporarily unemployed. However, this would require already burdened Medicaid administrators to develop dual administrative eligibility requirements for a single program.

- The general benefits provided under Medicaid are directed toward providing for the health needs of the poor and near-poor on a long-term basis. It is questionable that they are appropriate for the short-term needs of the temporarily unemployed.

4. Establish a uniform amount of money provided by the Federal Government directly to the temporarily unemployed. With this money the person would be urged to continue through his current carrier, health coverage available on a conversion contract.

The main problem in this approach is that there is no assurance that a temporarily unemployed person, faced with other pressing needs, would, in fact, use the funds to purchase a conversion contract. Use of scrip rather than cash would introduce other complications.

Another drawback is that at the present time not all health insurance carriers provide for conversion privileges. Thus, some of the temporarily unemployed would have no guarantee of access to continued protection.

5. Provide through payment from general revenues for the continuation of health benefits enjoyed during employment through the employer.

This option would be easiest and least expensive to implement. By mandating cooperation by the employer, use could be made of existing machinery for covering a vast majority of the temporarily unemployed. Familiar benefits would be involved, reflecting local differences in health services and practices.

Where the employer is no longer in business, it will necessitate the development of a short-term eligibility system flowing from the unemployment compensation office to the carrier that covered the person as an employee.

Probably the most troublesome feature of this route would be the inequities of benefits protection and federal contribution. It would involve different levels of coverage to people dependent upon the coverage they held when they were employed.

6. Additional Concepts

There is no easy or apparent solution to the problem. Tradeoffs must be made among such elements as equity, time, and expense; A new, complete system would be expensive and time-consuming to set up and dismantle. A fast, low-cost program is bound to involve inequities in protection, although no more, necessarily, than now exist.

A useful way to minimize conflict might be for the federal government to make available a uniform level of financing for existing benefit programs. Depending upon at what level the subsidy is set, an additional, and much more manageable, payment would be required in the working group setting.

If existing benefits through the working environment are to be supported in any form, it might be advantageous to permit employers, up to a year, to claim a tax credit for payment of premiums. If no tax is owed, a refund could be arranged. Such a bottom-line transaction would not affect other taxes owed. It would cut down on the necessity of moving funds and thus save time and money.

The record should state that even now Blue Cross Plans are doing everything possible to continue health benefits. All Blue Cross Plans provide for conversion privileges. Any person leaving a job, and therefore leaving a group, can convert his coverage as soon as his group benefits expire. This applies to persons laid off as well as those leaving for any other reason.

Depending upon the program design decided on by Congress, we could ask our Plans to open up their enrollment immediately to the working spouses of all recently unemployed, so the employed spouse might convert to family membership and thereby protect the unemployed and dependents. Such changes are usually limited to specified enrollment periods. For the duration of this emergency situation, we could ask that Plans allow such changes whenever desired.

In summary, we recognize the need to use extraordinary means to meet current needs. We commit the resources of personnel and experience of the Blue Cross system to cooperate with the Congress in answering this critical problem.

- (1) As of December 31, 1973, 68 percent of the Board members of Blue Cross Plans were representatives of the general public (10% were hospital trustees) and 32 percent represented the providers of health care (19% were hospital administrators and 13% were physicians).

OPENING STATEMENT OF SENATOR JAVITS

Senator JAVITS. Mr. Chairman, I would like to read a statement into the record.

I urge as an immediate emergency solution for the health needs of millions of unemployed Americans and their families the Emergency Unemployment Health Benefits Act of 1975 (S. 625)—which I have joined in introducing with the chairman of the committee, Senator Williams, and the chairman, Senator Kennedy, and ranking minority member, Senator Schweiker, of its Health Subcommittee.

Whatever course of action we take with respect to this emergency problem, I believe it important to underscore that such action should not be considered a formula or precedent for what should be done with respect to national health insurance.

This bill is an emergency stopgap measure designed to protect the health of millions of unemployed American workers—men and women—who, through no fault of their own, are being laid off due to the current economic crisis. Not only will these Americans be without a job, but at the same time they will be without any protection for the health care needs of themselves and their families. Unemployment benefits leave no room to afford the cost of purchasing health insurance protection.

This measure is not intended to be a substitute for America's need for comprehensive national health insurance, nor is it intended to remedy any inequities or inadequacies in our existing health care system. Rather, it is a humanitarian legislative response to a tragic economic emergency and one which assures millions of Americans a form of health insurance protection if they are the unfortunate victims of illness, injury, or disease.

I am not convinced we cannot remedy immediately the inequities in our health care delivery and financing system by, for example, designing and opting for a uniform program of essential health care benefits available to all—it would take months to debate what are the basic essential benefits and how it should be administered and financed. Moreover, even the simple extension of medicare—and I believe parts A (hospital) and B (physicians' services) are the absolute minimums—presents the problem of its being a unique health benefit package directed toward the unique needs of senior citizen Americans and not tailored for the unemployed. It would also place an administrative responsibility on the existing medicare carriers and fiscal intermediaries—assuming that is the way to proceed—without any time to “gear-up” for the millions of new beneficiaries; plus how would the deductible and coinsurance issue be either handled administratively, or met by the unemployed. In regard to entry into various State medicaid programs, there is no evidence to indicate the States have the requisite financial resources to meet this emergency, and as currently conceived in most States medicaid is a welfare program requiring recipients to spend their resources in order to qualify.

While such other legislative alternative responses can be conceptualized, the challenge in designing and implementing an emergency program of health benefits for the unemployed and their families can only be achieved with the support of all parties concerned—the public; employers; and health industry, providers, carriers, and institutions—and that is the goal of our Emergency Unemployment Health Benefits Act of 1975.

It hasn't had the glamour and the general discussion of the unemployment compensation and the public service jobs. But I consider it fully as important and hope very much, Mr. Chairman, that our committee may be able to act on this legislation as rapidly as it will act on the other legislation so critical to the unemployed.

I congratulate the Chair and our ranking member on this subcommittee for the alertness with which they have moved into this situation.

Senator SCHWEIKER. Senator Kennedy.

Senator KENNEDY [presiding pro tempore]. Thank you very much.

I want to recognize the Senator from Nevada, Senator Laxalt, and extend a warm word of welcome to the Senator to the committee.

He has just joined the committee; I am sure he will participate in many future hearings. I think this is the first one with the Labor Committee. We are delighted to have you and welcome you and look forward to your active participation in the affairs of this committee.

I have a statement which I will put in the record. I think the real thrust of my concern is expressed in that statement. We are facing the dual problems of unemployment and loss of health insurance. We in the Congress will be, as Senator Javits has pointed out, attempting to respond to the problems of these millions of Americans whose health insurance benefits have expired.

This isn't a bill which does all the things that I would like to see done in this area. I am mindful that if we had a national health insurance program in place, we wouldn't need these set of hearings. But I am very much aware that we have wide differences on the best way of meeting the health care crisis. One of the real advantages of this bill, not that that should be the test for any piece of legislation, is that it has broad support. What we have devised in S. 625 is a way in which we could meet this particular crisis, and I believe that it is a crisis, and meet it in a way which will be timely.

It seems to me that this is one of the real strengths. I am exceedingly hopeful that those who take issue with the bill will present constructive suggestions. I know all of us, if we had our "druthers," could add a host full of amendments to it. But what we are trying to do is to develop some common ground to meet an emergency situation. I hope that we are going to be able to move this expeditiously through the committee, through the Senate, and get the President's signature on it so that the benefits can reach the people as soon as possible.

So I want to extend a warm word of welcome to both of our panels. This group has been introduced. We are glad to have you. I will put my complete statement in the record.

OPENING STATEMENT OF SENATOR EDWARD M. KENNEDY

Senator KENNEDY. Today we begin hearings on S. 625, the Emergency Unemployment Health Benefit Act of 1975.

These hearings are very important for they survey the situation with respect to the combination of two contemporary American crises—the employment crisis and the health care crisis.

In January more than 7.5 million Americans were unemployed. At a rate of 8.2 percent, this is the highest level of unemployment since the Great Depression.

This employment crisis is an income crisis for millions of American families. The average unemployment compensation payment is only

\$65 per week; \$260 per month. You can hardly live on \$260 a month—but millions of Americans are standing in lines for hours to collect it—because that's all they have. It's all that stands between them and nothing.

Two hundred and sixty dollars a month for rent, utilities, gasoline, and food.

But for many families there is another crisis. A health care crisis. Health insurance in America is employment-group based. When you lose your job, you lose more than your paycheck. You lose your health insurance.

It's senseless. But that's the system. So for thousands of American families, unemployment means a choice. It means no health care—needless pain, even death—or hundreds or thousands of dollars for health care, even bankruptcy.

For years I have urged the establishment of a health security program. If that program had been adopted, we would not need to be here today. Unemployed workers—as all Americans—would have good health insurance.

But the health security program has not been adopted.

So with 7.5 million Americans out of work, more than 5 million workers, more than 15 million Americans including dependents, have lost their health insurance.

And so we are forced to act on an emergency basis to restore health insurance coverage for these people.

The bill we are considering here today does just that. It provides Federal funds through the existing system—the Blues and the private carriers—to continue health insurance coverage for workers. Coverage workers would have had had they continued to have been employed.

This is not a perfect bill. It is an emergency bill. The benefits which are provided differ greatly depending on the benefits provided by the former employer. It contains many inequities.

Further, the bill provides for no reform of the health care system. It will contribute, perhaps even exacerbate inflation. It will do nothing to bring more doctors to underserved areas. And nothing to improve the quality of care.

But for all these defects, it must be passed. Passed quickly for the alternative to this program, is either a worse program, or no program at all.

So as we consider this bill, we cannot forget its deficiencies. It is more apparent than ever that we must focus our attention on the need for national health insurance. We must establish a comprehensive national health insurance program during this Congress.

Mr. Ryan, we want to welcome you here. Thank you for your participation in the development of legislation. We have had a lot of input from the groups who participated this morning. Your participation has been invaluable to the formulation of the legislation.

We will hear now from Mr. Ryan.

Mr. RYAN. Thank you.

STATEMENT OF WILLIAM E. RYAN, SENIOR VICE PRESIDENT, NATIONAL ASSOCIATION OF BLUE SHIELD PLANS

Mr. RYAN. Mr. Chairman, I am William E. Rvan, senior vice president of the National Association of Blue Shield Plans. With me is

Lawrence C. Morris, vice president of the association. The association consists of 71 locally based, not-for-profit medical care prepayment plans, employing 55,000 people and covering 73 million private subscribers and an additional 12 million as agents for Government programs. Two of every five Americans look to Blue Shield for financial protection against health care expense.

We appreciate this opportunity to appear today and to present our views concerning legislation to provide health benefits to the temporarily unemployed.

The current situation is unusual for health insurance legislation in that if it requires legislation, it requires emergency legislation. This imposes certain criteria, and we will comment in that context.

First, any attempt to provide emergency relief for the unemployed must rely upon existing mechanisms. There is no opportunity for extensive restructuring if benefits are to be delivered rapidly.

Second, the program must be simple. There will be little opportunity for major reeducation of patients, employers, and providers of health care services. Neither can systems be extensively redesigned if the program is to be implemented on an emergency basis.

Within this framework, several alternatives could be used.

First, medicare benefits could be extended to the unemployed with administration of the program continuing through present medicare carriers and fiscal intermediaries. For reasons which we have elaborated in our formal statement, we oppose this alternative. Medicare is inappropriate for a temporary, emergency program for reasons of benefit design, major variations in workload, lack of capacity to identify duplicate coverage and, perhaps most important, an administrative structure programed to enroll and service individual beneficiaries once and for life—quite inappropriate for the temporarily unemployed and their families.

A second alternative would be to assume that the medicaid program could serve the unemployed. This could be achieved either by applying the present eligibility criteria to the unemployed, or by waiving those criteria on the basis of unemployment.

We would oppose this alternative because:

1. Medicaid administration is quite uneven from State to State. It is uncertain that all areas could cope with the increased workload. And as with medicare administration, it is difficult to recruit and train additional staff for a temporary program.

2. If the present eligibility criteria were retained, unemployed individuals would have to spend down their resources in order to qualify. We have previously testified before the House Ways and Means Committee that the unemployed are a special class, with different financial commitments and different longer term prospects. The spending down requirements would have a pronounced effect upon the living patterns to which they have committed themselves and to which they will presumably return when employment resumes.

3. Were the eligibility criteria to be waived, very substantial increases in Federal and State spending would be necessary. It is questionable that either Federal or State Governments could afford the required outlay without consequences elsewhere in the economy.

A third alternative would be to design a uniform program of essential institutional and professional care to be furnished by carriers

with the financing of the program a responsibility of the Federal Government.

This approach would be more practical than either of the first two. It would, however, fail the test of speedy implementation. The necessary organizational, contractual and administrative problems would take several months, and create substantial communication and education problems. We would not dismiss this approach as unworkable, but it is less easily implemented on an emergency basis than the fourth alternative, which is:

To extend present group coverage through a continuation of group eligibility. Each carrier would administer the same benefits for the unemployed as they held through their group contracts, with eligibility certified through the unemployment insurance mechanism. The carrier would bill the Federal Government for the premium for that portion of the group which is found eligible.

Continuing group coverage is not a cure-all, but it will provide relatively fast assistance to the majority of the people who need it. This intent must be recognized.

This alternative does present some policy issues.

It will be argued, for example, that it is inequitable because it provides different levels of coverage to different individuals through general revenues. Clearly, this is true, and there is some inequity in it. Nevertheless, the intent is to continue existing coverage, and it could be argued that the tax deductibility of that coverage already provides varying levels of Government support. We have strongly supported the principle that minimum levels of coverage should be established and enforced. Without departing from that objective, we do not believe that emergency legislation is the proper vehicle in which to address the issue.

The employees of an employer who goes out of business could not benefit from this concept, unless the unemployment compensation agency identified the group and certified its eligibility to the carrier. We would recommend that any bill incorporate this provision.

An important question is whether the program should be voluntary on the part of employers and carriers, or whether it should be mandatory for both. We believe that a voluntary program would lead to uncertainty, since the unemployed individual would not be sure that his coverage would continue, and to confusion, since the administration of eligibility would not be uniform. Exception should be made for individuals with employed spouses, who could and should claim the unemployed individual as a dependent for health insurance purposes. With this exception, however, we believe that smooth operation and equity would both be best served by requiring all employers and all carriers to participate in the program.

A corollary is that the Federal Government, in assuming responsibility for the coverage of the unemployed, should also assume responsibility for additional and necessary administrative costs on the part of employers and carriers.

In addition to the policy considerations, there are administrative concerns of which, Mr. Chairman, your committee should be aware.

Eligibility determination should properly be a function of the unemployment compensation agencies of the States. Blue Shield proposed this device in May 1974, and we believe it wholly appropriate.

We did not, however, anticipate the emergency conditions under which it might be implemented. The ability of the insurance carriers to function smoothly would be dependent upon the efficiency of the unemployment compensation agencies in determining and conveying eligibility information. We are frankly uncertain as to the ability of the commissions to perform on short notice.

While we can assume that employers would report eligibility as they now do, presenting relatively few administrative problems either to themselves or to the carrier, we cannot assume that the termination of eligibility will be on the same uniform basis. Where an employer calls back his work force, the problem is relatively simple. Where the employer does not call back the work force, and eligibility terminates by a process of individual attrition, the problem is much more difficult. The only simple and practical method we can suggest is a monthly recertification of eligibility to the employer by the unemployment compensation agency. In the absence of recertification, the individual would be considered reemployed, and the original employer would remove him from the list sent to the carrier.

As a matter of orderly administration, negotiated expansions of benefits should apply to the temporarily unemployed who would be eligible were they at work. The Government should expect this, and not freeze the benefits it subsidizes, creating, in effect, two groups for a single employer.

Similarly, carriers will be forced to adjust premiums in the years to come. In most cases, this will be directly related to benefit expense, which is a product of unit cost and utilization. This is a necessary and legitimate cost of maintaining coverage. To the extent that groups accept it, the Government should be prepared to meet the premium increases for its own beneficiaries.

It is obvious that the additional requirements of this program will generate some additional administrative costs. This would be true if only because carriers will have to prepare two billings per group. We do not wish to profit from this program. Neither do we wish to exhaust reserves of our private subscribers in subsidy to a program for which the Federal Government has assumed responsibility. We feel, therefore, that additional administrative allowances may be necessary for its special requirements, and that the legislation should make due provision for this.

Blue Shield has always provided for conversion by members of groups to individual coverage. Obviously, not all unemployed individuals have exercised this conversion privilege. In general, those anticipating medical expenses do. We simply don't have complete experience with the group as a whole.

We expect to assume the risk of reasonable utilization variances. But should this utilization, with which none of us has much experience, assume really substantial and unforeseen dimensions, there will be no source of funds for benefit expense except the reserves of the private subscribers. To the extent that experience can be charged in normal fashion, it is practical to use those reserves. But should the Government require segregation of the experience, we would expect reasonable limits to be established on either gain or loss, with retrospective reconciliation with the Federal Government.

Our operations have been developed over a period of years to meet a relatively stable workload on a relatively permanent basis. The whole premise of operating an emergency program through preexisting coverage is that there is maximum efficiency in maintaining an individual in the group from which he comes and to which he is likely to return. The staffing and systems problems are more manageable than they could be in any alternative, since the carrier is geared to an established workload. Nevertheless, some problems will arise.

It is essential that the Congress recognize at the outset the conditions which it is imposing. While we are not suggesting that the carriers should be relieved of accountability, we are pointing out that they cannot implement this program rapidly and be held responsible, several years hence, for standards of efficiency which will seem appropriate when the stresses of the moment are forgotten. Appropriate waivers from the usual standards of acquisition for Government programs should be legislated, consistent with good faith and the intent of the program.

In summary, Mr. Chairman, we support the concept of extending the benefits of preexisting group coverage to the temporarily unemployed. It is not a perfect solution. It is not even as good as it could be if it were debated and refined for 3 or 4 months. It is, however, a reasonable response to the problem, and on that basis, and with the concerns we have expressed, the Blue Shield plans stand ready to implement it on behalf of the Nation's unemployed.

Senator KENNEDY. Fine, thank you.

[The prepared statement of Mr. Ryan follows:]

STATEMENT OF THE
NATIONAL ASSOCIATION OF BLUE SHIELD PLANS
ON
HEALTH INSURANCE FOR THE UNEMPLOYED
BEFORE THE
LABOR AND PUBLIC WELFARE COMMITTEE
UNITED STATES SENATE

Presented by
William E. Ryan
Senior Vice President

March 6, 1975

Mr. Chairman, I am William E. Ryan, Senior Vice President of the National Association of Blue Shield Plans. With me is Lawrence C. Morris, Vice President of the Association. The Association consists of 71 locally-based, not-for-profit, medical care prepayment Plans, employing 55,000 people and covering 73 million private subscribers and an additional 12 million as agents for government programs. Two of every five Americans look to Blue Shield for financial protection against health care expense.

We appreciate this opportunity to appear today and to present our views concerning legislation to provide health benefits to the temporarily unemployed. For the record, we have testified before, and we still believe, that health legislation should fit into a broad consideration of the individual's needs -- that it is preferable to consider housing, diet, sanitation and other factors which impact on health in a priority scale with health services. However, given the unique nature of these circumstances, we will confine our remarks to the issue of health benefits for the unemployed. The current situation is unusual for health insurance legislation, in that if it requires legislation, it requires emergency legislation. This imposes certain criteria, and we will comment in that context.

First, any attempt to provide emergency relief for the unemployed must rely upon existing mechanisms. There is no opportunity for extensive restructuring if benefits are to be delivered rapidly. Furthermore, any extensive use of a new mechanism or a new benefit design would involve lengthy debate and be likely to polarize opinion. This poses the distinct possibility that no action could be taken in time to achieve the basic purpose.

Second, the program must be simple. There will be little opportunity for major re-education of patients, employers, and providers of health care services. Neither can systems be extensively redesigned if the program is to be implemented on an emergency basis.

Within this framework, several alternatives could be used.

First, Medicare benefits could be extended to the unemployed with administration of the program continuing through present Medicare carriers and fiscal intermediaries.

We would oppose this alternative for several reasons.

1. Most of the employed population has group coverage.

This reduces both underwriting concerns and administrative cost, making possible better benefits at less expense. The efficiency of bulk processing for premium collection and eligibility maintenance is obvious.

Medicare, on the other hand, is an individual program. It is necessary to enroll, bill and maintain eligibility and status files one by one. This approach works satisfactorily for the elderly, who enroll once and for life. It is quite inappropriate for a temporary program whose beneficiaries will be in constant turnover. We have had no opportunity to calculate costs, and some elements of those costs are not available to us. But it is quite clear that the administration of the program would absorb millions of dollars which could otherwise be used to purchase care.

2. Regional unemployment would result in very large additions to carrier workloads in some areas. This would be difficult to accommodate. The problems of recruiting and training staff to service large numbers of additional beneficiaries, and then dismissing that staff after 12 or 13 months of operation, are a nightmare.
3. Most private insurance contracts are written for families. Medicare is written for individuals. As one practical example of the differences, family contracts tend to aggregate deductibles. Medicare does not, nor can it easily be reprogrammed to do so. A family of four hospitalized after an accident would incur four separate

\$92 deductibles on the first day. The design is simply inappropriate for this population.

4. Medicare is committed by statute to pay benefits without regard to other coverage. While the commitment could be reversed by legislation, Medicare programming has no capacity to identify duplicate coverage. The potential saving from coordination of benefits and subrogation in private coverage might approximate 1.5 percent of program cost.
5. We have severe reservations about the precedent involved in Social Security administration of health programs which are not financed by Social Security taxes. Further, in the present somewhat confusing state of the Social Security Trust Fund, it would probably be wise to hold off additional responsibilities until the situation is clarified and resolved.

A second alternative would be to assume that the Medicaid program could serve the unemployed. This could be achieved either by applying the present eligibility criteria to the unemployed, or by waiving those criteria on the basis of unemployment.

We would oppose this alternative because:

1. Medicaid administration is quite uneven from state to state. It is uncertain that all areas could cope with the increased workload. And as with Medicare administration, it is difficult to recruit and train additional staff for a temporary program.
2. If the present eligibility criteria were retained, unemployed individuals would have to spend down their resources in order to qualify. We have previously testified before the House Ways and Means Committee that the unemployed are a special class, with different financial commitments and different longer term prospects. The spending down requirements would have a pronounced effect upon the living patterns to which they have committed, and to which they will presumably return when employment resumes.
3. Were the eligibility criteria to be waived, very substantial increases in federal and state spending would be necessary. It is questionable that either federal or state governments could afford the required outlay without consequences elsewhere in the economy.

A third alternative would be to design a uniform program of essential institutional and professional care, to be furnished by carriers with the financing of the program a responsibility of the federal government.

This approach would be more practical than either of the first two. It would, however, fail the test of speedy implementation. The necessary organizational, contractual, and administrative problems would take several months, and create substantial communication and education problems. We would not dismiss this approach as unworkable, but it is less easily implemented on an emergency basis than the fourth alternative, which is:

To extend present group coverage through a continuation of group eligibility. Each carrier would administer the same benefits for the unemployed as they held through their group contracts, with eligibility certified through the unemployment insurance mechanism. The carrier would bill the federal government for the premium for that portion of the group which is found eligible.

We have previously testified that Blue Shield believes it is a proper role for government to identify those groups who cannot finance their own health insurance, and to provide such financing.

Such an approach will result in some inequities. For example, the self-employed and some very small group employees will not qualify. We assume that Medicaid will assist these people, despite the shortcomings of the Medicaid approach. Continuing group coverage is not a cure-all, but it will provide relatively fast assistance to the majority of the people who need it. This intent must be recognized.

This alternative does present some policy issues.

It will be argued, for example, that it is inequitable because it provides different levels of coverage to different individuals through general revenues. Clearly this is true, and there is some inequity in it. Nevertheless, the intent is to continue existing coverage, and it could be argued that the tax deductibility of that coverage already provides varying levels of government support. We have strongly supported the principle that minimum levels of coverage should be established and enforced. Without departing from that objective, we do not believe that emergency legislation is the proper vehicle in which to address the issue.

The employees of an employer who goes out of business could not benefit from this concept, unless the unemployment compensation agency identified the group and certified its eligibility to the carrier. We would recommend that any bill incorporate this provision.

An important question is whether the program should be voluntary on the part of employers and carriers, or whether it should be mandatory for both. We believe that a voluntary program would lead to uncertainty, since the unemployed individual would not be sure that his coverage would continue, and to confusion, since the administration of eligibility would not be uniform. Exception should be made for individuals with employed spouses, who could and should claim the unemployed individual

as a dependent for health insurance purposes. With this exception, however, we believe that smooth operation and equity would both be best served by requiring all employers and all carriers to participate in the program.

A corollary is that the federal government, in assuming responsibility for the coverage of the unemployed, should also assume responsibility for additional and necessary administrative costs on the part of employers and carriers.

In addition to the policy considerations, there are administrative concerns of which, Mr. Chairman, your Committee should be aware.

Eligibility determination should properly be a function of the unemployment compensation agencies of the states. Blue Shield proposed this device in May, 1974, and we believe it wholly appropriate. We did not, however, anticipate the emergency conditions under which it might be implemented. The ability of the insurance carriers to function smoothly would be dependent upon the efficiency of the unemployment compensation agencies in determining and conveying eligibility information. We are frankly uncertain as to the ability of the commissions to perform on short notice. Federal funds may be necessary to support additional manpower or systems for conveying eligibility information. This function is considerably simpler than a corresponding increase in Medicare or Medicaid workloads.

A related problem is the termination of eligibility. While we can assume that employers would report eligibility as they now do, presenting relatively few administrative problems either to themselves or to the carrier, we cannot assume that the termination of eligibility will be on the same uniform basis. Where an employer calls back his work force, the problem is relatively simple. Where the employer does not call back the work force, and eligibility terminates by a process of individual attrition, the problem is much more difficult. The only simple and practical method we can suggest is a monthly recertification of eligibility to the employer by the unemployment compensation agency. This could be by direct communication, or by furnishing a slip to the employee for forwarding to the employer. In the absence of recertification, the individual would be considered re-employed, and the original employer would remove him from the list sent to the carrier.

A great deal of group coverage is negotiated between management and labor. Binding agreements between them sometimes expand the scope of benefits. These changes occur at stated times, and will in some cases come due while the program for the unemployed is in effect. As a matter of orderly administration, these expansions should apply to the temporarily unemployed who would be eligible were they at work. The government should expect this, and not freeze the benefits it subsidizes, creating, in effect, two groups for a single employer.

Similarly, carriers will be forced to adjust premiums in the year to come. In most cases, this will be directly related to benefit expense, which is a product of unit cost and utilization. This is a necessary and legitimate cost of maintaining coverage. To the extent that groups accept it, the government should be prepared to meet premium increases for its own beneficiaries.

It is obvious that the additional requirements of this program will generate some additional administrative costs. This would be true if only because carriers will have to prepare two billings per group. We do not wish to profit from this program. Neither do we wish to exhaust reserves of our private subscribers in subsidy to a program for which the federal government has assumed responsibility. We feel, therefore, that additional administrative allowances may be necessary for its special requirements, and that the legislation should make due provision for this. Given the diverse nature of carriers and their coverages and workloads, additional administrative cost should be negotiable, and an appropriate mechanism established in law for this.

An unknown factor of some significance is the utilization of services by the unemployed. Blue Shield has always provided for conversion by members of groups to individual coverage. Obviously, not all unemployed individuals have exercised this conversion privilege. In general, those anticipating medical expense do. We simply don't have complete experience

with the group as a whole. On one hand, we have observed actuarially significant increases in the incidence of elective treatment when individuals are not working. On the other hand, we are aware that the practices of unemployment compensation commissions in at least some states actively discourage elective utilization. It may also be that high unemployment produces a more representative group actuarially.

We expect to assume the risk of reasonable utilization variances. But should this utilization, with which none of us has much experience, assume really substantial and unforeseen dimensions, there will be no source of funds for benefit expense except the reserves of the private subscribers. To the extent that experience can be charged in normal fashion, it is practical to use those reserves. But should the government require segregation of the experience, we would expect reasonable limits to be established on either gain or loss, with retrospective reconciliation with the federal government.

Finally, we should consider reasonableness of administrative cost for this program. Recognizing that there is very little that can't be improved, we have always prided ourselves on the relative efficiency of our operations. However, those operations have been developed over a period of years to meet a relatively stable workload on a relatively permanent basis.

The whole premise of operating an emergency program through pre-existing coverage is that there is maximum efficiency in maintaining an

individual in the group from which he comes and to which he is likely to return. The staffing and systems problems are more manageable than they could be in any alternative, since the carrier is geared to an established workload. Nevertheless, some problems will arise. If the program is to be implemented quickly, there may be some duplication, some acquisition of space, personnel, and equipment in pressing circumstances, and, in short, some waste. We could avoid this in a phased-in implementation over a period of several months. We may not be able to avoid some of it in a crash implementation.

It is essential that the Congress recognize at the outset the conditions which it is imposing. While we are not suggesting that the carriers should be relieved of accountability, we are pointing out that they cannot implement this program rapidly and be held responsible, several years hence, for standards of efficiency which will seem appropriate when the stresses of the moment are forgotten. Appropriate waivers from the usual standards of acquisition for government programs should be legislated, consistent with good faith and the intent of the program.

In summary, Mr. Chairman, we support the concept of extending the benefits of pre-existing group coverage to the temporarily unemployed. It is not a perfect solution. It is not even as good as it could be if it were debated and refined for three or four months. It is, however, a reasonable response to the problem, and on that basis, and with the concerns we have expressed, the Blue Shield Plans stand ready to implement it on behalf of the nation's unemployed.

Senator KENNEDY. Mr. Miller.

**STATEMENT OF MORTON D. MILLER, EXECUTIVE VICE PRESIDENT
AND CHIEF ACTUARY, EQUITABLE LIFE INSURANCE SOCIETY OF
THE UNITED STATES, ON BEHALF OF THE HEALTH INSURANCE
ASSOCIATION OF AMERICA**

Mr. MILLER. I appear here today on behalf of the Health Insurance Association of America, representing a membership of 325 insurance companies which write 85 percent of the health insurance written by insurance companies in the United States.

We welcome the opportunity to express our views concerning S. 625, the Emergency Unemployment Health Benefits Act of 1975. We support the principles of S. 625 and are prepared to assist in perfecting and implementing the program.

Mr. Chairman, in the midst of a national economic emergency, nearly 8 million of our compatriots are experiencing—and many others are uneasily facing—the specter of unemployment.

And all of these workers and their families are subject to the risk of illness, even as they seek to make both ends meet. Almost all of these millions, when on the payroll, had insurance against the costs of medical and hospital care. Some considerable number had been provided by their employers with carryover arrangements as a bridge between jobs or for short periods of unemployment.

As you know, we in private insurance industry have been concerned about continuity of benefits for a long time. For example, the National Healthcare Act—first introduced in 1970 and shortly to be reintroduced by Senator McIntyre and Representative Burleson—advocates a coordinated program of uniform benefits with continuing comprehensive coverage for everyone—employed, unemployed, high earners, low earners, and nonearners.

The Healthcare Act would meet today's problem without the need for additional special legislation. It provides, for example, that a laid-off employee would have his coverage continued for a considerable period under his employer's plan, following which he would be transferred to a State plan with at least the same minimum standard benefits. We respectfully commend the proposed National Healthcare Act to your thoughtful consideration once you have dealt with this emergency situation.

We are prepared to work with the Congress in developing an equitable and economical program of national health insurance to meet the health care needs of the Nation.

Mr. Chairman, we believe it desirable and in the national interest that the Congress and the executive branch act immediately, decisively and realistically to protect those among us who, through no fault of their own, now find themselves out of work.

The approach proposed in S. 625 makes sense to us. We support its principles. We feel a national program for continuation of existing health insurance coverage for the unemployed can be made to work with reasonable effectiveness and economy.

It seems to us that it is crucial to maintain America's work force at the ready. Certainly, it would be unfortunate to add to the distress of

those laid off by forcing them to resort to the welfare process—possibly pushing them toward poverty to qualify—or attempting to bring them under a system especially designed to meet the needs of the aged.

The principles of S. 625 make sense to us because:

1. They are least disruptive of present practices for employees, employers and insurance carriers;
2. They provide an immediate, although somewhat imperfect, answer to an urgent problem;
2. They do not add to the distress of the unemployed by forcing them to resort to the welfare process, and;
4. They afford insurance carriers the opportunity—and the challenge—to assist in this national emergency by doing what they are in business to do.

Mr. Chairman, the companies with which we have had a chance to consult are ready to take on this emergency program on a reasonable basis that recognizes the possibility of increased claims costs and the inherent administrative complexities.

We are well aware that S. 625 presents some troublesome conceptual and practical problems, as has been alluded to several times already this morning.

With eligibility contingent on receipt of unemployment insurance benefits and prior health insurance coverage, there will be a lack of universal coverage. All those not eligible for unemployment benefits or who run out of benefits or who had not prior insurance are left uncovered. Yet this group would seem to be most in need of coverage to protect against further catastrophic depletion of their assets.

Second, the benefits provided will not be uniform. There is an inequity in the Federal Government using general revenues to provide greater benefits to some workers than to others.

From the standpoint of practicality there are a good many operational problems that will have to be dealt with on an urgent basis. Take, as illustrative, the area of premiums collections:

Under a regular group health insurance program which makes provisions for continuation of benefits, the employer and insurer can deal with each employee laid off in an orderly way and can take the necessary administrative steps for continuation, including premium payments. Under the circumstances which S. 625 addresses, however, the situation is different. Millions of employees already have been laid off. Thus, there will be a large backlog of individual transactions which must be processed without delay to assure continuation of benefits for these former employees.

Further, under S. 625, major reliance must be placed on the already overburdened State unemployment insurance offices. Can they handle the additional processing? Do they have the necessary personnel and records? Can they cope with the possibly heavy "in and out" turnover each month? Can the necessary information be made available to carriers for those already receiving unemployment compensation as well as for those who become eligible in the future?

Then, will employers be willing and able to give carriers the necessary information? What happens with respect to plants that have closed, or firms that have gone out of business?

There are, indeed, many other operational complexities involved, and it is entirely possible that some administrative or procedural alternatives not presently contemplated in S. 625 will be required. These,

however, are challenges that insurance companies deal with daily, and certainly are not insurmountable.

Mr. Chairman, to develop and implement such a program under forced draft is, admittedly, no small task. It is one that requires high technical competence and broad experience in a wide variety of situations.

I am pleased to report to your committee, therefore, that the board of directors of the Health Insurance Association of America authorized the creation of a special task force of actuarial, claims, systems, and management experts—drawn from a wide spectrum of our member companies—to be available to assist the Congress and the executive branch in developing the necessary procedures to implement a program along the lines of S. 625.

Our special work group on health insurance for the unemployed is ready to get down to work in developing these implementing procedures further, in cooperation with your staff and other carriers.

Mr. Chairman, the insurance companies of America are ready, are willing, and have the demonstrated capabilities to help handle this emergency.

Thank you.

Senator KENNEDY. Thank you very much for your comments.

Mr. Newman.

STATEMENT OF HAROLD F. NEWMAN, M.D., DIRECTOR, GROUP HEALTH COOPERATIVE OF PUGET SOUND, AND CHAIRMAN OF THE BOARD, GROUP HEALTH ASSOCIATION OF AMERICA

Dr. NEWMAN. Mr. Chairman, members of the committee, my name is Harold F. Newman. I am a physician and chairman of the board of the Group Health Association of America, an organization comprised of most of the prepaid group practice plans in the Nation.

I am also the chief administrative officer of the Group Health Cooperative of Puget Sound, a consumer owned and managed, prepaid group practice plan serving residents of the Seattle area.

As you well know, prepaid group practice is the major prototype of the health maintenance organization—the concept incorporated in legislation written in this subcommittee 2 years ago.

The purpose of my appearance here this morning is to join with my colleagues from the insurance industry and Blue Cross and Blue Shield in a strong endorsement of S. 625, the Emergency Unemployment Act of 1975, and to urge its expeditious passage. In our judgment it is the single best approach for offering immediate relief to those in immediate need: The unemployed and their dependents who are ill or injured.

The situation to which this proposed legislation is directed hardly needs elaboration. It does not take much legislation to realize the hardship and suffering which has occurred and will occur for those who lose their health coverage by virtue of their unemployment in the current recession period.

Injury or illness can lead to financial disaster when one considers the cost of health care these days against the meager cash benefits available to the unemployed under their State compensation programs. For example: In my own program, the average cost of an uncompli-

cated maternity is \$979, measured against a maximum weekly benefit of \$86 in the State of Washington.

But whether a maternity, appendectomy, tonsillectomy, or something of a more serious nature, the economic impact of direct payment by the unemployed will have a profound and long-range effect on such persons and their families which will take months and even years from which to recover.

Even if the recession ends in the near future, as a few of the most optimistic projections indicate, it will take a long time, with continued sacrifices, for such a family to extricate itself from a financial burden imposed upon them when they had no health plan coverage.

There is a lot of disagreement among legislators, economists, health professionals and others over what our national health policy should be. There is much uncertainty as to the nature and extent of the need for health reform.

But there is one tragic fact upon which we can all agree: The need for health care has little or no relation to the economic health of the Nation. Injury and illness do not wait for recessions to abate and for unemployment rates to rise. It occurs at all times.

When it occurs during a period of mass unemployment, an increased and frightening dimension is added—cost. So, in addition to the pain and suffering of physical disability, our unemployed can be subjected to anxiety and uncertainty about their financial future, added to an already tragic circumstance.

At first blush, this legislative approach would seem to raise problems. It preserves and continues, at least until the end of fiscal year 1975, a system with such inbred inequalities that most sensible people concerned about health have all cried for reform in different ways and in different degrees. But the point of this legislation is not reform of the system.

As Senators Williams, Schweiker, Javits, and Kennedy pointed out, if we had a national health program, we would not need this legislation.

Further, this bill is designed as an emergency measure to prevent the manifold multiplication of already huge numbers of Americans who are consigned to suffer the consequences of inadequate and inequitable health care.

Just as illness and injury will not wait upon the economic scene, neither will it await reform. We just cannot afford to throw more people on an already too large scrap heap of human misery while debate on a national health program goes on. This legislation is simply what its title says it is: An emergency measure designed to meet a recent and immediate need of the millions of Americans who lose their health plans within 30 or 60 days of their unemployment.

However, the lack of a consensus on health reform presents another strong argument for the legislative approach taken by S. 625. This bill does not envision the restructuring or expansion of any of the present health programs in the country. It keeps everything in place. To do otherwise will make the job of health reform, if there is to be such, more difficult. S. 625 will have preserved the circumstances upon which most proposals for reform are being based and developed.

The policy of preserving the existing health system in place will better enable present health institutions to survive the financial crisis they face as a result of high unemployment and loss of financing mechanisms. If some of the too numerous gloomy projections about the

economy are true, these health institutions and programs can be expected to endure new financial hardships and may be forced into bankruptcy.

This is a loss the nation can ill afford. We need hospitals, medical groups, health maintenance organizations and third-party payors.

We are particularly concerned about newly developing health maintaining organizations that are very vulnerable to enrollment losses. We cannot afford to let them go by the wayside because of an economic crisis. To do so would mean the continuation of an even greater health crisis upon a return to economic prosperity.

So we believe that S. 625 quite wisely uses existing systems and structures and does not mire the legislation in the debate over reform. The institutions and programs which will participate are adequately prepared to assure speedy implementation of this Emergency Act.

The temporary existence given to the program will allow the consideration of a national health program to go on unobstructed and reach whatever conclusion the political process will permit.

We have only one suggestion which the committee might consider by way of clarification or amendment. We feel that the work of implementation would be greatly enhanced and made less time-consuming and confusing if multiple carrier arrangements can be concluded at both the State and Federal levels where appropriate.

Such arrangements whereby single primary contract carriers can be given a large share of the administrative burden through an arrangement where they represent large consortiums and networks of carriers.

The structure we suggest should be modeled after the Federal employees health benefits plans administered by the Civil Service Commission. There, for years, the Commission has successfully concluded arrangements with Aetna Insurance as the lead carrier for the indemnity programs allowed under that act. Similarly, the Blue Cross Association has acted as a single contractor on behalf of its local plans.

Such multiple carrier arrangements will not only ease the burden placed on Governmental agencies, but will also reduce opportunities for abuse by fixing a clear and simple focus of responsibility.

Finally, Mr. Chairman, I would like to mention in connection with S. 625, problems faced by health maintenance organizations. I use this term in the sense that it is not clear as yet whether major prepaid group practice organizations will be able to meet the Federal qualification regulations when they are finally published. So, by the term "health maintenance organization," I refer to comprehensive prepaid direct delivery systems.

S. 625 would permit health maintenance organizations to provide care to the unemployed in its usual manner, which preserves its quality standards and efficiency of operation. This is deemed to be in the national interest by the administration and the Congress by virtue of passage of the Health Maintenance Organization Act of 1973.

A majority of the Congress and the administration has agreed that the health maintenance organization can deliver high quality health services with more efficient use of health care resources.

Therefore, and on behalf of Group Health Association of America, I compliment the sponsors of the bill for quickly meeting an acute and human crisis in health care. I thank the committee for the opportunity to be heard this morning and urge quick action on S. 625.

[Proposed amendments to S. 625 follow:]

Proposed Amendments
To
S. 625

1. Amend paragraph (2) of subsection 401(c) to read:

"(2) who ~~would have received~~ is entitled to receive benefits under an employer-sponsored health insurance plan which provided health benefits to formerly employed persons which plan was in effect on February 7, 1975.

2. Amend subsection 402(a) to read:

"(a) enter into arrangements with the carriers (and in appropriate cases with employers or employee welfare benefit plans (as defined in section 3(1) of the Employee Retirement Income Security Act of 1974)) whereby unemployed individuals (and their dependents) ~~covered~~ eligible for benefits under this title will be provided such benefits under the particular health insurance plan by which such unemployed individuals (and their dependents) were covered while employed by their previous employer and there will be paid to such carriers (or, in appropriate cases, to such employer or employee welfare benefit plan) amounts equal to the premiums or other charges prescribed for such benefits plus any additional administrative expenses ~~reasonable~~ reasonably incurred by the ~~carrier (or by the employer or health and welfare trust)~~ in securing such benefits under the arrangement, and

3. Amend subsection 403(b) to read:

"(b) the term 'employer-sponsored health insurance plan' means a health insurance plan which covers some or all of the employees of an employer and the premiums for which are paid, either directly or through an employee welfare benefit plan, or collected wholly or in part by the employer;

Senator KENNEDY. Fine.

I want to just add a general comment. I commend all of the witnesses this morning for their constructive approach and willingness to work with us in the continued development of the legislation. I think their suggestions have been useful and helpful.

Let me ask Mr. Ryan and Mr. Pearce about the suggestion that has been made by Mr. Newman with respect to using a lead carrier approach.

Do you have any reaction to that?

Mr. RYAN. Only this, Mr. Kennedy. If we are talking about a channel of funds from the Government in some way to the carriers, obviously Blue Cross and Blue Shield work in close participation group by group. It would seem to me that if the commercial carriers would not be opposed to it as I understand it at the moment.

Senator KENNEDY. Mr. Pearce?

Mr. PEARCE. Mr. Chairman, I think I also mentioned this channel. I think we would advocate the channel. Federal employees does involve a delivery system which is part of its mechanism.

The structure proposed would be one agency with a very small number of people negotiating with whatever agency of Government you designated, as to a protocol or methodology by which the Government would be satisfied that there are people truly unemployed and a premium is due and it's the right amount.

Then, having negotiated, they would consolidate the reports from the system so that you would have a single input.

Second, it's extremely important that that agency be able to keep cash flow in the system for if we would develop a large backlog or backfloat, it would be very difficult to finance.

Some of this was seen in medicare where Federal funds were made available, transferral over to local accounts as appropriate demand is made on them.

Some method like that could be facilitated by a central representation, which is our suggestion.

Senator KENNEDY. Mr. Miller.

Mr. MILLER. This comes as somewhat of a new thought to us. I would say we would be pleased to cooperate to the fullest extent in any sensible coordination on behalf of the collective, by which I mean the whole business, not only our own.

I am not so sure the analogy to the Federal employees programs is all that helpful, in the sense that there you have several specific plans that are offered as choices to the Federal employees as individuals.

Whatever system that emerges has to be one which will necessarily meet the needs of the individual carriers and recognize their relationships to the various group plans that the different employers have. Within that requirement, anything that we can evolve which will provide the simplest possible administration overall is the one that we would like to see. We would certainly be pleased to study such a proposal.

Senator KENNEDY. We might explore that with all of you and see if there is a common ground; if it would be a more efficient and effective way of doing this.

In a general way, what would you say is the average cost per individual, per month, that we are talking about? Would approximately \$50 be a ball park figure?

I think we are familiar with a variety of different kinds of programs and the rest. But trying to put this in some perspective in terms of an unemployed worker, would that be a fair estimate of what an individual would pay for his coverage in the existing situation?

Mr. PEARCE. The answer is yes for our part of the system, Mr. Chairman. That is very much in the ball park.

Mr. MILLER. I think it is. But I would make this amplification. If the individual is covered alone, he would pay less, if the family is covered, he would pay more. The \$50 is something of an average for a combination of coverage.

Senator KENNEDY. What would it be on the family?

Mr. MILLER. Something like \$20 or \$25 for the individual, maybe \$60 to \$65, for the family, in round numbers.

Again, this is an average, because some plans are richer and some are less.

Senator KENNEDY. Exactly, and the range of coverage. But what we are trying to do is recognize that with the unemployed worker receiving approximately the \$250 per month in terms of unemployment compensation, in my State you know it's \$67 per week, I see in the State of Washington, it's somewhat higher; \$85 or \$86 per week. But it's general, approximately the \$250 per month.

Given all the other kinds of demands, it is virtually impossible for a family to be able to continue to pay the kinds of premiums that we are talking about here.

I don't know whether there is any kind of comment you would like to just make on that particular point.

Mr. Pearce.

Mr. PEARCE. In that direction, this range we are discussing would be a national composite average. Within that range is a 100-percent variance by area of the country, regional, geographic distribution.

Senator KENNEDY. Of course.

Mr. PEARCE. Which would indicate that a variable approach which meets that problem as it is in that community for that person is important.

If you should cut across, for example, on a uniform basis, you could therefore be as much as 100 percent off in relation to any persons given needs. I think that spread within the range is an important element.

Mr. MILLER. I might add, if you were thinking of a system which would give the individual a credit or chit of some kind to pay for his benefits, this problem would come up most fully, because of the variation throughout the country, as well as the variation from plan to plan.

Senator KENNEDY. I think you put your finger on one of the matters which is of course of concern to us: the administrative problems which are very real. But I think as Mr. Miller and the others have suggested, there is expertise, including that of the groups you here represent, that has been challenged by various administrative complexities before.

And that given the various alternatives, this does seem to be, at least I gather from your testimony, a manageable problem. I don't think anyone is underestimating it, but this is a manageable problem.

We also recognize that there are a lot of workers who are unemployed but who didn't have any coverage who aren't going to benefit. In terms of any sense of equity, that raises problems. But as others have pointed out, unemployment insurance varies for different individual. It varies in different States. Unemployment insurance also varies according to the individual's income while employed.

We are not talking about a perfect world, and we are not talking about a perfect solution. But what I gather from what you all have said is that this is a workable solution. It's one that can be put in place expeditiously in terms of the technological know-how and administrative capacity. The groups that are here today are prepared to work on the development of procedures which will implement the program expeditiously and equitably.

For that we are very grateful.

Senator SCHWEIKER?

Senator SCHWEIKER. Thank you, Mr. Chairman.

Mr. Pearce, in your testimony you said the record should state that even now Blue Cross plans are doing everything possible to continue health benefits. All Blue Cross plans provide for conversion privileges, therefore a person leaving his job can convert as soon as his group benefits expire.

I wonder if you can give us an average figure of what this means when a person goes from a group plan to buying individual benefits. I know again I am just asking for a composite figure.

But can you give our group some indication of what kind of rate increase this means to an individual?

Mr. PEARCE. Senator, it's of the order of 20-percent differential, due largely to the fact that individuals selected as individuals when they go to conversion, look down the road and foresee what kind of care they might be needing, rather than share the group decision along with a hundred other people as to the needs. They also represent themselves for their own age level, et cetera.

As a part of a group, most of their experience is rated and they will become a part of the group characteristic. So their individual characteristics require about a 20-percent differential in order for us to maintain the same payout level, percent of dollar, as income.

Senator SCHWEIKER. When you don't consider the factors of age or personal selections of benefits, you are talking about a 20-percent increase in premium payments as a general rule?

Mr. PEARCE. It's generally done in combination, sir.

Senator SCHWEIKER. I realize it's very difficult to give an exact figure, and figures are only an average, not really an exact duplicate of what may be the case.

Mr. PEARCE. That's correct, sir.

Senator SCHWEIKER. Next, I gather from your testimony that probably the quickest and most direct way of doing something without setting up a huge bureaucratic structure and without getting into unresolved national policy issues and future health insurance plans, would be to simply take the basic group structure that we now have existing in the private sector and extend it in some meaningful way with Federal Government participation.

Is that a fair summary of your position?

Mr. PEARCE. That's correct, sir. The key is to utilize it in place, the key then becomes to come to some mutual agreement as to how the eligibility will be satisfied. Satisfied to the Federal Government whom we are asking to pay the premium. We could also similarly arrange a reasonably expeditious method by which that may be done, again employing unemployment compensation to the extent they are capable and able and timely, which are all important, as well as employer's certifications and possibly employee affidavits in instances where we cannot get a timely unemployment compensation verification.

If we could have some alternates there in order to be able to move with rapidity, that, again, would facilitate very much the process.

Senator SCHWEIKER. Do any other members of the panel wish to comment on either of those questions? I don't want to preclude the rest of you any opinions you may want to express.

Dr. NEWMAN. I think you have raised a very good point, Senator. There would be a cost saving in terms of continuing an individual in a group status. I think all of us are advocating that the coverage remain the same and the premium remain the same as I understand our position here, which is quite uniform.

That we do not convert the individual to a group conversion status, which would be a more costly status. We can do that because if we convert them over readily, just keep them with the group, the actuarial situation should remain relatively the same. We are not re-looking at a group then that has the same experience as a group conversion, which is loaded with retiring people and with people who leave the program for, perhaps, reasons of illness, which raises your risk considerably in that group.

So what we are advocating here is keeping with the program that they have which usually represents the best actuarial underwriting situation and where you can offer the lowest premium.

Mr. RYAN. Senator, if I may comment on the other side of that question, we said in these criteria that we thought the program should be simple and it should be able to be implemented on a timely basis. That might be adjudged to be self-serving.

As a matter of fact, it's not. Maybe one of the most important elements of a program such as this is the ability of the individual subscriber to understand what his benefits are when he is no longer in a group, when he is on an unemployed basis.

I think that is one of the considerations other than our own ease of administration, the flow of dollars and eligibility. That these people will be able to be assured when they leave the group, they have enough worries as far as economics and so forth, don't worry about your health benefits, you have exactly what you had before. There is another side of it.

The providers, if we are going to have to take any kind of major change in the program to the provider so he can advise his own patients and utilize the benefits properly, it can only be problems if we are allowing him with the identification, with his knowledge of the people and programs that exist, to operate in the way he's operated with these folks when they are on active employment, I think we simplify it for all parties involved, not just the carriers.

Mr. MILLER. If I may, sir. I was going to associate myself with the remarks of Mr. Ryan and Mr. Pearce as well as Mr. Newman.

I want to add one aspect to this thing. That is the matter of determining eligibility both for those who become unemployed in the future and those who are now already unemployed in maintaining and having a system which either carries forward that eligibility until they drop out of unemployment insurance, or return to their jobs in an effective way.

The system depends—this is the key to the whole. That the administrative procedures for establishing eligibility and maintaining the continuation of status be able, be functioning, be reasonably current, and be reliable. That is the toughest part of the whole administrative process.

It is one that deserves the most intense study on the part of your staff, hopefully with the help of all of us to see whether, collectively, we can devise a system that we can rely on, because in the absence of a system strong enough to do that, many of the individuals may not become aware of what they are entitled to and may not get their benefits.

And from a parochial point of view, unless we as companies and carriers get the premium which we are expected and intending to get for all these eligible, that is if we don't get it because the eligibles are not reported to us, then we will not have sufficient premium to cover the risk.

I want to make that clear to you. We can't get the premium just from these few, so to speak, who may for one reason or another be more forward in getting their benefits perhaps by reason of needing services.

In order for it to be actuarially tenable, in order for it to be practicable from the point of view of all carriers, we have to get premiums from all those who are eligible.

From our very parochial point of view, it's a very key element in the development of the whole of this. We are prepared of course to sit with staff and the others and try to work this out in the most effective way we can.

Senator SCHWEIKER. That is all I have. Thank you.

Senator KENNEDY. I think this is a very good point. I happen to be chairman of the Administrative Practices and Procedures Subcommittee of the Judiciary Committee.

We are constantly reminded on that committee that what is passed in terms of legislation and what comes out the other end of the funnel in terms of these regulations and procedures is in many, many instances, a good deal different.

I am very hopeful that we can work with HEW and work with your groups in an informal way on these various procedures as they are being developed so that they will carry through the central thrust and purpose of the legislation.

I am glad you put your finger on it. I couldn't agree with you more. It's of great importance and consequence. I think it is something that we want to follow very, very carefully.

Senator STAFFORD?

Senator STAFFORD. Thank you, Mr. Chairman.

I am sorry I missed the opening statements due to other committee responsibilities this morning. But I have been reading over some of the statements during questions by Senator Schweiker.

I wonder if you gentlemen did not testify about the cost of this program in your opening statements, if any of you could give us any ballpark estimates as to what you think this program might cost in the event it does become law. I invite your comments.

Senator KENNEDY. This is the first time you have been quiet out there.

[Laughter.]

Mr. PEARCE. Senator, that is different, because you do have to project how long and how deep this program—

Senator STAFFORD. We appreciate we are asking a difficult question.

Mr. PEARCE. [Continuing]. I would think having initially committed to a program, it would be necessary to be willing to back that commitment, something of the order of the range of \$1 to \$2 billion, if it reaches its depth. I appreciate that is a very substantial sum of money, as well as a substantial range.

You could have a short-term program, for a short-term emergency, if you could, it would be fortunate. But it happens that this rolls up on us, also. The longer the period goes, the more deterioration of risk we see from the standpoint of carriers in this kind of program.

So it begins to mushroom as you go along.

Mr. MILLER. I would agree with that general order of magnitude.

Mr. RYAN. I think that's right.

I think the first person said \$1½ to \$2 billion, if we can't find enough evidence to say that is too high or too low, you begin to go along with it.

Now we are beginning to talk about the number of people and we are going to talk about the length of time. I doubt if anyone right at this point can put a more precise figure on it.

Senator STAFFORD. Would the rest of you gentlemen care to comment?

Dr. NEWMAN. I think that has economic impact, too. Not only in terms of helping the individuals who are in dire circumstances, and assuring them of health coverage, at least some kind of health coverage, whatever it might be. But I think also it's pumping money back into the economy during the time of a recession so that I think it could be somewhat justified on that basis, too.

Senator STAFFORD. Thank you very much.

Senator KENNEDY. Senator Laxalt?

Senator LAXALT. Let me say at the outset that the concept of the private sector joining with Government to solve this problem is appealing to me philosophically. In terms of the cost, if I understood the response to Senator Kennedy's question, we are dealing with roughly \$50 per person per month. Is that about right?

Mr. PEARCE. That order.

Senator LAXALT. How many people would be presently qualified if this act were immediately implemented?

Mr. MILLER. That is what we don't know.

Senator LAXALT. You don't know that? Do you have a ballpark figure?

Mr. MILLER. Not really.

Senator KENNEDY. If the Senator would yield, I think we are going to hear from the unemployment compensation people next week. I think it's about 3 million; that's the staff's best estimate at the present time.

That is a ballpark figure as I understand it.

Senator LAXALT. So we apply the \$50 multiple against that to arrive at a monthly figure, am I correct in that, gentlemen?

Mr. PEARCE. It is on that order.

Senator LAXALT. Dr. Newman, in your statement you made reference to the unstable financial condition of the medical industry. In your opinion is part of the thrust of this legislation toward a subsidization of the medical industry.

Dr. NEWMAN. No; I don't really think that that is the primary thrust at all.

I think the primary thrust is to try to help the individual in need, in a time of need, and try to develop a mechanism that is already in place for doing that.

I did mention that it would be helpful particularly to some perhaps small community hospitals that are already in very shaky financial situations, and it would be helpful to brand new organizations such as health maintenance organizations trying to get started, where enrollment is very, very important and where they have a very small enrollment base.

And loss of any of that enrollment base could actually jeopardize the operation. To the extent they were trying to develop new systems of health care, which I think the Government has tried to encourage private enterprise to do, this of course would be a secondary benefit. But I think all of us are really promoting this on the basis of need of the unemployed and trying to handle that need in the most efficient and rapid way possible.

Senator LAXALT. In your estimation, what would be the consequences for the shakier parts of the medical industry if this program were not to be implemented.

Dr. NEWMAN. I think particularly some of the smaller hospitals, health maintenance organizations, could actually collapse.

Senator LAXALT. I gather from your statements that you feel, for various reasons, that this type of emergency relief could not be implemented through the existing medicare and medicaid programs.

Dr. NEWMAN. I think the reason we have concerns about that is, we are actually taking an individual who is totally unfamiliar with those programs, doesn't understand eligibility for the programs, doesn't understand benefits under the programs, and actually, we have a tremendous job of education.

Thus, we would be taking an individual and continuing that program that he is already familiar with and is used to using and knows how and where to get his benefits and would continue him with his own personal physician and hospital in an arrangement where he knows pretty much how he stands.

Where you have fewer conversion problems, I think the program has much to commend it.

Senator LAXALT. Is that the principle reason why you gentlemen lean toward the proposed program rather than relying on existing programs?

Dr. NEWMAN. The fact that this program could be enacted we feel much more speedily than the other programs, where you would have tremendous administrative programs in switching from the existing situation to a brand new situation.

Senator LAXALT. Let me ask you one last question.

In all your statements with great justification you indicate that this program has many inequities as well as other difficulties.

I gather too that you believe that if we had more time to deliberate on this type of program, we would come up with perhaps a better program.

Do any of you have reasonable alternatives to this approach?

Mr. RYAN. We looked at all of the alternatives that we thought met the criteria of being able to be implemented on a timely basis that was simple, would use present mechanisms and would be understandable and rejected them primarily because they were designed for another type of person.

The change would cost immensely more than continuing the administration as it exists today. We talked about medicare. We talked about medicaid. We said that there was obvious inequity of supporting varying levels of benefits. Perhaps if we had 6 months to a year—we could develop a uniform level of benefits. This also involved a discussion at that point of what is a proper benefit level that is consistent with the needs of this person.

We have been in those discussions before over a period of time. We arrived at the proposition that if we were able to extend what exists at the moment, it would be the best solution to meet the criteria we developed.

Mr. PEARCE. Senator, in our paper there is one alternative which is different from those we have discussed to date which appears to us as a possibility. At least a cash equity could be considered that—we would use in-place benefits and an in-place employer program on the group basis, possibly limited contribution to a uniform amount.

Say you should choose a figure of 40 percent or 75 percent or 80 percent of the cost. If equity becomes a very strong consideration, something of that order. This does leave a gap for the individual or the employer to consider paying.

It could as a possibility be considered to give a tax credit, either to the employer or to the individual for the remainder, so that this would be a combination, a cross-sectional type of solution.

And we would submit that as having reasonably even standing with the proposal under consideration.

And again, as I say, to that extent it does have to go to the wisdom of the Congress and this committee and others to weigh and balance those. So it does give an opportunity to give some effect to that consideration.

Senator LAXALT. The tax credit appeared to me to be an obvious alternative. I wondered why it hadn't been raised.

Mr. MILLER. It would add to the administrative complexities.

Senator LAXALT. When in the judgment of the panel will this program in fact be terminated? It is billed as an emergency. That to me means it's temporary. When would this type of program be closed out in your estimation?

Mr. MILLER. We had assumed that what Congress contemplated or would contemplate here was a program which would be described as temporary and would be authorized perhaps for a year, subject to review at the end of the year.

We had all of us hoped that maybe at the end of 1 year or perhaps 2 years, this program will no longer be necessary.

Senator LAXALT. Thank you, Mr. Chairman.

I will have some additional written questions which I would like to address to the panel.

Senator KENNEDY. Thank you very much, gentlemen.

You have been very helpful. We haven't had a spirit of accord and agreement like this on this health committee for many years. [Laughter.]

Senator KENNEDY. Wonderful.

Our next panel this morning will represent the views of the major health care providers. Representing the American Hospital Association, will be Mr. Gehrig, and Mr. Manzano. Malcolm Todd, the president and Russell Roth, the immediate past president, will represent the American Medical Association.

STATEMENTS OF DR. LEO J. GEHRIG, VICE PRESIDENT, AMERICAN HOSPITAL ASSOCIATION, WASHINGTON, D.C.; ALLEN J. MANZANO, ASSOCIATE DIRECTOR OF FINANCE, AHA, CHICAGO, ILL.; DR. MALCOLM TODD, PRESIDENT, AMERICAN MEDICAL ASSOCIATION, LONG BEACH, CALIF.; AND DR. RUSSELL ROTH, IMMEDIATE PAST PRESIDENT, AMA, ERIE, PA.

Dr. GEHRIG. I am Dr. Leo Gehrig, vice president of the American Hospital Association. With me is Mr. Allen J. Manzano, associate director of finance of the association. We represent some 7,000 member institutions including most of the hospitals in the country. We welcome this opportunity to testify before your committee today on the very important matter of health insurance for the unemployed.

I would say, Mr. Chairman, I have a longer statement from which I would like to draw some areas. In the interest of time I will not read it all, and hope you might include it in the record.

Senator KENNEDY. We will have all statements included in their entirety.

Dr. GEHRIG. We will address our remarks primarily to S. 625. We appreciate the concern of this committee in the emerging and pressing problem of protecting the many Americans who have lost or will lose their employer-sponsored benefits. The potential threat to the health and well-being of the work force and their families is a matter of concern to all of us.

I think it only fair, Senator, at the outset to say that the AHA strongly supports the principles of S. 625 and believes it embodies the most feasible approach to this immediate and emerging problem.

On the other hand, while most meaningful national health insurance proposals would provide a solution to this problem should it occur in the problem, such an approach in the context of national health insurance, because of the time required for legislative action and program implementation really would not provide the needed action for this immediate and hopefully short-term problem.

Therefore, we believe the program of action should be developed for a short period and independent of national health insurance.

The magnitude of loss of health coverage through unemployment is difficult to assess. The problem at first glance does not appear to correlate directly with unemployment statistics.

Furthermore, the coverage and nature of insurance provided also varies greatly as you know from employer to employer.

Information we have obtained from the Department of Labor and other sources reveals in a gross way that there certainly is very limited continued coverage for employees without contribution.

Most employment coverage varies widely among the plans and in many instances varies within individual plans depending upon the length of employment.

These limited studies which include kinds of firms most likely to offer significant health benefits nevertheless do demonstrate that the conditions of postemployment coverage provide little assurance that laid-off workers, the recession victim, has continuity of coverage on separation.

The immediate problem is in fact a concern for the health of the victims of our present recession. It's obvious also of the concern to hospitals that they remain fiscally responsible in order to provide services to all individuals in their community.

At this point, Mr. Chairman, and I recognize that in your introductory remarks of S. 625, that in fact hospitals could be looked on in a very parochial interest with regard to this problem.

I would like to assure you that is not the fundamental area of our concern. Nonetheless, remaining responsible for total community service is an issue with which we must deal. We have made inquiries in a number of States on hospital activities.

Unfortunately I am unable to provide the committee today with meaningful information on the experience of all hospitals or even the statistically significant segment. Our difficulty stems from the fact that hospitals don't collect data regarding the unemployed.

Further, because of the short term continuing coverage that some employers provide following layoff, we firmly do not believe that what information we have been able to obtain in any way measures the problems to be faced in the period immediately ahead.

Symptoms of the problem appear to be emerging, however. In our really anecdotal discussion of the issue the rate of payment of accounts receivable has slowed in recent months and there has been an increase in request for charity work. Similarly, increase in bad debts.

Senator KENNEDY. Let me ask you here, Doctor, what would happen if you didn't pass this legislation in terms of the hospitals? Would they have to assume additional kinds of burdens?

Dr. GEHRIG. Yes, sir, it seems hospitals cannot in conscience turn individuals needing health care away. You are well aware of many of the discussions we have had before in this area. They would be faced with the problem of attempting to provide these services.

And I know there is no such thing as free health care. There is health care that needs to be provided to these who can't pay in part or entirety.

But a significant area of the ability of the majority of community hospitals which are in fact voluntary nonprofit institutions, I would like to bring to your attention because it gives you a gross feel for the ability of these institutions to face this issue without help from the Federal Government.

The operating margin of revenue over expenses has shown a very significant change. In 1971, this was 2.2 percent. Our latest annual

data in 1973 show it to have shrunk to .8 percent. Now these are averages.

Senator KENNEDY. Your curve shows it's continued to go down?

Dr. GEHRIG. That's right. More important, when you talk of averages you really don't uncover the problem. I am informed that 63 percent of the community hospitals in this country in 1973 in fact experienced a negative operating margin, or an operating loss.

So as you look at this problem in response to your question, it seems to me that we are between a rock and a hard place, frankly, because care must be given, and yet the resources to do so are not available. I would only say that when I speak of the fiscal responsibility of institutions of this type, it is obvious we must pay our staff. It's obvious we must purchase goods and services to provide basic care. So that we have no way to go when you are faced with providing care for which reimbursement is not available.

Now I would like to talk briefly of the legislative proposals. Legislation has been introduced in both Houses of Congress incorporating a health unemployment benefit into existing title 18 of the Social Security Act by providing hospitalization of an individual without coverage who is entitled to weekly benefits under a Federal or State unemployment compensation plan, that he would be eligible for that care provided under part A of the medicare program.

Similarly, his family would be entitled to that same coverage. We feel this approach has several obvious problems, including many that unemployed people are not eligible for compensation, and the requirement that the hard-pressed unemployed would have to make regular medicare payments and meet deductibles. While I have stated before some inequities appear inevitable in any approach, we are especially concerned about the workability of that proposed program.

The medicare approach for example would present hospitals with major operational problems in the area of determining eligibility as the legislation is presently written. The hospital would have to somehow determine the individual seeking hospital benefits under this new program is indeed receiving cash unemployment assistance or is a spouse or dependent of such person.

The hospital would have to somehow be able to determine whether an individual had paid the required deductible amounts and whether there was a continued eligibility in cases of persons who in this program I think may frequently move on and off unemployment rolls.

In addition to these problems of hospitals I think, though, that an even more severe, and possibly even insurmountable in the short term, problem would be presented to the administration of the medicare program.

Medicare eligibility is basically here to a permanent status program, that achieved by the attainment of age 65 or condition of long-term disability. A system which would allow for temporary eligibility geared to unemployment is in fact wholly untried in the medicare program.

Senator, I shall not go in to the litany of concerns we have here, because I am sure the administration will also provide you with this information.

I would only point up one issue. A very important addition to the social security bill of 1972, which I recall was put into law about

December of that year, provided for coverage for the chronically ill from renal disease.

We had the interim regulations first published in July of 1973. We hope to see more permanent regulations in July of 1974 and over this entire period, this issue which I understand encompasses some 20,000 people, has been worked on, and we are still having a serious problem of determining eligibility and a host of other mechanical problems.

This isn't in criticism of many people who are working hard in social security to make it work. It's the problem of moving something new in. So if I could just summarize with regard to the medicare approach, we do not believe that that system can be adapted in short term to deal with this issue and we believe, therefore, that the approach that you have taken proposes the most feasible one of dealing with the problem of the unemployed and their families in the short term. While that is our strong feeling, we do recognize that eligibility identification, tracking, and so on are not going to be simple in any program. We believe the State agency which administers unemployment compensation laws together with existing employer based health plans constitute the best mechanism to administer the program for our population which they are already serving effectively.

S. 625 proposes the continuation of that coverage which our working population normally obtains as a benefit of employment. This concept is enunciated in your legislation and is fully endorsed by our association.

Determining eligibility in terms consistent with the coverage available to an individual in an employed status is a sound one with regard to patient education, et cetera. Because it does not disturb previously existing availability coverage under private employment health insurance.

It will therefore not produce the change in coverage of such a magnitude as to become in effect a substitute for a long awaited development of the national health insurance.

Similarly, the linkage of coverage to any employment eligibility coverage is sound inasmuch as State unemployment compensation agencies must necessarily certify eligibility of unemployed individuals, perhaps benefits under this program placing them administratively has a responsibility at the Federal level, Department of Labor, these are in our opinion most logical and appropriate.

We believe the program should be temporary and should not be allowed to develop into a permanent quasi-national health insurance scheme. When you introduced Senator Kennedy's bill S. 625, you spoke of its inequities. AHA joins you in this concern.

However, from our evaluation, it appears that inequities are inevitable in any temporary program which addresses this issue and which can be rapidly implemented.

It's our hope that these hearings will bring forth helpful ideas and suggestions which may improve the bill in this respect. AHA does offer some recommendations that are detailed in my longer statement.

In this instance I shall not review them except to say that we are unfortunately not bringing you all of the answers we wished we could.

But this and some other suggestions we have we can work with your staff in attempting to further improve the bill.

Finally, in summary, Mr. Chairman, the AHA fully supports the concept of a temporary emergency program to derive health insurance benefits for the unemployed and their families. For these reasons I have stated also that we strongly oppose the use of the medicare mechanism for such a program as provided in bills that are before Ways and Means of the House and Finance Committee of the Senate.

We urge instead the adoption of the approach embodied in S. 625 with modifications such as we and others will undoubtedly suggest.

While suggesting a program like others suggested to date contain certain inequities, we believe it's capable and workable with certain implementations.

Senator KENNEDY. As I look over these recommendations, I think they appear to be useful. There is some ambiguity as to whether there would be a double coverage or not in terms of some of the benefits. We ought to clarify that; make it more precise.

Dr. GEHRIG. I might mention one thing as another example without dwelling on it at length. It's our understanding that under unemployment compensation benefits, one reason for an individual's becoming ineligible is illness itself over a period of time.

Obviously, we would have to look to this, because this is the real crucial area related to health benefits.

Senator KENNEDY. One of the matters on the medicare program, of course, is that I understand that about half the workers have a program which is more extensive than just the part A of the medicare program.

So in an attempt to provide some degree of equity, you would actually be reducing the insurance benefits. You might be raising them for some, but you would be reducing them for many others.

It seems to me that is a factor in terms of the inequity of a medicare type of approach.

Dr. GEHRIG. I think too, I would like to underline a comment you made with regard to looking onto its workability in the administrative area. It's so crucial. We can have a perfect program developed 4 years from now, I hope we wouldn't need it at that point, and it's really trying to get off the ground with a good, workable administrative program.

[The prepared statement of Dr. Gehrig follows:]



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STATEMENT OF THE AMERICAN HOSPITAL ASSOCIATION
 ON EMERGENCY UNEMPLOYMENT HEALTH INSURANCE
 BEFORE THE
 COMMITTEE ON LABOR AND PUBLIC WELFARE
 UNITED STATES SENATE

March 6, 1975

Mr. Chairman, I am Leo J. Gehrig, M.D., Vice President of the American Hospital Association. With me is Mr. Allen J. Manzano, Associate Director for Finance of the Association. The American Hospital Association represents some 7,000 member institutions (including most of the hospitals in the country; extended and long-term care institutions; mental health facilities; and hospital schools of nursing), and over 20,000 personal members. We welcome the opportunity to testify before this Committee today on the very important matter of Health Insurance for the Unemployed. We will address our remarks in particular to S.625, introduced on February 7 of this year by Senator Kennedy and co-sponsored by you and by Senators Javits and Schweiker.

We appreciate the concern of this Committee in the emerging and pressing problem of protecting the many Americans who have lost or will lose their employer-sponsored health insurance benefits through unemployment. The potential threat to the health and well-being of the nation's work force and their families from the loss of such coverage is a matter of great concern to all of us.

While most meaningful National Health Insurance proposals would provide a solution to this problem should it occur in the future, such an approach in the context of National

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Health Insurance, because of the time required for legislative action and program implementation, would not provide needed action for this immediate and, hopefully, short-term problem. Therefore, we believe that a program of action should be developed for a short period (one year) independent of National Health Insurance.

The magnitude of loss of health coverage through unemployment is difficult to assess. The problem does not appear to correlate directly with unemployment statistics. Furthermore, coverage and the nature of the insurance provided also varies greatly from employer to employer.

The AHA has been investigating the problem in an attempt to evaluate its magnitude. We were able to see a preliminary and unissued report by the U. S. Department of Labor which analyzed 77 employer-based health benefit plans for employers of 1,000 or more. The most relevant data appear to relate to the provisions for extension of benefits upon layoff. Extension of benefits in the report was defined as eligibility for benefits for more than two months after separation.

- . Of the 77 employers, 74 provided basic medical insurance and 56 major medical coverage. Of the 74 offering basic medical insurance, 47 (or 64 percent) provided for some continuity of coverage. Of the 56 offering major medical, 28 (or 50 percent) provided for such continuity.
- . Of the 47 plans providing for continuity of basic medical coverage, 26 (or 45 percent) provided continuity without contribution by the laid off worker. For the 28 providing continuity of a major medical plan, 12 (or 43 percent) did not require worker contribution. Eligibility for the post-layoff program was available in only 13 of the 26 non-contributory basic medical plans and in only 8 of the major medical plans.

In summary, of the 77 plans reviewed, only 13 offered continuity of coverage to all employees without contribution for basic medical plans and only 8 did so for major medical plans. The availability of coverage after employment without the worker's contribution is crucial since the amount of contribution is probably a major element in the worker's decision as to continuation of health insurance protection.

In this study the length of post-employment coverage varied widely among the plans and in many instances varied within individual plans depending upon length of employment. This limited study, which includes the kinds of firms most likely to offer significant health benefits, nevertheless does demonstrate that the conditions of post-employment coverage provide little assurance that the laid off worker, the recession victim, has continuity of coverage upon separation.

The immediate problem is, in fact, a concern for the health of the victim of our present recession. It obviously is also of concern to hospitals that they remain fiscally responsible in order to provide services to all individuals in their community. We were very pleased to note your recognition of this problem in the remarks made on the Senate floor upon introducing S.625. We have made preliminary inquiries in a number of states to determine the impact of unemployment on hospitals. Unfortunately, I am unable to provide the Committee today with meaningful information on the experience of all hospitals or even a statistically significant segment. Our difficulty stems from the fact that hospitals do not collect such data regarding the unemployed. Further, because of the short-term continuing coverage that some employers provide following a layoff, we do not believe that what information we have measures the problem which will be faced in the months immediately ahead.

Two symptoms of the problem, however, are evident in many areas. The rate of payment of accounts receivable has slowed in recent months and the increase in charity work and in bad debts is significant. These factors, of course, are undoubtedly influenced

by both unemployment and the general economic situation. Hospitals, which are largely not-for-profit institutions, have during the past several years experienced a decreased operating margin of revenue over expenses of from 2.2 percent in 1971 to 0.8 percent in 1973. While these figures are averages, in 1973, 63% of community hospitals in this country had a negative operating margin or, in fact, an operating loss.

Therefore, while every effort will be made to provide needed services without regard to ability to pay, the basic capability to provide any services at all depends on the continued existence of fiscally responsible institutions. Further, revenues needed to cover the costs of care provided without reimbursement (charity or bad debts) must be obtained by increasing charges to paying patients. Unfortunately, government programs such as Medicare do not equitably share in these costs.

The American Hospital Association has long expressed its concern with the failure of the Medicare cost reimbursement system to pick up its proportionate share of bad debts and charity costs of the institution. The logic behind this refusal to acknowledge bad debt is Medicare's contention that the program can only pay its own costs. While Medicare and other cost-based payers do, in fact, recognize bad debt attributable to their respective patients, by not assuming a proportionate responsibility for the cost of providing care to all those who cannot pay, they place a disproportionate responsibility for this cost upon those patients who pay the actual charges for their services either directly or through private insurance. This resultant problem is made even more severe during a period of recession as the potential for bad debts increases, and an increasingly smaller population is required to assume a greater burden. Certainly the fiscal responsibility for paying the cost of care for those patients unable to do so because of the loss of employment and income should be a responsibility shared by all participants in health financing without regard to the source and character of the payment mechanism.

Legislative Proposals

Legislation has been introduced in both houses of Congress which would incorporate an unemployment health benefits program into the existing Title XVIII of the Social Security Act by providing that upon hospitalization an individual without private insurance coverage, who is entitled to weekly benefits under a federal or state unemployment compensation plan, would be eligible for the same hospital insurance coverage provided under Part A of the Medicare program. A dependent spouse and dependent children would also be entitled to this hospital coverage.

We feel this approach has several obvious and serious inequities, including lack of coverage for unemployed people not eligible for unemployment compensation; lack of coverage of physician's services; and the requirement that hard-pressed unemployed people would have to make regular Medicare-type copayments and meet Medicare deductible amounts.

While, as I have stated, some inequities appear inevitable in whatever approach is decided upon, we are especially concerned about the workability of the proposed program. The Medicare Part A approach, for example, would present hospitals with major operational problems in the area of determining eligibility. The hospital would have to somehow determine that the individual seeking hospital benefits under this new program is indeed receiving cash unemployment assistance or is the spouse or dependent of such a person. The hospital would have to somehow be able to determine whether an individual had paid the required deductible amounts and whether there was continued eligibility in cases of persons who frequently move on and off the unemployment rolls.

In addition to the operational problems faced by hospitals, the Medicare approach would also create major -- and perhaps unsurmountable -- problems of administration for the Medicare program. Medicare eligibility is basically geared to permanent status in the program, a status achieved by attainment of age 65 or of a condition of long-term

disability. A system which would allow for temporary eligibility geared to unemployment is wholly untried within the Medicare program. The need to generate a new system on a national basis appears difficult of accomplishment within the limited time frames necessary for this proposed new program. In addition, eligibility of spouse and dependent children is also untried within Medicare, which is essentially an individual eligibility program. The problems inherent in this eligibility issue are enormous, and the operational requirement for rapid implementation is crucial.

Inclusion of the unemployed within Medicare would place the whole program in fiscal uncertainty since the method of cost reimbursement and the characteristics of the payment process leave both provider and payer uncertain of revenues and costs until a cost reporting period is terminated and an audit and settlement completed. The fiscal expectations of institutions are based upon budgets which consider historical patterns of the proportionate share of patients under various kinds of insured coverage. Shifting the basis of reimbursement for a major portion of this population introduces significant shifts in revenues which can require major modification to pricing structures and cash planning for hospitals. Use of the Medicare vehicle would also require significant modifications to that program's financial policies.

Similarly, revisions to the present system for collecting cost data under Medicare will be required. Past experience has shown that this process is exceedingly time consuming. Nor can time be saved by implementing such revisions retroactively. Hospitals collect and assemble their financial data to conform with requirements of the existing cost reporting system and are unable to retroactively reconstruct data neither collected nor reported.

Financial implementation also would be complicated by the need to insure that the cost of this program would be kept discrete from the basic Medicare program with its trust

fund and separate employment tax base. The existing Medicare program also provides for optional coverage of out-of-hospital medical costs under Part B. If this coverage is not provided under the proposed emergency health benefits program, crucial elements of service which have been available to many individuals under employer-sponsored plans will be denied. But we recognize that Medicare Part B coverage will give even greater administrative problems in the collection of the monthly premium and in the determination of the premium under a situation involving a changing eligible population and one with dependent spouse and children coverage. In fact, the relevance of Medicare Parts A and B cost-sharing and benefits packages to a working population is in question since they were designed for unique segments of the population, the aged and disabled.

In general, it would appear more prudent to not disturb Medicare (already stressed with the implementation of the disabled and renal disease program and an entire battery of new regulatory problems) with the population of the unemployed and their dependents.

Mr. Chairman, the American Hospital Association believes that S.625 proposes the most feasible approach to solving the problem of health insurance for the unemployed and their families. While we recognize that the eligibility identification and tracking are not going to be simple in any program, we believe the state agency which administers the unemployment compensation laws, together with the existing employer-based health plans, constitute the best mechanism to administer a program for a population which they are already serving effectively.

S.625 proposes continuation of that coverage which our working population normally obtains as a benefit of employment. This concept as enunciated in this legislation is fully endorsed by the Association. Defining eligibility in terms consistent with coverage available to an individual in an employed status is a sound one since it does not disturb the previously existing availability of coverage under private employer-

sponsored health insurance. It will, therefore, not produce a change in coverage of such magnitude as to become, in effect, a substitute for the long-awaited development of national health insurance. Similarly, the linkage of coverage to unemployment insurance eligibility is sound, and inasmuch as state unemployment compensation agencies must necessarily certify the eligibility of unemployed individuals for health benefits under this program, placing administrative responsibility for this program at the federal level in the Department of Labor is most logical and appropriate. We agree that this program should be a temporary, emergency one and should not be allowed to develop into a permanent "quasi-NHI" scheme.

When S.625 was introduced, Senator Kennedy spoke of certain inequities in the program the bill proposes. The AHA joins in this concern, however, from our evaluation it appears that inequities are inevitable in any temporary program which addresses this issue and which can be rapidly implemented. It is our hope that these hearings will bring forth helpful ideas and suggestions to improve the bill in this respect. The AHA wishes to offer the following recommendations.

RECOMMENDATIONS

1. Consideration should be given to specifically providing coverage for individuals who were not actually covered by employment-related health insurance programs at the time they were laid off, but who would have acquired eligibility for coverage had their employment continued. Similarly, employees for whom coverage was available at their election while employed, but who did not elect coverage, could be brought under the program S.625 proposes.
2. The bill seeks to avoid any double coverage by disqualifying any individuals who are eligible for health benefits under an employer-sponsored plan. We concur with this but believe the bill should also deny benefits

of the emergency program to any individual who is eligible for health benefits under Medicare, Medicaid, or any other government-sponsored program.

3. In view of the financial problems facing the unemployed, we recommend the Committee consider including payment of such deductibles and co-payments as may be required under employment-related plans as well as payment of the premiums for those eligible for the emergency program.

The Association recognizes that the program does not provide a uniform benefits package. Different levels of benefits, however, are a characteristic of the existing employer-employee health insurance structure, and in view of the interim nature of this program, attempts to renegotiate thousands of employer-based contracts to provide uniform benefits appears unjustified if not impossible.

In summary, Mr. Chairman, the American Hospital Association fully supports the concept of a temporary, emergency program to provide health insurance benefits for the unemployed and their families. For the reasons I have stated, we strongly oppose use of the Medicare mechanism for such a program as is provided in bills that are before the Ways and Means Committee of the House and the Finance Committee of the Senate. We urge, instead, adoption of the approach embodied in S.625, with the modifications I have just suggested. While such a program, like all others suggested to date, contain certain inequities, we believe it is both workable and capable of early implementation.

We will be happy to answer any questions you may have.

Senator KENNEDY. We will proceed, if we could, with the other witnesses.

Dr. Todd.

Dr. TODD. Thank you, Mr. Chairman.

STATEMENT OF MALCOLM C. TODD, M.D., PRESIDENT, AMERICAN MEDICAL ASSOCIATION, ACCOMPANIED BY RUSSELL B. ROTH, M.D., IMMEDIATE PAST PRESIDENT, AMERICAN MEDICAL ASSOCIATION; DR. ERNEST T. LIVINGSTON, CHAIRMAN, COUNCIL ON LEGISLATION; AND HARRY N. PETERSON, DIRECTOR

Dr. TODD. Mr. Chairman and members of the committee, I am Dr. Malcolm C. Todd, president of the American Medical Association. With me are Dr. Russell B. Roth, immediate past president of the American Medical Association, and Dr. Ernest T. Livingston, chairman of our council on legislation, who will join in responding to any questions which you may have. Also accompanying us is Harry N. Peterson, director of our department of legislation.

We are pleased to have this opportunity to join with members of this committee in seeking a solution to the health insurance needs of the unemployed. The current recession has imposed a tragic toll upon the society. The 8.2 percent unemployment rate, the double-digit inflation of the last year, and the specter of further economic decline have challenged the continued enjoyment of a way of life which we as a society so shortly ago assumed to be invulnerable. The cold statistics recording business failures, declines in real disposable income, increases in unemployment and in Federal deficits, and similar data, however, do not reflect the full and personal impact of this recession upon individuals and their families. Because of its seriousness, the Nation as a whole is aware that prompt action is required to reverse this situation. Unified efforts are essential in preventing further economic declines and in reducing the human suffering increasingly prevalent throughout society. The medical profession is committed to these goals.

As this committee is aware, the American Medical Association has supported legislation for comprehensive national health insurance in the previous three Congresses. Another American Medical Association bill will be presented shortly to this Congress. All of us have participated in an ongoing discussion aimed at making high-quality health care available to all Americans. The debate has extended over many years. As a consequence, during this interim period, valuable insights have been gained and many factors affecting our delivery system have been improved. Moreover, because of this extended discussion, I would suggest that perhaps costly errors great in magnitude and irreversible in nature have been prevented. Further consideration is in order if we are to develop a fiscally sound, humanly responsive, and publicly accountable national health insurance system.

New factors have now been introduced into this debate. Seven and one-half million Americans are now unemployed, and their continued health insurance, provided through past employment, is jeopardized by termination of employment. Thus, the plight of these individuals calls for fast remedial action. We urge that a system of temporary health insurance for the unemployed be enacted to alleviate existing

strain and suffering while allowing us to continue our efforts to develop the best possible insurance legislation for the long run.

As I have stated, the individual crisis of unemployment has been compounded by the loss of health care insurance for millions of workers.

It is incumbent upon us to devise a method under which health coverage is continued for the unemployed individual and his family, and to afford such protection without disruption to the health delivery system.

Mr. Chairman, most families are, under normal circumstances, covered by employer-employee health insurance coverage. Accordingly, the large volume of practical experience, with respect to the health insurance contracts, lies within the context of the standard employer group health system. A temporary health insurance program could be placed in operation on an expedited basis by taking advantage of the expertise of the private sector and by maintaining a system of coverage familiar to consumers. Thus, we are advocating that a temporary program be instituted which would, during the period of unemployment, continue the worker's coverage for himself and his family. We therefore support legislation to accomplish this desirable goal, and we believe that any such program should be built upon the existing unemployment compensation system, one which affords a ready mechanism for implementation of a temporary program.

This is contained within the unemployment compensation system and also existing mechanism for identification of claimants as eligible, and for determining the period of eligibility based on compensation benefits. The State agencies which administer the unemployment compensation program can assume an effective role in administering the program to make insurance protection available to all unemployed persons and their families. While the program will be funded from the general revenues of the Federal Government, premium can be paid on the basis of certification of entitlement by the State unemployment compensation agency.

It has been suggested that simple extension to the unemployed of part A insurance coverage under the medicare program would solve our immediate difficulty. Such coverage would restrict the benefits to hospital care. While hospitalization does represent the highest cost element in health expenditures, major pitfalls are inherent in such an approach. For one thing, hospital care contemplates medical care, as well, and such medical care would not be covered. For another, any proposal which would condition the payment for services upon a hospital admission could only be expected to increase pressure for utilization of expensive care facilities and further aggravate inflationary costs.

Moreover, the administration of a temporary health insurance program through the enlistment of the medicare bureaucracy would place an immediate and intolerable burden upon an already strained bureaucracy. Procedures and benefit structures familiar to patients under their normal insurance coverage would be replaced with the unfamiliar and complex medicare format. This would entail a public education campaign. Evidence of eligibility would have to be prepared, issued, and certified; and current evidence indicates that the medicare system is ill-equipped to accomplish such a vast undertaking, especially in an expeditious manner.

It would be far better, in meeting the needs of an immediate basis and within the context of a temporary program, for the Federal Government to assume the financial obligation of paying for a continuation of existing insurance coverage while certifying the eligibility for such coverage through the existing unemployment compensation agencies. This calls for action which preserves the agencies and economies of employer group health insurance and would protect these plans from financial destruction or prohibitive premium increase.

One additional observation is pertinent to including the unemployed under the medicare program. Under Public Law 92-603 the premium for part A was set at \$33 monthly for each individual not otherwise covered. Since then, under the formula there established, the premium has risen to the current \$36 monthly charge and is scheduled to rise to \$40 on July 1. As you know, medicare is geared to individual coverage, not group coverage. Thus, the premium for a family of four on July 1 would come to \$160 monthly, or \$1,920 annually, and this would cover only part A benefits. Granted, a new age factor, with attendant variances in expected utilization, would pertain. Nevertheless, we are left with speculation and conjecture concerning the cost and utilization of the projected coverage. We think it would be unwise, for this and other reasons, to introduce into the Medicare program unpredictable elements. We recommend that the unemployed not be blanketed into the medicare program.

Mr. Chairman, I want to point out one additional feature of our proposal, which has been introduced in the Congress, providing for a continuation of coverage through employers. Through this bill we have suggested, as an item for discussion at hearings, that coverage should not be made for elective services. I want to put this into perspective, and to stress that this should be considered in the light of increasing national budgetary problems. We would not want all help for the unemployed to be sacrificed because of charges that a full continuation of coverage would be too expensive. Thus, we have suggested consideration of reduced benefits by eliminating coverage for elective services. However, if the Congress should determine that the government has the financial capability of meeting the cost of continuing benefits at the level of coverage existing at time of termination of employment, we would certainly support such action.

In closing, I want again to stress the emergency nature of this program. The need exists today and, to be effective, action on this measure must be expeditious. In the interest of timeliness, it is imperative that the program be built within, and as an extension of, the existing system, utilizing existing programs and agencies to effectively accomplish the goals sought in the legislation before you. The program should not be encumbered with such considerations as PSRO, medicare regulatory controls, or other undue governmental regulations. The program should be retained in and operated through the existing private mechanisms to best accomplish the immediate goals.

On this issue the profession and practicing physicians will be pleased in working with the committee on solutions to this practical problem. Thank you.

Senator KENNEDY. Thank you very much. We asked the hospital association about the particular current problems that they were facing because of the inability of individuals to pay. Is this an increasing problem for the doctors, as well? Has this begun to be a problem?

Dr. TODD. No, sir, I don't think that it has. I think we have a responsibility to take care of these people, regardless.

Senator KENNEDY. I understand that. But I am just wondering whether it has started to be a problem for the doctors, generally. Whether they have felt the fact that many of the unemployed are losing the coverage and, therefore, the doctors are assuming an additional kind of a burden in terms of taking care of these people.

Mr. LIVINGSTON. Senator, I believe there are some areas where there is unusually high employment in some specialized industries, where those industries are beginning to lose—those unemployed individuals are beginning to lose their carryover insurance and this, I think, has yet to be seen. But I think it is a factor that physicians are being concerned with.

Senator KENNEDY. I think anything you can provide to us on that particular point would be useful and helpful.

I noticed in your statement, you indicated that you are hopeful that this kind of a program would not be encumbered by any of the medicare controls and other Government regulations, recognizing that this is an emergency measure.

I would be interested in any assessment you have made of this program in terms of its inflationary impact generally.

I think our estimates have been about \$1.8 billion, in terms of the cost of the program per year. Are we going to be adding additional inflationary pressure in the health area? I would be interested in your reaction to that suggestion, whether you feel that is a real problem or isn't a real problem or how we are going to insure that it won't be one.

Dr. ROTH. May I respond at least in part to that?

I think as you perhaps know, one of our overwhelming concerns on the whole subject of national health insurance has been the possible increase in inflationary pressures at a time when this is sort of the No. 1 public concern.

We have for this reason raised the question as to whether this is the best time, in fact, whether it would be in the best interests of the current public concern to go ahead with something that may be inflationary to an unpredictable degree.

I think one of the reasons we have suggested a modification in this program which we have just presented today and which we are putting in, which has been introduced as a bill in Congress, is a little bit of this same concern.

Perhaps I can best illustrate what I mean by being very personal about it. I am a urologist doing a kind of surgery, and in this past week I have had three patients, one of whom I first saw 5 years ago and suggested the desirability of some surgical work. And he was always too busy to have that while he was employed. But now he has been laid off and it suddenly became a great hurry to get it done before his insurance expired.

Two other comparable cases within a few days. I think that we don't know the impact of unemployment on utilization in the programs. I am unaware of any study that has been done, but common sense and simple experience would tell me that there must be a higher rate of utilization among unemployed for elective procedures, at least.

Therefore, we offer the caveat that there may be a greater utilization, and therefore higher cost to a program of this sort. That is not

from our point of view obviously bad. But it is something to be taken into consideration, when one is contemplating emergency procedures.

Therefore we did make the suggestion that there is this alternative possibility of covering only necessary essential medical care and eliminating care for the elective type of thing, recognizing that this introduces administrative problems, recomputation of premium rates if you are trying to save money this way.

But we did feel that it should be introduced for consideration.

Senator KENNEDY. Do you support the legislation we have now, the 625?

Dr. TODD. Could we support this?

Senator KENNEDY. Yes.

Dr. TODD. I think that we are very much in accord.

Senator KENNEDY. I have caught that in your testimony.

Dr. TODD. I am surprised with the similarity of our views, and I think it's a good program.

Senator BEALL. I would ask that my statement on the introduction of S. 951 be included in the record. I am sorry I wasn't here at the start.

[The statement referred to follows:]

[From the Congressional Record—Senate, Mar. 5, 1975]

S. 951. A bill to create a temporary program, as an emergency measure during the current period of high unemployment, in order to assure continued health care for unemployed persons and their families; and for this purpose to provide for continuation of coverage under employer programs of health insurance for their employees, and Federal financing from general revenues to meet the cost of such continued coverage. Referred to the Committee on Labor and Public Welfare.

BEALL URGES HEALTH INSURANCE FOR UNEMPLOYED

Mr. Beall. Mr. President, I introduce today the "Employees' Health Insurance Extension Act of 1975." Millions of Americans are today unemployed. While this represents a loss to the Nation as a whole, we must not overlook the fact that unemployment statistics represent individuals who as a result of their unemployment, are facing serious personal and financial problems. Fortunately, we have enacted a number of stabilizers, such as unemployment insurance, to help cushion or ease the impact of unemployment on individuals and their families. However, there is another serious problem for unemployed individuals; namely, the loss of health benefits.

If during the difficult period of unemployment, the worker and his family also face emergency health problems, a difficult situation becomes impossible.

In previous downturns in the economy, the loss of health insurance has not been as big a problem, primarily because collective bargaining agreements often continue health insurance for periods varying from 1 to 3 months. However, because this recession has been so protracted, it has been estimated that 80 percent of individuals laid off last year are today without medical insurance.

The proposal I am introducing today would authorize the Secretary of HEW to pay the health insurance premiums of the unemployed worker who has lost his health benefits. The mechanism is quite simple. The unemployed individual would make application for such premium payment with the State unemployment office who would then certify the individual's eligibility both to the employee's former employer and to the carrier of the employer. It should be emphasized that this is a temporary measure. The benefits would be limited to those which are elective services and the Secretary of HEW's payment to the carrier would reflect an actuarially reduction of premiums based on the coverage provided in this emergency measure.

Mr. President, I ask unanimous consent that an editorial which appeared in the March 10 edition of "Business Week" entitled "First Aid for the Jobless" be printed at this point in the Record in support of emergency health

insurance for the unemployed. In addition, I ask unanimous consent that the full text of my bill also be printed in the RECORD.*

There being no objection, the editorial and bill were ordered to be printed in the RECORD, as follows:

"FIRST AID FOR THE JOBLESS

"Hundreds of thousands of workers laid off recently are losing more than their jobs. They are losing their medical benefits as well. Without the means to pay for illnesses or accidents, they have become double victims of the deepening recession. And, to make matters worse, the hospitals and welfare programs that provide for the medically indigent are overburdened as health insurance payments run out.

"In previous economic slumps, the problem never really arose. Most union contracts require employers to maintain health coverage for one to three months after laying off workers—plenty of time in a 'normal' recession to work off inventories and recall workers. But the current recession is so deep and widespread that an estimated 80% of those who lost their jobs last year are now without medical insurance.

"A national health insurance plan is the best solution, but it will be at least a year before a comprehensive plan is enacted. What Congress must do—and do quickly—is administer some first aid. It should tie medical insurance to the existing unemployment compensation system. Such a program would be administratively simple and would cost the government no more than \$1.5 billion in premiums through mid-1976. When a national health plan is finally enacted, the emergency aid for the unemployed would end.

"Washington has already shown its willingness to soften the recession's impact by extending basic unemployment insurance to 52 weeks. It should now add this important fringe benefit."

Senator BEALL. I was interested in the remark the doctor made a minute ago, and I wanted to pursue it at this point if I might for just a second.

I am inclined to disagree. I think it's good that that man who is unemployed and still has insurance is coming to you to get the procedure done because I think people should take advantage of this, if the insurance is still there, they ought to take advantage of the opportunity to have some surgery or whatever it is performed.

I can also agree, however, that if we are going to provide that the Federal Government will pick up the cost of this in lieu of the coverage that previously existed, that we perhaps only ought to be concerned about emergency services which need to be done.

Therefore, I believe that it's a good suggestion that you eliminate the elective procedures and only cover what is considered to be emergency or very necessary operations.

What do you think the difference of the cost is between providing coverage as it exists for the employee today, and just extending coverage that would cover the nonelective services, assuming the nonelective, I guess, are most surgical procedures?

Maybe as you talk about the cost you would talk about the percentages of nonelective versus elective procedures that are performed today.

Dr. ROTH. Senator Beall, I unhappily would be totally unable to make any worthwhile estimate, because as I said, I believe there has been no study made of the impact of unemployment on utilization rates.

And the brief experience of one person in 1 week I think has very little application to a national situation rate. And the brief experi-

*The text of S. 951 appears at the front of this hearing record.

ence of one person in 1 week I think has very little application to a national situation.

And it is under the existing set of circumstances, not under circumstances which would prevail under any new legislative setup.

Senator BEALL. Does the AMA end of the panel have any ideas, since you are on the operating end of it? Do you have any idea as to what the distinction is between elective and nonelective procedures?

Dr. TODD. Of course, Senator, this has been a very difficult thing to assess properly in its full context in many discussions what is the needed, necessary, versus elective.

We happen to feel that this is one element we could introduce into this discussion that would exercise physical restraints. It is through the electivity of the cases that those are eliminated, that the savings would be substantial. But I could not give you any actuarial figures.

Senator BEALL. We are talking principally about surgical procedures, though?

Dr. TODD. This might impact somewhat adversely on the utilization of hospitals. That the hospitals wouldn't get the kind of utilization they are getting today?

Dr. GEHRIG. I believe, Senator Beall, that your deduction follows very logically. But I would like to introduce two thoughts into this area.

I would assume that the AMA might well agree with me in one area. No. 1, it would be terribly important if one introduces this sort of variable as to where this decision is made. I happen to have a surgical background and have done thyroidectomy as an elective procedure as well as emergency.

This is true on down the list. I believe this is introducing a variable which is truly complicated. I think hospitals from their point of view will not look on the matter as an issue of whether it will cut them. We are looking for every cost control mechanism we can find too, but I think there is introduced into the discussion a very complex medical issue that certainly isn't simple and I don't think it should be suggested as such.

Senator BEALL. It would be useful if the staff would inquire of the insurance panel or whatever the experts in this field are, find what statistics are available that would show the predicted cost savings as a result of eliminating elective services from coverage under this proposal, if the record would show that.

Otherwise, I think that we ought to move in this direction because certainly we have to protect people from the kind of emergencies that could be financially disastrous.

Dr. TODD. I am certain that as a surgeon doing a great deal of work, as much as 50, 55 majors a month, that our experience has shown in the past that every time a company was about ready to go on strike, most of the elective things that have been suggested by us to have had done a year or two previously, they rushed in immediately so they could have this done and be covered. I think this is a safeguard.

Mr. LIVINGSTON. The physicians experience with medicare as far as certifying as to necessity is not just certifying as to the emergency of the procedure, and to my surgical colleagues here on the panel, I would like it to be known that all emergencies that are necessary for hospitalization are not surgical. We have many coronaries, many pneumonias; we have many diabetic problems.

Senator LAXALT. Senator Kennedy had to go to a Judiciary Committee meeting.

There has been great stress here, on the administrative burden that this type of program would place on the medicare program. But the reference has been made to the administrative burden that the same program will place on the unemployment compensation people. As I understand their present workload, they are already overburdened. To throw this additional burden upon them, it seems to me, could create untold difficulties.

Have you any reason to believe that the existing unemployment compensation people will be able to handle the additional workload?

Dr. TODD. Senator, I would answer that this way: That I think this does vary from State to State. There are many problems in many States where this is a big load. But generally speaking, I think the medicare program is pretty well accepted. They have a tremendous bureaucracy problem there, and at the present time are not able to handle some of their problems. We would take the position that experience in that field is the important thing.

Senator LAXALT. I do think that whatever form this legislation takes, and I think it's necessary, obviously, that there should be restrictive provisions in connection with the type of care we are going to offer. Otherwise, I think we are going to open up a Pandora's box that none of us can anticipate. I read an economic report yesterday concerning tourism. In the State of Florida it has just experienced during this winter season one of the greatest years. Their principal patrons were unemployed auto workers from Michigan. So I would not like to have this type of thing happen within the medical framework because I think all of you could rue the day if we leave it wide open to have that kind of coverage.

Do you have any additional questions?

Yes?

Dr. GEHRIG. Could I just briefly go back to your last question with regard to the problems of the Department of Labor and unemployment compensation? We have had discussions and don't profess to know their business.

We recognize as you pointed out, that many are up to their ears. This program wherever it's placed is going to be a burden.

On the other hand, they are working specifically in the area which will be really the key to eligibility. We feel that the bill does provide and recognize that this burden isn't going to be handled within existing administrative resources and they will need, obviously, for that group, to have adequate funding so they are more expeditiously able to deal with it.

Senator LAXALT. Has anybody costed this out at all, because we are starting with a base, here, roughly of a million and a half a month, I gather, are the figures we have been dealing with today. Has anybody laid on top of that the additional administrative cost? I wouldn't suppose you would. We will get this, I suppose from the Government.

Is there anything more?

On behalf of the panel, I want to thank all of you for a very excellent presentation.

We will be in recess.

[Whereupon, at 12:04 p.m., the hearing was recessed.]

EMERGENCY UNEMPLOYMENT HEALTH BENEFITS ACT OF 1975

TUESDAY, MARCH 11, 1975

U.S. SENATE,
COMMITTEE ON LABOR AND PUBLIC WELFARE,
Washington, D.C.

The committee met, pursuant to notice, at 10:10 a.m. in room 4232, Dirksen Senate Office Building, Senator Harrison A. Williams, Jr., chairman, presiding.

Present: Senators Williams, Kennedy, Javits, Schweiker, Stafford, and Laxalt.

The CHAIRMAN. The Senate Labor and Public Welfare Committee on emergency unemployment health benefits legislation will come to order.

Last Thursday this committee met to begin hearings on legislation designed to deal with a most urgent problem—the loss of health insurance coverage for millions of unemployed American workers and their families.

Today we are meeting again to continue our inquiry and to set the stage for the swift congressional action we know must be forthcoming—passage of a bill to provide extended health benefits for those who have been laid off and who would otherwise lose insured hospital and doctor care within a matter of a few weeks.

None of us here today needs to be told that the unemployment situation has reached crisis proportions. On Friday the Department of Labor announced that our national unemployment rate was still at the 8.2 percent level. But in point of fact, the recession deepened harshly for thousands upon thousands of American families in February; 540,000 persons stopped looking for work, many in despair of finding a job. Nearly 300,000 crossed the line into the ranks of those unemployed for 15 weeks or more. The State unemployment rolls increased dramatically, by nearly 280,000 in February. Overall, 5 million currently unemployed persons lost their last job.

At the very time that these tragic facts were being unveiled to a disheartened American public, another, perhaps little noticed, event was taking place. That day the Senate Finance Committee was considering an alternative approach to the problem of health insurance for the unemployed. And in his testimony there, the Secretary of Health, Education, and Welfare stated his unequivocal opposition to the finance committee proposal and to the proposal before the Labor and Public Welfare Committee.

He said that any such “benefits program is not a constructive step.” He said that health insurance for the unemployed “is just not feasible nor affordable.” He said that “health insurance through unemployment

insurance may seem an attractive alternative to a job where health insurance was offered." He said that: "The main problem of the unemployed is not lack of health insurance. The major problem for the unemployed is that they have lost their jobs."

Well, I say that the position of the Secretary and the administration is incredible, indefensible, and irresponsible. The administration knows that the cost of these proposals is minimal when compared to the price this Nation would have to pay for thousands of sick and untreated American workers.

The administration knows that we face the prospect of hospital doors being slammed shut if they continue to face mounting deficits because of unpaid bills. The administration knows that this and other committees of the Congress have heard a united call for immediate action from the health insurance industry, the hospital associations, the medical profession, the labor movement and, indeed, the citizens of this Nation.

And the administration knows that it has refused to support the enactment of any national health insurance program for the foreseeable future.

Every one of my colleagues on this committee recognizes that the bills before us are imperfect, stopgap programs. We are all painfully aware that the price of past inaction on national health insurance is the price we are being asked to pay today. But we are faced with an emergency. And it is this very emergency that has caused us to hold these hearings at the level of the full committee.

This represents our pledge to speedy action. And we are going to fulfill that pledge so that we can demonstrate that this Nation does have the leadership to assure the protection of American families against crippling health care costs in the face of our declining economy.

We will now receive for the record a statement by Senator Javits.

[The statement referred to follows:]

OPENING STATEMENT OF SENATOR JACOB K. JAVITS

For years I have urged that we need a national health insurance system in our country which provides a comprehensive range of health care benefits for all Americans, regardless of their economic status. Unfortunately, that does not exist and our country is confronted with an unemployment crisis—8.2% unemployment, the highest in our Nation since the Depression Era.

There have been various Congressional legislative alternative responses to this tragic contemporary crisis—soaring unemployment and millions of Americans losing their health care protection.

I believe it is essential that whatever measure we adopt should not be a substitute for comprehensive national health insurance. Nor should it seek to remedy immediately any inequities or inadequacies in our existing health care system—that would take months to debate and, for example, the Medicare alternative would require months of administrative time to "gear-up" for the millions of new beneficiaries plus pose a serious problem of how the deductible issue should be responded to administratively or how it could be met by the individual unemployed people and their families. I believe we need an immediate

emergency solution for the health needs of the millions of unemployed Americans and their families. That is the goal of the "Emergency Unemployment Health Benefits Act of 1975" (S. 625)—which I have joined in introducing with the Chairman of the Committee, Senator Williams, and the Chairman, Senator Kennedy, and Ranking Minority Member, Senator Schweiker, of its Health Subcommittee.

An emergency program of health benefits for the unemployed and their families can only be achieved with the support of all parties concerned—the public; employers; and health industry, providers, carriers and institutions—and that is why I believe our bill is the appropriate response and should be passed and passed quickly.

The CHAIRMAN. The principal sponsor of S. 625, the major bill before us, is Senator Kennedy.

I am pleased to turn to Senator Kennedy now.

Senator KENNEDY. Thank you very much, Mr. Chairman. It is of course a pleasure to join with you in holding these hearings and to work with you closely on this matter which is of great importance and consequence.

Let me just say that one of the matters that I find most distressing is that you, the administration, appear this morning, saying you are against this particular proposal, as you are against Senator Bentsen's proposal. As the concluding comments in your testimony says:

I regret the necessity of being totally negative; however, it is just not feasible nor affordable to provide health insurance for the unemployed in a manner prescribed by any of these proposals.

This is a matter of great distress certainly to me. We hear what the administration is against but we do not hear what the administration is for in terms of meeting this particular problem.

It is an enormous problem, as you well understand, in terms of cost to the American family. And the costs have continued to escalate since the elimination of any kind of controls on costs, in the area of health care.

How realistic are we to expect that of the approximately \$250 that unemployed workers receive for a month, that they can pay the approximately \$50 a month, and that's a round figure, that will be needed to continue their health insurance. Obviously they are unable to do. It is going to end up stressing the hospitals. I am sure we are going to see the total savings of many workers completely absorbed.

As you quite appropriately point out, we are looking for a stopgap measure that can ease us through what we hope will be a transitional period of very serious unemployment problems. I am sure we will hear many reasons why any of these programs will not work.

But I hope that you as the Secretary will be able to give us some help with things that will work. The members of this committee have supported various national health insurance proposals for a number of years. We know the administration has submitted its proposal for national health insurance. If we had enacted any of those proposals, we would not be here today; we would not have to consider this legislation. The continued delay in the administration's reintroduction of its proposal is of very little cheer to the millions of unemployed workers.

I want to say that I appreciate the chance to join with you in these hearings, Mr. Chairman.

The CHAIRMAN. Senator Stafford, a cosponsor of S. 625, do you have any comments?

Senator STAFFORD. Thank you, Mr. Chairman. I am happy to be here. I shall withhold a statement at this time and look forward to hearing the Secretary and his colleagues.

The CHAIRMAN. Thank you.

Senator LAXALT, do you have any comments?

Senator LAXALT. I do not believe I have anything at this time, Mr. Chairman.

The CHAIRMAN. We turn to you, Mr. Secretary.

STATEMENT OF CASPAR W. WEINBERGER, SECRETARY OF HEALTH, EDUCATION, AND WELFARE, ACCOMPANIED BY STEPHEN KURZMAN, ASSISTANT SECRETARY FOR LEGISLATION, DHEW; STUART H. ALTMAN, DEPUTY ASSISTANT SECRETARY FOR PLANNING AND EVALUATION, DHEW; HENRY E. SIMMONS, M.D., DEPUTY ASSISTANT SECRETARY FOR HEALTH, DHEW; AND M. KEITH WEIKEL, COMMISSIONER, MEDICAL SERVICES, MEDICAID

Mr. WEINBERGER. Mr. Chairman, I appreciate the opportunity to be here. I think I will refrain at this time from characterizing your statement. I have just seen it. And even though you have characterized mine, I hope at the end of my presentation to be able to have shown why I feel that your statement is both demagogic and irresponsible in attempting to promise a great deal more than can possibly be delivered by anyone.

As you know, we are greatly concerned about the availability of health insurance.

As you know, we share fully the feeling about the unemployed, and we feel very strongly as everyone does that this is a plight which has to be improved and has to be dealt with by measures which we believe will be effective.

So I think it is fair to start out the hearing with the idea that while there are sponsors for bills that the designed to try to be of assistance to the unemployed, this does not mean that people who oppose those bills have no lack of concern or feeling for the unemployed.

There is no monopoly on compassion, and there is no monopoly on warmth or humanitarian approaches.

I hope to be able to present to you reasons why these bills are not going to be able to accomplish their purpose and are fundamentally a wrong approach which will simply prolong the problems of the unemployed, and that in fact they are not really designed to benefit the unemployed at all.

What they are designed to do is benefit and guarantee the payments of one sector of the suppliers of services to the people generally who are unemployed, and I think that it is significant yesterday while I was discussing this subject before the third of the four committees that have held hearings on it, that at the precise time there was a housing conference going on in which the desirability was being pointed out to legislate legislation on its surface which would be designed to assist

the unemployed, but which in effect would amount to the Federal payments of any missed mortgage payments on houses to the lenders because of the unemployment situation.

I would suspect we would see a whole similar series of bills that are designed to guarantee payment of suppliers of various services the entire payment they might otherwise get.

That is really what would be the principal result of measures of this kind if they were in any way possible to be put into effect which we believe they are not.

Health insurance has been a major initiative of the administration. Senator Kennedy correctly points out the sponsorship that he has given to measures of this kind and that we worked over a number of months last year to try to secure passage of the bill, and it is entirely correct to say that had we succeeded, we would not have the necessity of discussing unworkable measures of this kind. But unfortunately we now find ourselves in an economic situation which I think makes it temporarily impossible to pursue actively early enactment of a comprehensive health insurance bill.

I do not think we should lose sight of the fact that that comprehensive health insurance bill had as its goal the provision of comprehensive health services for all and would open access to those services for everyone.

There are 25 million Americans who do not have any health insurance at all and there are about another 35 million who have very inadequate health insurance. So while I can certainly appreciate the intent that is behind the bill, its enactment would I think create the very gross inequities and very enormous administrative problems. It is to those two subjects plus the fiscal problems that would exacerbate the problems the economy is having that I would like to address myself to first.

I will probably in covering some of the points made in this statement omit some and add a bit to others. In the course of that I would therefore request that the statement itself go entirely in the record, but I want to make some changes to it because I would like to shorten the presentation a bit.

Basically the fiscal problems are the problems that are involved in adding another very large new spending program to a situation in which we already have a very substantial deficit planned. As a result of actions of the Congress we will have a much higher deficit than was planned, with the effect that we will run a very severe danger of not stimulating the economy, but actually depressing it, forcing such a very large amount of capital to be used for the purpose of trying to pay a deficit which simply will mean drying up the available supply of capital and preventing it from being invested in the private job producing activity which is really the only thing that can ultimately improve and eliminate the unemployment problem that we have now.

It has become a familiar litany in the course of these hearings to say that the administration opposes these bills but does not support anything. That is totally inaccurate.

What is the accurate fact is that we do support things that will help in the way that is most effective for the unemployed themselves, not the suppliers of services to them, but will help the unemployed themselves, and that is to broaden and to expand the unemployed com-

pensation program which is the thing that can give an unemployed person a partial replacement at least of his lost earnings.

What we have done with that is to expand it to allow over the course of the year approximately 2 million people who are unemployed to become eligible for benefits and will result in an additional \$3.2 billion of new Federal spending for this fiscal 1975.

Senator KENNEDY. If I could, how many of the workers, or what percentage of the workers are using any of their money to pay premiums in the health area?

Mr. WEINBERGER. That would be an entirely individual decision by the workers themselves.

Senator KENNEDY. What are the figures? You think it is irresponsible to charge that you are against everything and you say you are doing something about it because you are supporting unemployment compensation, and we are interested in how that is working. It is nice, you say, our statements or our support is demagogic, promising things that we cannot deliver, and where are you delivering in the health area—

Mr. WEINBERGER. We are—

Senator KENNEDY. If I can finish my question.

Where are you delivering in terms of the particular issue of continuation of health care for the people who are unemployed?

Mr. WEINBERGER. We are delivering \$3.2 billion in new Federal expenditures for one extension of unemployment insurance; \$1.3 billion at another to continue for 52 weeks and we do not intrude in the private lives of everybody asking what they are spending it for.

Senator KENNEDY. Why do you not tell us they are spending it on health so we can draw what conclusions—

Mr. WEINBERGER. We know there are a number of health insurance policies which they do have which this bill would pick up, and do have a continuation feature in them for various periods running up to 12 months after the premium payments stop.

We also know that this bill would pick up only a very few of the people who are actually involved. It would pick up only those members of the unemployed sector of the population who are covered by unemployment compensation and only those members of that group who in turn have some kind of health insurance. So it would leave untouched a very large number of the unemployed.

That is one of the things I had in mind in saying that there are very gross inequities in a bill of this kind.

Senator KENNEDY. That is not my question.

If I could ask you, what percent of the people unemployed now are continuing their health programs by paying these premiums—

Mr. WEINBERGER. Of the people who are covered by unemployment insurance, who had health insurance benefits, who are the only portion of that population affected by this bill, somewhere in the neighborhood of 30 percent have benefits which continue for a month or more. Somewhere in the neighborhood of 25 percent have benefits which continue 3 months or more, and there are about 10 percent of that group of policies which continue 5 months or more.

But you have to bear in mind, Senator, as you know, that there are a large number of unemployed not covered by unemployment compen-

sation at all, and a large number who are not covered by any health insurance at the time they became unemployed.

All those latter two groups are not touched by your bill.

Senator KENNEDY. I want to give you a full opportunity to answer completely, but I am going to ask the question the third time, the third time and see if I can get just maybe a one-sentence answer.

That is, can you tell us the percentage of unemployed who are using any of their unemployment compensation to continue their health insurance program?

Mr. WEINBERGER. And for the third time I will tell you we do not intrude into the privage budgetary—

Senator KENNEDY. Just a percentage.

Mr. WEINBERGER. We do not intrude into the private budgetary decisions of anyone and ask them what they are spending their money for.

Senator KENNEDY. Can you estimate? What we are trying to do is find out whether your approach is working. It seems to me if I can continue, you say it is irresponsible to support these programs which we support, which a number of labor organizations, the insurance industry, and consumer groups are supporting, which a number of our colleagues are supporting, and we think this is at least the best we have been able to devise, at least under the circumstances. Now, you say that is not responsible. But that the administration has a responsible approach, it is for continuing unemployment compensation.

Now, I think it is a very logical question to ask what percent of the workers are using their unemployment compensation to continue their health insurance program?

If I could just get that figure, the statistic, from you?

Mr. WEINBERGER. That information is no more obtainable than is information that would be more logically and relevantly related to your bill, and that is how many are not using it for health care. You do not know that figure and I do not know the other figure, and the reason is nobody requires, fortunately, an unemployed person to tell the Government what he is doing with his unemployment compensation.

The point I am making is that cash unemployment benefits being increased by the administration are far more effective than trying to provide some more in kind services to help the suppliers of those services.

The CHAIRMAN. Mr. Secretary, if you do not have that percentage that are using any part of their weekly unemployment compensation benefit in applying it to their health insurance premium, could you give us this figure: What is the average weekly unemployment compensation benefit in the country?

Mr. WEINBERGER. I think it is \$65 a week, and we have proposed both additional coverage to run that to a full 52 weeks, and we have also proposed that the system be expanded to cover some 2 million people who are not now covered.

The CHAIRMAN. That does not increase any worker's weekly benefit. You are talking—

Mr. WEINBERGER. Extensions.

The CHAIRMAN. You are talking about reaching more people and covering—

Mr. WEINBERGER. For a longer period of time.

The CHAIRMAN. But still the weekly benefit is well below the weekly average, No. 1; and, No. 2, the weekly wage is not used to pay insurance premiums, in most cases. Generally that is—

Mr. WEINBERGER. It is very hard to say. There are a great many people who do not have health insurance at all. None of them are affected by this bill.

The CHAIRMAN. We are just talking about those who have had it and who are unemployed.

Their weekly wage is not drawn on to pay the insurance premium.

Mr. WEINBERGER. It is drawn on it. It is withheld. They do not see it.

The CHAIRMAN. Weekly benefit is to have additional charge plus mortgage plus all expenses of living, it is just unrealistic—

Mr. WEINBERGER. Senator, all of this colloquy started when I was listing some of the things that we believed were more effective, and what we were doing, the first of those was unemployment compensation.

The second was the provision of public service jobs and the third was tax cut. All of these are designed to put more money in the hands of people of low income or people who are unemployed. Those are the things that I think are far more effective and far more useful to unemployment persons than simply trying to pick up another categorical in-kind benefit program that benefits suppliers of those services.

It is certainly no secret that the people you listed in support of this bill are sometimes referred to by the press and others as an odd coalition, and the simple fact is, what it is is a group of people who supply a lot of these benefits and who therefore have joined in supporting bills which would guarantee payment to them for a limited group of people.

But the major problem of unemployed persons is not a lack of health insurance. The major problem obviously is they have lost their jobs, they need to have their income replaced, and they need an economy, an economic situation that will help them get their jobs back.

Senator KENNEDY. Just before we leave this, are you familiar with the Bureau of Labor Statistics that have estimated that—a study of health benefits coverage of laid off workers last month that said only approximately 20 percent continue coverage 3 months or more?

Mr. WEINBERGER. Those are the figures I just gave you.

Senator KENNEDY. So the simple answer, the short answer, is that the best information that the administration is able to develop is 20 percent?

Mr. WEINBERGER. Thirty percent insurance continues for 1 month or more. For 5 months or more, over 10 percent. For 3 months or more 20 percent. Those are the basic figures that I mentioned a moment ago.

Senator KENNEDY. There is no way of telling how many of those programs are being continued now by unemployed workers?

Mr. WEINBERGER. By the unemployed persons who are covered by compensation who have health insurance, which is the limited group covered by this bill, those are the percentage figures that—

Senator KENNEDY. I know, but you do not know how many are picking up the premium?

Mr. WEINBERGER. None of the sponsors know how many are not. It is not a figure that is obtainable, unless you demand intrusive inquiry to each person on unemployed compensation to see what they are spending their money for.

Senator KENNEDY. Do you not think it would be worthwhile to have—

Mr. WEINBERGER. No, sir, I do not.

Senator KENNEDY [continuing]. An estimate? To try to find out how effective your program is? How many are going to be covered by public service?

Mr. WEINBERGER. Probably 2 million. There are a number of different jobs—

Senator KENNEDY. Two million?

Mr. WEINBERGER. There are a number of different programs, Senator, and I do not know which one will probably be enacted. But there are a large number of public service programs that involve the provision of public service jobs over varying periods of time.

What we are trying to do and what I think is the most effective thing to do for the unemployed is to replace some of the lost earnings and to create an economic climate that can get their jobs back and provide in the meantime some kind of public service temporary employment.

Senator KENNEDY. This is a very exciting statement, that we are going to have 2 million public service employment jobs, because we have only had about 134,000 last year; and I thought the administration was going to double that this time—

Mr. WEINBERGER. I was picking out the highest—

Senator KENNEDY. Two million is very good news.

Mr. WEINBERGER. I was picking out the highest of the congressional estimates. I have no idea which will be enacted.

Senator KENNEDY. You cannot have it both ways, saying Congress wants high public service employment and that is going to be the answer, when the administration comes down for a lower figure. The best estimate is that there are going to be only a few hundred thousand on public service employment. And the kind of tax relief you are talking about in terms of the proposal of the administration is still inadequate, I do not think would cover the problem even if it was all being utilized to pay for health insurance.

Here you want them to pay all their health benefits, pay their mortgage, pay the increased cost of fuel that is going to be a result of the administration's program, and then you say your approach is responsible and that the approach of those that are trying to provide some kind of relief for the unemployed in the health area is irresponsible.

Mr. WEINBERGER. Senator, we have before us a bill now which would pick out a small group of the unemployed and pay one portion of their services. I made the point that would benefit primarily the provider of those services to them. You have mentioned a number of bills and it is very likely that a number of other bills will come along covering some of those fields, such as home payments, fuel costs and perhaps automobile loans and a number of other things to benefit bankers and mortgage lenders and others who have some worry about whether or not their payments are going to be met.

What I am suggesting is that if you add all of those together, they are not only far less effective for helping the unemployed individual as a person, but they are exacerbating the economic situation that will cause us to have more and more private capital that ought to go into job-producing activity to be used to pay an ever-mounting debt.

That is essentially the point that I think should be before you at the time you take up one narrow categorical new program to pay some in-kind services to the suppliers of those services.

Now, on the equitable side, I think we should bear in mind that you have, as I have said two or three times, a very small segment of the unemployed group that would be covered by this. As a matter of fact, there are some 25 million Americans who do not have any health insurance at all, unemployed or not, and there are 35 million more who have a very inadequate type of protection, that provides very little help against the specific kinds of problems that are necessary to have health protection.

S. 625 would limit eligibility to those unemployed who are receiving unemployment compensation benefits who previously had group health insurance and have no other health insurance available to them from any other source.

You have got three thresholds that they have got to cross before they are eligible for this bill. Certainly there is no minimizing the needs and seriousness of the plight of any unemployed.

But health insurance coverage for only a segment of those receiving employees' compensation do not address the problem of millions more of our citizens whose needs are as great or greater.

Senator KENNEDY. We are talking about 10 or 15 million people. That is not an insignificant number of people.

Mr. WEINBERGER. Your bill is not talking about that large a population factor.

Senator KENNEDY. It certainly is.

Mr. WEINBERGER. One of the other bills talks about giving medicare—

Senator KENNEDY. Our does, as we understand it. The best estimates that have been made, it is going to cover about 3½ million families and at 4 members to a family, that covers 12 to 15 million. That is not insignificant.

Mr. WEINBERGER. The other bill I am speaking of—

Senator KENNEDY. We are speaking about this bill before this committee. That is not an insignificant figure.

Mr. WEINBERGER. It is not an insignificant figure.

Senator KENNEDY. We should not use those words.

Mr. WEINBERGER. I am not presenting it as an insignificant group. What I am saying is, it is an inequitable division of the people who have the same basic situation and that there are a great many more people who are working at low income and are still working, who will be paying through the tax system for continuation of plans of those people who happen to be fortunate enough to have health plans when they became unemployed. We have a situation in which they would be helping to provide health insurance for the unemployed and we would have a situation in which a person eligible under a health plan that provided minimal coverage of the Federal Government would continue premium payments for him, and they would also continue

premium payments for very much more expensive nature for a person who happened fortuitously to have a very full benefit program.

So you have all of these inequities that may exist in the existing system frozen and sponsored and subsidized by Government payment.

What of the many unemployed who never met requirements for compensation in the first place? You cannot say their need for health care is any less great than the people who are receiving benefits.

It may be desirable to assume health insurance protection for unemployed, but it would be just as desirable to provide such benefits for unemployed who are not receiving compensation, and providing benefits for millions of Americans who because of poor health and early retirement are working for employers without a health plan, do not have access to health insurance at all.

Senator KENNEDY. As I understand your position in this area, it is because we are only meeting the responsibilities of 12 to 15 million Americans, because we are not solving all of the problem, that you are against it; it is for that reason. Yet as I further understand it, you have no program up here and are not prepared to make any kind of statement to indicate how you would meet it other than these general kinds of comments you talk about in terms of public service employment and tax cuts.

Mr. WEINBERGER. I think Senator, it would be a little simpler if instead of paraphrasing what I am saying, you would perhaps—Senator KENNEDY. That is what you are saying.

Mr. WEINBERGER. You would let it stand as it is. When you say you understand my principal objection to this is that it does not cover all unemployed, let me just say that is one of the objections. That is one of the many inequities in the bill.

Another of the many inequities is the fact that it does require a continuation of the different kinds of payments of different kinds of health insurance for a segment of the population, not all, and that it does not have a universal approach. It also has the problems that I mentioned with it in requiring a very large expenditure for an inequitable kind of program that will continue all of the difficulties of the economic situation, instead of addressing the needs of the unemployed, which is to try to get the economy back going again so they can get their jobs back.

It is also objectionable for the reason that it does not have in any sense any possibility of being administered, which is the point that I would like to come to in a moment. It also picks out one set of services and does not address itself to the question of a great many other services that are also—whose providers also will undoubtedly be asking for similar-type programs for guarantees of their pay.

The other bills have some of these inequities in them and some of the problems in them. The bill that provides for medicare for unemployed would in a sense establish a two-tier system of medicare and would make persons who now are unemployed in a different or superior position to persons who are receiving medicare under the existing medicare statutes, which would be a further inequity in that bill.

I mention these bills even though they are not technically before this committee, because the subject as a whole is being merged and melded in a number of other committee hearings that we have testified to.

There are, however, some very substantial administrative problems that I think everybody should be aware of. We mention these primarily because of the point I made at the beginning that this is another of those situations in which unrealizable expectations are going to be aroused, and they will indeed be unrealizable because of the problems involved in putting into effect immediately programs of this size. They are not mentioned just as sort of management difficulties or something of that kind which can be overcome in a short time with any diligence. They are mentioned as inherent programmatic defects in the proposal that in effect forbid their being able to be of any use to the people who they are intended to assist.

The administration of this bill is tied to the entitlement of unemployment compensation, so there would have to be involvement on the part of the State, local unemployment offices to carry out the whole enrollment process. Unemployment is a transitional problem, fortunately, for most people. The figures from the Department of Labor show that for most people, the duration of unemployment as of right now, current unemployed population, that for 44 percent of the people they are unemployed for 5 weeks or under 5 weeks.

Thirty-three percent are unemployed for a period of 5 to 14 weeks. Twelve percent are unemployed from 15 to 26 weeks.

And only 8 percent are unemployed, fortunately, for a period of 26 weeks. You have a transitional population, a group that shifts in and out of eligibility. And the requirements of S. 625 would provide or require a system of rapidly bringing people on and off the rolls. Even in the best of circumstances, this would be a highly complicated process.

Since S. 625 would extend the coverage the individual had while working, a mechanism would have to be established to verify eligibility through a previously existing health insurance contract and to pay premiums to the appropriate carrier. Thousands of employers and health and welfare trust funds across the country would have to certify as to terminated employees' eligibility under a preexisting health plan. Many of these employers and trust funds will be unable, or unwilling, to provide this certification, or will not understand the necessity of performing this function. There would be tremendous administrative problems involved in education and enforcement to insure that these provisions are carried out. The difficulty of the problem is compounded because some of the unemployed are former employees of companies which are no longer in business. It would be very difficult to establish prior eligibility under an employer health insurance plan for these people.

And, once eligibility determinations are made, what of the State employment offices that must then pay premiums—

Senator KENNEDY. That is not accurate. That is not what the bill provides. We work through the Secretary of Labor to pay the insurance, it does not work through the State unemployment office.

Mr. WEINBERGER. You have to establish a totally new nonexistent system. If you use State employment offices, you use a system already straining to the utmost making payments of unemployment insurance to the people who are now getting that primary beneficiary form, and if you are going to set up a new payment system in the Department of Labor, it would take longer than we thought. Either way there would be very heavy workloads.

If you do use State unemployment offices of the employees using unemployment compensation, then you would be adding an unfamiliar program to them; and you would, I think, seriously impede the regular receipt of unemployment compensation which is the most necessary kind of benefit to the unemployed.

Senator KENNEDY. You draw quite a different conclusion—I could not disagree with you more. The best evidence is that it would make it a good deal easier since many of these various groups are dealing with one or more major insurance companies. Of course, your testimony is at complete odds with that of the health insurance industry statement and group health statement, the two different statements which deal with this area. They both felt that, quite frankly, while there are difficulties, administrative difficulties in this program, and no one is suggesting there are not, but they are manageable. And I would say that those that have the responsibility in terms of the administration would know certainly equally as much about it, and perhaps even more—

Mr. WEINBERGER. The Department of Labor testified yesterday that it was totally unworkable, that it would cost somewhere in the neighborhood of \$200 million to try to even start administering these programs. And that they would not be able to bring about any kind of administrative management of the program within time to do anyone any good. You are talking about shifting eligibilities, people who would be eligible for a few weeks, and then no longer be eligible. And you would be talking about a program that you would certainly expect whoever is going to administer to administer it accurately and correctly.

If no one is worried about the error rate, why then perhaps the only intent would be to get Treasury checks flowing out to insurance companies, that might be done in several months, but even that would take some time and it would probably have an error rate of somewhere around 70, 80, 90 percent.

It depends entirely on the kind of administration and degree of accuracy to the eligible population under the bill that you would want to achieve.

Senator KENNEDY. You are making a good argument for S. 3 about all the complications, different insurance policies, different administration policies. If we get S. 3, we would be able to eliminate a lot of those problems which you outline here so far.

Mr. WEINBERGER. You have somewhere in the neighborhood of a 2-year period to get ready to administer a program of that kind. This program has not had any time to get ready at all. It takes effect immediately, and what you would be expecting it to do would be to examine and determine eligibility of population by your own figures in excess of 6 million people. The SSI program which we had 14 months to get ready to administer, which was the largest civilian undertaking the Federal Government has attempted since medicare certainly had some bugs at the beginning of it. Those are pretty well worked out now after about a year of operation. But that had 14 months to get ready. We used every single waking moment of it to get ready for it.

That was a program well under half and possibly about a third of the size of this program which is designed to take effect immediately

and make payments on behalf of people whose eligibility may be for a period of 5 to 7 to 14 weeks.

Senator JAVITS. Mr. Secretary, I have heard you before on this subject. You are a very competent man and you are pointing out the difficulties, the real and dangerous difficulties. But suppose we turn to you and we said we in the Congress in our judgment as the people's representatives want a program to protect the worker in respect of his health and we are not satisfied with your recommendation to leave him to his own devices with his unemployment compensation, because it is grossly inadequate.

Now, Mr. Secretary, what do you suggest? Forget that you do not like it, that you do not want it, that the President does not want it. You are our servant, too. We say to you, we want a program to protect the worker who is unemployed and about to lose his health benefits.

What do you suggest—not recommend—as a technician?

Mr. WEINBERGER. I suggest a program of comprehensive health insurance that covers all Americans without inequities and can be financed and built on strengths of the private system and would take approximately 2 years to get into operation.

To suggest anything less would be a disservice to anyone we serve, all the American people, because it would be suggesting something that simply cannot be done. There have been too many programs in which we have aroused expectations in the past that cannot be fulfilled. If anything that exacerbates the problem of this society today, it is more of that empty overpromising.

Senator JAVITS. Does anything exacerbate society more than workers who are unemployed with inadequate compensation being told the equivalent of let them eat cake, to wit—

Mr. WEINBERGER. No—

Senator JAVITS. Mr. Secretary, I know in your colloquies with Senator Kennedy you talk and he talks, and that is hardly the way to run a hearing. I am greatly respectful of you, and I would greatly appreciate it if you would be respectful of me. When I am through, I will be glad to hear you; and vice versa. There is no need for any irritation about it.

In my judgment, we do need a program and we cannot wait for 2 years. The problems of the unemployed vis-a-vis health are very serious, so much so that we are even willing to undertake—and I am a sponsor of the bill—a shotgun approach, which is what this is. There are lots of inequities, there are bound to be, but at least it can be offered—we think promptly and immediately—to deal with the present emergency, not the long term. It is not the permanent answer. We do not pretend any such thing. We turn to you and we say, Mr. Secretary, you point out many problems, and perhaps more problems than the situation warrants.

Do you have any suggestion for us not to commit yourself, but as to how we can do a better job with a temporary emergency bill? I gather your answer is no, you have none. You do not believe it should be done. And therefore I say as far as the unemployed are concerned, who are losing their health benefits, it sounds rather cavalier. There is nothing to be done. If that is your answer, that is it. We will have to decide ourselves. At least we can take a try at the great expertise of your department, your own ability, which no one challenges, in

order to help us fashion something which might be more feasible than what we have laid before the Senate. That is all.

Mr. WEINBERGER. You are putting me in a little difficult position. You are asking the question and you are giving my answer, and at the same time you do not want to be interrupted. It is a little hard to deal with all three of those at once.

If you have concluded, let me say my answer is not no, and it is not that nothing can be done, nor is it cavalier, nor does it reflect any act of compassion or warm humanitarian feeling for the people that we all share exactly the same concern.

The fact that we may have different approaches should not be equated with a lack of concern or cavalier approach to what is obviously a very difficult subject.

The simple fact of the matter is that there is no way in which you can immediately bring somewhere between 6 and 8 and 10 million people who are the only people eligible under this program on board in the sense that we do all the work necessary to examine the question of their eligibility and then pay checks not to them, but to the people who are providing particular services to them, under this bill to the insurance carriers, various health funds, unions and so on who are carrying health programs for these people.

You will certainly want to make sure, I assume, that the people who are listed as eligible in the bill are the ones who are paid, and their carriers rather are the ones who are paid and not anyone else.

In order to do that, you have to make some kind of examination of the eligibility of this large group of population. Under one bill it is about 10 million. Under other bills it ranges from 6 to 7 million people. And it shifts, because unemployed fortunately have a short duration of unemployment for the most part, under 5 weeks, although a day is too long and everybody admits that. But there are not only shifting durations, but there are a number of different individuals involved.

So while the bill may cover at any one given time 5 or 10 million people or 6 or 10 million people, there may be many more than that whose eligibility would have to be examined, because at one time or another during a short period of a year they become eligible to have their health insurance premiums paid. The bill does not opt to pay the health insurance premiums for people after they become reemployed, and this 44 percent of the unemployed who were unemployed for a period of 5 weeks are in that category. And the 33 percent who are unemployed between 5 and 14 weeks are in another category.

So you are going to have to examine the eligibility of all of these people and many different groups of people in the broad categories covered by the bill. You are going to have to find out from their carriers what kind of insurance they have, what the premium is, whether the eligibility has been lost because of the period of time between enactment of the bill, and when they become unemployed and all the rest, and when you get through and do all of that, then somebody is going to have to take that data and write the checks and pay the carriers who are entitled.

This would either be the State employment offices who are already strained right up to the end trying to pay unemployment compensation, which is their primary task, or according to what Senator Ken-

nedy said is to be a brand new extension in the Labor Department or it is to be an extension in the Treasury or somebody is going to have to take a list of eligible people and write a set of checks to a list of people eligible to receive those checks, which is a totally different population than the group of people who are covered.

Now, I appreciate very much the comments about our general competence. You can certainly be assured that we would spend every possible moment we could, to try to make any program that the Congress enacts work. But this program cannot be fitted into that kind of category. It is only proper that you should know about it ahead of time. It would be very much more popular and very easy for me to come up and say, well, I share your worry about the unemployed and you tell us what to do and we will do it tomorrow. That would be a very simple answer. We could all leave the room here quite comfortably. And in about a month there would be some questions asked as to whether we had a 100-percent error rate, or nobody was getting paid at all, why it was taking 4 or 5 months to do these examinations of the 10 million people to see if by any chance they are eligible.

Let us look at one phase of this thing. We have not really estimated how many more people would be needed to handle a program of this kind. But we have some experience with the supplemental security income program. We started out with 16,000 additional people in the social security system trying to handle it. That was half of what the States used to pay the aged, blind, disabled assistance when it was a State program. So we started out with half of that, 16,000. It was optimistic, we hoped we could do it. We have had to ask for some more. But the recruiting process for 16,000 people for eligibility sample of somewhere—eligibility population of somewhere between 3.5 and 4 million people ultimately, the recruiting process for those 16,000 people under the laws that we have to operate under and the Civil Service Commission rules takes a substantial amount of time.

You have to have all kinds of registers and lists prepared. You have to get the highest people on that list, give them examination and certify them and eventually go out and employ them. To do a program of this kind that has a population eligibility factor of something between two and three times what was the case of SSI would probably take conservatively around 25,000, 28,000, maybe 30,000 new Federal employees.

We cannot recruit them under the rules and statutes which we have to operate tomorrow. Yet there would be anticipation that this program would start paying unemployment benefits. The fact we could not do it tomorrow is not so much the important thing.

The important thing is that by your actions you will be promising unemployed that they are going to have this done for them tomorrow. There is no way anybody can do that kind of thing tomorrow. We can do some of these things in perhaps 2 years, assuming it is desirable. We can do some in perhaps 18 months if it is desirable. We did 3.5 million population program in 14 months with a fair amount of bugs in it, most of which have been worked out now after 1 year of operation.

This is not a matter of philosophy. It is not a matter of callousness or capriciousness or anything of the kind. It is a matter of common-sense and a matter of not overpromising to people who have a serious condition and who would be most helped by trying to improve the

economic condition, and you do not do that, if I may say so, by loading in one after another after another of \$2, \$3, or \$4 billion programs that have an attractive sounding set of purposes but cannot work. That is essentially what I am trying to say by means to illustrate the kind of problems that are involved in the administrative difficulties that are waived out as a few managing problems.

Senator JAVITS. Mr. Secretary, I do not wish to take much more time, but my reaction to what you said is that the problem is a mechanical problem, but I think it is a manageable problem. I tell you what the key to it is as I see it. For myself I am persuaded that this is the best of the approaches offered, for the very reasons you have stated and for this reason. If an insurance company or carrier knows it is going to get paid by the credit of the United States, then we have a right to say you cannot cancel this insurance until you are paid, because we have agreed to pay you even if it is post facto, and that, it seems to me, is the fulcrum upon which this whole thing turns. In other words, the credit of the United States is good, and therefore they are to be considered paid, even though they may not actually get a check.

Mr. WEINBERGER. Senator, the problem is the insurance companies do not have any idea who it is they are going to be guaranteed payments on.

Senator JAVITS. The unemployed person receiving unemployment compensation who has not paid his premium. If he lies to us in an affidavit with the United States, there are plenty of programs that are operated that way, but I do not think it is necessary, and I think it is putting up an insurmountable amount unnecessarily to say they are not going to get their check in the same week or day they get unemployment compensation—

Mr. WEINBERGER. They would have to extend a grace period to everybody on their books. They would have no way of knowing who was unemployed, and if they knew that, they have no way of knowing who was getting compensation and who was eligible under this bill.

What you would be asking them to do would be not to take any action against anybody who did not pay their premium because some of them might get paid because—

Senator JAVITS. I do not agree with you at all. I believe the unemployment works can be given a form that he mails to the insurance company, and if he does not mail it, it is not our fault.

I do not agree.

Mr. WEINBERGER. We certainly do not agree. I suggest most strongly and respectfully you consider these problems and ask if you really want to open up and expand the expectations of people that simply cannot be fulfilled under programs of this kind.

Senator JAVITS. I would rather open their expectations in such a miserable situation and run some risks than not do it at all, because it is mechanically—

Mr. WEINBERGER. It is not a risk, the risk is of building expectations that cannot be fulfilled. The risk is trying to enact programs with perfectly noble motives that simply cannot be carried out within the time necessary to do any good.

But even worse than that is the risk of diverting time and attention and resources that could go into much better enterprises, that is to improve the economy as a whole and get the job back. We would all

agree that getting the job back is far better than this kind of attempt, which cannot work.

Senator JAVITS. That \$11½ billion is not going to make or break getting the job back. You are not dealing with any order of magnitude that is going to restore or unmake the economy.

Mr. WEINBERGER. You are dealing with an order of magnitude that is one of a number of orders of magnitude that would inevitably follow along and exactly as this bill—well, such as mortgage payments and car payments and all other things that people have difficulty with during times when their incomes are lowered by unemployment, which they are trying to meet.

So each of the suppliers of these services will be before you in one form or another saying it is perfectly fair to relieve this kind of situation by guaranteeing my payment.

Senator JAVITS. We will deal with those when we get them. Right now health is the key.

The CHAIRMAN. Now, where do we stand? Have you finished your direct statement, Mr. Secretary?

Mr. WEINBERGER. Yes. You might want to put the whole thing in the record because it was a little bit interrupted.

[Prepared statement of Secretary Weinberger follows:]

PREPARED STATEMENT OF CASPAR W. WEINBERGER, SECRETARY OF HEALTH,
EDUCATION, AND WELFARE

Mr. Chairman and Members of the Committee: I very much appreciate the opportunity of appearing before you and your full Committee today. As you know, I am greatly concerned about the availability of health insurance at a reasonable price for all our citizens, and I am also much troubled by the problems of the unemployed.

Health insurance has been an important initiative of this Administration. I have testified on numerous occasions supporting the Administration's proposal for national health insurance. We need a system in this country which will provide universal protection against health care costs for all Americans. The proposal we introduced last year, the Comprehensive Health Insurance Plan, would have done that and would have provided for the unemployed continued protection against the high cost of medical care.

Unfortunately, we now find ourselves in an economic situation which makes it temporarily impossible to pursue actively early enactment of a comprehensive health insurance bill. We should not, however, lose sight of the major goal that CHIP was designed to accomplish—universal accessibility to financing for a comprehensive range of medical services. The bill before your Committee does not do that. Instead, it is designed to aid only a small portion of the 25 million Americans who we estimate have no health insurance protection by providing the recipients of unemployment insurance benefits with continuation of the health insurance they had during their employment.

In fact, Mr. Chairman, while I can appreciate the intent behind this bill, its enactment would create gross inequities and enormous administrative problems. Furthermore, it would establish a new Federal program requiring \$1.5 billion dollars in Federal spending, which is in direct opposition to the Administration's current economic strategy.

Dealing with the problems of the unemployed is key to the Administration's strategy for handling our current economic situation. And many things are being done in an effort to alleviate the plight of those who, through no fault of their own, find themselves without jobs.

The Administration has supported several major initiatives to help the unemployed:

The Unemployment Compensation Program has been expanded to provide benefits for certain categories of workers not previously eligible. This will allow over the course of one year approximately two million additional unemployed persons to become eligible for benefits and will result in \$3.2 billion of new Federal expenditures for 1975.

Recognizing that during this recessionary period many of the unemployed will remain out of work for longer periods of time, the Administration has also supported an extension of the time during which unemployed persons are eligible for compensation. This provision will extend potential eligibility for benefits up to 52 weeks and will cost the Federal government an additional \$1.3 billion this year.

Public service jobs which are providing employment for thousands of workers who would otherwise be unemployed have been created. Nearly \$2 billion in Federal funds will be spent to provide the money necessary for this effort.

These provisions, coupled with the existing payment structure in Unemployment Compensation, will result in over \$20 billion being expended to benefit the unemployed in calendar year 1975. Over \$8½ billion of this amount will come from Federal revenues. In addition, the tax rebate program, which is a crucial part of the President's economic strategy, will provide added income to the unemployed along with others in our society.

While many things have been and can be done to help alleviate the economic condition of the unemployed, I would suggest that building a categorical, "in kind" benefits program is not a constructive step.

In addition to the proposals we are discussing today, there is currently before Congress a proposal that would pay home mortgage payments during periods of unemployment, or if income is otherwise substantially reduced. What about utility bills and car payments? How far do we go in providing new "in kind" benefit programs?

The major problem for unemployed persons is not lack of health insurance. The major problem for the unemployed is that they have lost their jobs. And the most important thing we can do for them is to improve the economic situation so they can get them back. The unemployed need money—money to provide for their basic needs until they do become reemployed—money until they are able to provide for themselves through their own employment. The Unemployment Compensation Program is the mechanism whereby such funds are disbursed and, as I mentioned earlier, the Administrator has supported the extension of the unemployment insurance system. But there is a limit on how much we can or should spend for this or any other single purpose.

As I noted earlier, the cost of providing this single program is high. Our cost estimates to provide health insurance for the unemployed range from a minimum of \$1.26 billion at an 8.0 percent unemployment level and a limited benefit package to a high of \$3.1 billion if unemployment were to reach 10 percent and the benefits were to include both Parts A and B of Medicare. We estimate that the bill before your Committee, Mr. Chairman, would cost \$1.5 billion in FY 1976 if unemployment averages about 8 percent and \$1.8 billion if it reaches 10 percent. And these are only the cost for the first year of the program. If, as likely, this program were to be extended beyond one year, the yearly costs would increase dramatically. Many employers and health and welfare trust funds would, I'm afraid, cancel those provisions in their policies which extended benefits into period of unemployment. The ending of these extension provisions alone would add nearly \$275 million to the annual cost of S. 625.

Important as the fiscal issue is, I have even more serious concerns about the equity of legislation such a program as envisaged by S. 625.

While it may be desirable to provide health insurance protection to the unemployed, they are only a segment of the total population who do not have coverage. As I mentioned, there are 25 million Americans who have no health insurance, and approximately 35 million more who have inadequate protection providing little help against the ever increasing costs of health care. Some of these approximately 60 million people would be protected by the proposals we are discussing today, but most would not.

S. 625 would limit eligibility to those unemployed who are receiving unemployment compensation benefits who previously had group health insurance and have no other health insurance available through another source. With an unemployment rate of 8 percent, about three million, or under one-half of the total unemployed, would be eligible for this special health insurance protection plan. I do not want to minimize the need of the unemployed, but certainly health insurance coverage only for those receiving unemployment compensation does not address the problems of millions more of our citizens whose needs are as great or greater. Moreover, a high percentage of those eligible under this proposal will be young and single. This is not the group that we believe is most in need of a benefit such as health insurance.

Even for those who would be eligible under this proposal, inequities would result from extending existing health insurance coverage. The benefits for those eligible under S. 625 would range from nearly nothing to first dollar coverage for almost everything.

Would it be fair to the person eligible under a health plan providing minimal coverage for the Federal government to continue premium payments when another person eligible under a health plan with a rich benefit package also had his full premium paid? Would it be fair to the taxpayers of this country, millions of whom have little or no health coverage, to use their taxes to continue paying a premium of \$85 per month for some of the unemployed? We would have a situation where the working poor, even though many had no health insurance themselves, would be helping, through their taxes, to provide health insurance for the unemployed.

What of the unemployed person whose compensation benefits run out? Under this proposal his entitlement to health insurance would end even though the need for such protection would certainly continue to exist. What of the many unemployed who never met the requirements for compensation in the first place? Their need for health insurance would be at least as great as for those who were receiving benefits, but they could not become entitled.

While it may be desirable to assume health insurance protection for the unemployed, it is just as desirable to provide such benefits to the unemployed not receiving compensation. Similarly, providing such benefits for millions of Americans who, because of poor health, early retirement, or working for employers without a health plan, do not have access to health insurance is a desirable goal.

My concern over the inequities of providing health insurance for the unemployed is not confined to the bill before you. S. 496, for example, presents equally disturbing inequities by providing Medicare for the unemployed under different and generally less restrictive rules than would apply to others now eligible for Medicare.

For example, S. 496 would allow dependents of the unemployed to be eligible for Medicare protection which is not a provision now under that program.

S. 496 would allow unemployed persons entitled to unemployment compensation to become immediately eligible for Medicare coverage, whereas the disabled under Medicare have a two-year waiting period.

The equity issue under S. 496 comes most strongly into focus when you consider that those people 65 and over who are not insured for Part A of Medicare may obtain such coverage only by paying a premium which is now \$36 per month and will increase to \$40 per month in July. S. 496 would provide identical coverage for the unemployed at no premium cost.

Leaving equity considerations aside for the moment, let me next turn to another serious problem, that of administration. Because eligibility is tied to entitlement to Unemployment Compensation, there would have to be involvement on the part of State and local unemployment compensation offices to carry out the enrollment process. Unemployment is a transitional problem for many, even during periods of recession. Adhering to the requirements of S. 625 would require a system of rapidly bringing people on and off the rolls. Even in the best of circumstances, this would be a complicated process.

Since S. 625 would extend the coverage the individual had while working, a mechanism would have to be established to verify eligibility through a previously existing health insurance contract and to pay premiums to the appropriate carrier. Thousands of employers and health and welfare trust funds across the country would have to certify as to terminated employees' eligibility under a pre-existing health plan. Many of these employers and trust funds will be unable, or unwilling, to provide this certification, or will not understand the necessity of performing this function. There would be tremendous administrative problems involved in education and enforcement to ensure that these provisions are carried out. The difficulty of the problem is compounded because some of the unemployed are former employees of companies which are no longer in business. It would be very difficult to establish prior eligibility under an employer health insurance plan for these people.

And, once eligibility determinations are made, what of the State employment offices that must then pay premiums to keep the health insurance in force? What is their administrative capability to pay millions of dollars of premiums in varying amounts to thousands of health and welfare trusts, employers, or carriers? Heavy workloads are already straining the capabilities of employees administering unemployment compensation. Adding an unfamiliar

iar program of health insurance would severely compound already existing problems of sending cash benefits on time to eligible unemployed persons.

There may be a number of different ways of establishing eligibility and preserving premiums, but the point is that some system of identifying the eligible unemployed and their families must be devised not only to bring people on the rolls but to take them off when entitlement to unemployment compensation ends. And some conforming system must be devised to provide premium payments to appropriate insurers.

I should mention, Mr. Chairman, that problems of administration are equally complex under S. 496. S. 496 would utilize the Medicare system of administration as well as conforming to its benefit package. It is all too easy for us to assume that an existing system such as Medicare could accommodate the administrative burdens of adding unemployed individuals to its rolls without affecting its principal function of assuring financial protection to the nearly 24 million elderly and disabled who depend on it to help pay their medical bills. I'm afraid that just isn't so.

Coverage of the unemployed under this proposal would nearly double the size of Medicare rolls. An individual record would have to be established, not only for each unemployed person, but for all their dependents as well. This would be necessary to verify eligibility when claims for benefits are filed and to record utilization to determine deductibles and coinsurance. Assuming an 8 percent unemployment rate, there would be approximately 10 million people (4.6 million unemployed plus their dependents) who would have to be added immediately to the system, a system which would have to be considerably enlarged to accommodate the new enrollees. This would be an extraordinarily difficult and expensive task.

To illustrate the magnitude of this task, let me contrast the administrative problem of the Supplemental Security Income Program to the requirements of S. 496. SSI had to obtain information from State welfare files and conform the information to the requirements of the SSA system. This effort involved information on 2½ million people, most of which was already in State files. In contrast, S. 496 contemplates creating records for the 4.6 million unemployed persons plus their dependents who would be immediately eligible. As I suggested previously, this would result in approximately 10 million enrollees for whom records would have to be established. Most of the enrollment data required for these individuals would not be in State files because it would not have been needed for purposes of entitlement to Unemployment Compensation. Presumably, each of the unemployed would have to be contacted to obtain necessary identifying information on himself and his dependents. This is not a task which can be performed simply or quickly.

Once records are established, who would process all the new claims? The Social Security offices are already severely strained in attempting to keep up with their current workload. In addition to the 4.6 million unemployed who would have to be enrolled immediately there would be up to 8 million more individuals who would face some unemployment during the year. There are approximately 1,300 Social Security offices. The average workload per office would be over 3,500 claims just to process the 4.6 million persons initially eligible.

Mr. Chairman, the points I have made on cost, equity, and administration represent my major concerns about the effects of the proposal before you and other bills to provide health insurance for the unemployed.

I regret the necessity of being totally negative; however, it is just not feasible nor affordable to provide health insurance for the unemployed in a manner prescribed by any of these proposals.

Let me assure you, were it not for our present economic situation, this Administration would strongly be urging enactment of national health insurance. This year, fiscal constraint and energy development must be our priorities and, as you know, the President has asked for a moratorium on new Federal spending programs. For this year, therefore, we are delaying our initiatives on national health insurance. Yet, I am strongly committed to the principles of national health insurance embodied in CHIP, and we will introduce a bill along these same lines next year. Only through a comprehensive, universal system of national health insurance can the health care needs of the unemployed be properly addressed in a way that avoids the inequities and administrative problems I have discussed today. This can best be done by building on the strengths of existing systems of health care delivery and financing, and filling all the gaps to provide needed health care protection for everyone.

CHIP would provide universal financial access for comprehensive health insurance to all. These bills would provide limited coverage for just a few.

CHIP would have positive effects on the way health services are delivered by the structuring of the benefit package. In some ways these bills would have adverse effects by providing greater coverage for more expensive forms of health care resulting in further imbalances in the delivery system.

CHIP would incorporate a variety of cost control features. These bills would entail additional spending of uncontrolled funds.

CHIP would provide a mechanism for assuring quality and necessity of care. Such controls are largely missing from these bills.

Mr. Chairman, CHIP was not conceived overnight. It was well thought out and its features designed to provide a comprehensive pattern for health insurance. Quick implementation of hurriedly conceived legislation can have long-term adverse consequences, which I suggest would be the result of enacting S. 625.

This concludes my prepared remarks, Mr. Chairman. My colleagues and I would be pleased to answer any questions you and other Members of the Subcommittee may have.

The CHAIRMAN. We had the advantage of your testimony at Finance, and it followed very closely on your statement today.

Therefore, we felt as though it was appropriate to question as you delivered your condensed and changed statement.

I think the points were developed.

Let us turn now to the other sponsors of this legislation.

Senator Schweiker.

Senator SCHWEIKER. Thank you, Mr. Chairman.

Mr. Secretary, I am a little confused about why you feel it would be such a nightmare to undertake a program. I think our program was designed on the basis that we select an ongoing system, administratively sound, already being carried out. It would seem to me if we should put the main burden on the private carriers who are now carrying group insurance programs, to submit to your department a list of people who are no longer employed under this group contract. Then, have that list certified by both the union and the company, that they worked there for that period of time. About the quickest possible way that I would know to get that kind of material to you for approval is the health insurance company, first of all certifying it, another check by the union to say that, yes, they worked here, they were an employee of this company, and a similar check by management, all of which involve no redtape or paperwork on your part.

What is so difficult, or fundamentally complicated about setting up that kind of situation? I think it is quite unlike the analysis you are using—that is why we did not get into medicare, medicaid or SSI. We preferred using existing carriers. What is fundamentally wrong with that kind of approach? I think it would be quite readily checked upon, would be fairly accurate and you would be called upon to check only if the company, union and health carrier do not agree. It is a little hard to imagine that would happen too often.

Mr. WEINBERGER. There are two or three problems. One is the size of the number of transactions, size of eligible population.

You would have no particular method of speedy delivery of the three lists. Presumably the three lists you are speaking of would all have to be checked against each other to insure that the data was, as you suggested 3 weeks to check to get accurate data, and you do not have any assurance that it will come in in final to enable you to start making the payments to the various carriers within the 5- or 10- or 12-week period, whatever it is that the person himself is actually eligible. You

do not have from those lists any indication of how long the person is unemployed, how long he remains eligible, when his claim for health benefits may arise, nor whether or not it was a valid and justified claim, which since the Government would be paying insurance would have to be examined or any one of a number of things.

You do not have any indication from that kind of list as to the dependents who would be covered or anything of that sort.

You would be getting a series of three lists coming in at some kind of staggered times over and above a period of months or whatever, all of these would have to be made up by somebody and it would be a new obligation, new transaction for them to do, and when you are dealing with population groups of that size of eligibility, you would have an obvious lag and obvious delay. In order to be sure that the people were eligible for the Government payments to their carriers, there would certainly have to be some kind of rudimentary examination made.

You were suggesting we take three lists, and if one person shows up on all three, why then determine that he would be eligible. If that is the case, then you recruit and get all these people that I mentioned a moment ago to Senator Javits to do that, then you might begin starting to certify to some companies, I would estimate probably within maybe a year, maybe a little longer, that these various groups of people were indeed eligible.

If you do not care about eligibility, if the only purpose is to have Treasury checks go to the insurance companies, then it can be done a little faster. There is no way in which the Government could accept privately certified lists and turn them over to Treasury as a base for making payments unless you make a lot of changes in the law that have previously been there over the years to insure that the money out of the Treasury goes in accordance with the intention of Congress.

There are those particular problems in trying to find out who it is that is eligible. The bill provides that a State agency will be administering the unit. The State agency is designed as an agency of the State that administers unemployment compensation.

Now, these State agencies to the best of our knowledge, though the Labor Department can give you more accurate detailed information perhaps, are strained to the utmost in paying what is unfortunately a much larger amount of unemployment compensation than has been the case in the past.

That means they are going to have to be expanded very rapidly, if they are the ones who are under the bill remain as the ones to carry out and administer the provisions of the bill, that is payment of the funds to the various carriers of these policies, unions, welfare groups, and so on.

The problem is the size of the population of that group that is unemployed and all the dependents, the fact that it is a transitional shifting group that moves in and out of eligibility very rapidly, much more complicated than SSI program, with aged, blind and disabled relatively stable eligibility factor. That is not present in this case, and it is fortunate it is not present because it means that your unemployed for the most part are unemployed for a relatively short period.

I am perfectly willing to agree that a single day of unemployment is too long.

Senator SCHWEIKER. Mr. Secretary, first of all, in terms of the three lists, I can envision a very simple way to make it one list. A group of insurance carriers would submit one list and let the other two parties simply add or subtract names. So, you would probably deal with 90 percent of the claimants in terms of the initial list.

If you start out with group insurance lists, and have the union either say, well, this one we challenge, or this one we add to, and management does one thing—

Mr. WEINBERGER. One list of what?

One list of whom?

Who is to be on this one list?

How does the carrier know when the payments they are not receiving is because the person is unemployed or whether his family is there or is unemployed, or whether it is someone covered by the bill or not?

They are going to have to submit a list of the names of all the people who are not paying the premium. They do not know whether they are employed.

If they did know, they do not know whether they are unemployed and getting unemployment compensation, which are the groups that are between eligibility—

Senator SCHWEIKER. I do not agree that the group carrier does not know who is on their list and who is not. They keep accurate lists of who the company beneficiaries are of the group plan. They issue cards, they have numbers, they do just what you do to keep those lists.

Mr. WEINBERGER. Frankly, Senator, the fact is that is not correct.

Senator SCHWEIKER. Let me finish my point, and then you may finish yours.

That is their business, and that is how they stay solvent. They do exactly that.

You have a main list that could be subject to a challenge. By the same token, the State agency could look at the challenges. Ninety percent of it could go through very simply, as far as updating the list goes, that is exactly what a group carrier does.

I worked with a group plan of a company, and their routine daily task was to keep the group list up to date. They do it a lot more readily than social security or any other Government agency does. That is their business. That is how they stay solvent.

That is how they stop from going in the red. All the bugaboos you seem to be raising, I think, are normal operating procedure for a good group plan. I think when you have an adversary proceeding between the company and union, with each able to challenge the list and the State agency deciding whether they are eligible or not, you have a workable program.

I do not see this horrendous burden.

Mr. WEINBERGER. Senator, if you have finished, some of the carriers do indeed carry a list of enrollees under group health plans. Many do not. They simply carry the group plan and the enrollees are determined by the second group, that is the group the employer—

Senator SCHWEIKER. You try to go to a hospital and collect benefits without a card or a number, and you will find, Mr. Secretary, that you will not get benefits until you present evidence that you are in a plan. And the only way to present evidence is a card.

Mr. WEINBERGER. The numbers, the names of the individuals, this list that is to be supplied to whatever Government agency would administer this bill are frequently not in the hands of the carriers.

Some of the Blues do. Some of the carriers do not. They simply enroll, have enrollment factor carried out by the employer unit or by the union, or whoever is the group that they are insuring. You are going to have to go—and there are thousands of different kinds of carriers, different kinds of plans, so you are going to have to have somewhere to go to get names of people, and you are going to have to determine if those names were unemployed, if they were underemployed and were covered by compensation and if, by any chance, they have been reemployed so they are no longer eligible, or if they were eligible during the time this claim arose.

Senator SCHWEIKER. The insurance companies do that now. And you are saying that is their job.

If they did not do a job, they would be broke. Every complaint you are making, they do now, as a matter of their business.

Mr. Secretary, another point I would like to ask you.

You say here that the major problem for unemployed persons is not lack of health insurance. The major problem for unemployed is that they have lost their jobs.

The most important thing we can do for them is to improve the situation economically so they can get them back. I think that is fine, but if you read the administration's economic forecast on unemployment, you find they are predicting an exceptionally high rate of unemployment for the next few years.

So it is incorrect to say that we will not have time to turn this thing around. If you believe the administration's own forecast of high unemployment, unfortunately, we will have a lot of time to turn this thing around.

You made the statement, too, that you would not be able to set up a plan within time to do any good.

If you believe the administration's own figures on how high the unemployment level is going to be for the next few years, and is only going down to 5.5 percent in 1980, we will have plenty of time to set up this system.

It seems to be a little inconsistent to argue on the one hand high unemployment level of around 8 percent for the next 2 or 3 years, and then to say we do not have time to do anything.

Mr. WEINBERGER. We are not saying we do not have time to do anything.

We have time to do quite a lot.

We have time to make those predictions turn out to be wrong. I hope they will be.

We have time, if we allocate our resources properly, to take steps that will speed that recovery process very much.

We are not going to do it by putting resources into unadministerable programs that cannot serve the purpose for which they are intended, and if they could, would be serving only a fraction of the needs.

The total need is to get people back to work. You do not do that, I suggest most respectfully, by adding enormously to the deficit and

thereby diverting private capital away from its primary goal which should be investment and job producing activities.

Senator SCHWEIKER. I might say, the health services profession and health delivery system is also a very important part of our economy. I think we can make some logical analysis on the fact that investing money in this particular health sector is a pretty good spur in itself to economic revision because of the fact that to drop off this kind of group insurance coverage would put a negative depressing factor on the health care delivery system. And I think your argument is not valid because health care delivery happens to be a very important part of the structure that has to be considered in terms of employment.

Mr. WEINBERGER. You are speaking more candidly than some have in support of this type of legislation as purely a subsidy for one segment of the economy, then a whole different set of reasons might be put forth to support it.

I think what you really would have if you had that kind of subsidy proposal, and there are certainly very large elements in there, is the need to examine whether that particular segment of the economy requires this infusion of Government cash.

And assuming that you would decide that it should, and I think there are a lot of arguments against it, then the question would be whether that infusion of Government subsidy can reach its goal as quickly as it goes to something like Penn Central or something of that kind. I do not think that it can.

And the administrative problems that are involved in this bill are problems that I think are important and necessary to lay before you. They are not raised as bugaboo. They are not raised as a reason why we are against it and cannot do it.

They are raised to show you the very real practical problems from the point of view of the people who have to do this, and who you will probably hold responsible that it cannot be done in time to be of any benefit to the unemployed themselves who are supposed to be the beneficiaries of this program.

Senator SCHWEIKER. I think one point on which I do disagree with you is that if there is any economic trend in our society underway in the last decade, it is the trend away from production work into service work and service industries.

So to say that a service industry, per se, is not an integral part or specialized part of our system is incorrect. The system is changing to a more service-oriented job situation, has been for years. This is a significant fact of life.

Health care happens to be part of it.

I might say if we do not pay these costs, the unemployed are going to end up on welfare, and they are going to end up with hospital costs that the community has to reimburse in terms of either the municipality or the State programs which are now running in the red.

We are deluding ourselves if you think you can escape paying this \$1.5 billion. If people get sick, they are going to be in the hospital, and somebody is going to have to take care of them. That is going to put the burden where I do not think we need it, on the local municipalities, and States that are already running into the red.

Somebody is going to pay this \$1.5 billion bill that you are talking about.

It is going to be paid the wrong way in the wrong system.

I just feel you ought to put things into perspective in terms that somebody is going to have to pay the bill.

The CHAIRMAN. Could we turn to Senator Stafford?

We have not been very persuasive with the Secretary.

Senator SCHWEIKER. I have that feeling.

The CHAIRMAN. We will give you a chance, Senator Stafford.

Senator STAFFORD. Thank you, Mr. Chairman.

Mr. Secretary, I will not try to go back over all the reasons that have been discussed this morning.

Let me direct my questions to just two or three things.

On page 6 of your statement, you refer, for the second time, to the fact that 25 million Americans have no health insurance.

My question is, Who may be included in that 25 million?

Does that include children and housewives or—

Mr. WEINBERGER. Yes.

Senator STAFFORD. It does?

Mr. WEINBERGER. Yes.

Senator STAFFORD. These are people that would not be in the work force in any event then?

Mr. WEINBERGER. Well, they are dependents, and they would be some of the people perhaps who might be covered by portions of this bill. We do not really know because you cannot tell. But that is the basic figure of the American population that does not have and is not covered by any health—

Senator STAFFORD. Who would be included in the additional 35 million who, in your statement, are said to have inadequate protection?

Mr. WEINBERGER. It would be, again, a broad spectrum of the people.

The identifying term there, "inadequate protection," is what used to be more or less a standard kind of policy which would provide for a few days of hospitalization and very little else. That we would consider to be very inadequate protection because, quite frequently, hospitalization is the least necessary of the medical health problems.

That is attempting to approximate a group that had that kind of protection, which is what we call quite inadequate, that totals about 60 million Americans, something better in the way of health insurance than they have now.

Senator STAFFORD. You have answered what would be my third question. That is, the 25 and 35 million figures are mutually exclusive and should be combined?

Mr. WEINBERGER. Yes, sir.

Senator STAFFORD. Out of ignorance, let me ask you another question.

If an insurance company that is in the business of providing payments for medical services has a claim made against it from listed beneficiary, it also makes an investigation before it pays that claim, does it not, to ascertain whether or not the claim was an appropriate one and that the claim beneficiary is covered by its insurance program?

Mr. WEINBERGER. Yes.

Senator STAFFORD. Would it be possible under those circumstances to develop a list of those who might fall under the bill which we are discussing in reverse then—that is, a list, assuming first that the United States might guarantee premiums for those who are out of work, and

under the bill in front of this committee, if a list were made up of those who, on investigation by an insurance carrier, and after a claim had been made, were shown to have become ineligible, although the premium was guaranteed by the Federal Government, if the companies then provided these names to the Department of Health, Education, and Welfare, would it be possible—and I do not know that it would—but would it or could it develop a list of those we are trying to help in this way?

Mr. WEINBERGER. Senator, the answer to that is that is a possibility. There are a number of possibilities by which you could deal with the problems raised by this bill.

The difficulty is, as I said, in view of the size of the population that is covered, and in view of the shift in eligibility, it is a very long and difficult and large task, and it is not something that you can do tomorrow.

The expectations that would be aroused under the bill, the fact that it takes effect immediately, and all the rest, are such that you would have people believing that their health insurance premiums were going to be continued and that if they stopped paying tomorrow, or if their employers stopped paying tomorrow, that everything would be all right and they would remain covered.

And the method you propose is something that might be used or modified, but as you can appreciate, it is a pretty long process just from your recital of it.

It involves receiving the claim, the insurance company checking to see if the plan was in premium payment status, referring his name to the Government.

The Government then, through one or other agencies, finds if that person was covered by the unemployment compensation, and if he was unemployed during the period in which the claim was made, and finally taking that information and concluding after this, an examination which would have to be replicated millions of times, certifying, yes, indeed, he was, so he can get that claim paid.

But meanwhile, the insurance company has undoubtedly canceled him—the insurance company probably would have canceled him because he would have been one of a group that had not made their payments. They would not know whether he was unemployed or covered unemployed person or not.

So you would have all of these problems. They are not problems that cannot be solved. They are problems that take a very long time and very large work force that has to be recruited under a very complicated and lengthy recruiting process.

It is simply a matter of candor and fairness for me to present to the committee these problems because, as I say, it would be very much easier, very much more popular, just to say, certainly we will do anything you want and we will start this thing tomorrow, but you cannot do that.

It is proper that that be before the committees of the Congress before they decide whether they wish to act on proposals of this kind.

Senator STAFFORD. Is the system I described at all analogous to the way medicare and medicaid programs work today?

Mr. WEINBERGER. Well, there are major differences between the bill of medicare and medicaid programs.

The bills require—one bill requires that you simply pay insurance premiums on the people who are eligible. Another bill requires you give them medicare protection, that bill which is not particularly before your committee, but the practice as followed here in other committees that we have testified before this week, there may be some thought of melding the two, so I mention that. That is a matter of giving medicare protection, except it is not quite medicare protection. It is two or three different kinds.

It is at least a double or triple tier medicare system that would require that kind of examination.

But any type of insured or covered protection involves, first, a determination of the eligibility of the claimant and, secondly, whether or not the service for which the claim is made is covered and, thirdly, whether it was performed and, fourthly, whether it was necessary and done in a reasonable manner and so forth and so on.

And these are the steps that you would have to take.

That is what would have to be done if the other proposals giving medicare benefits were adopted. But, at some point, somebody has to determine eligibility. Somebody has to determine if the claim that was made was incurred during the period of eligibility and whether or not it is a covered claim.

That latter point can indeed be done by carriers. You can be continuing the coverage, premium payments to the carrier, but the base threshold questions as to which among millions of people that carriers carry were covered by this bill would have to be done somewhere, and since there would be Government funds, there would have to be somebody in Government do it.

Senator STAFFORD. Mr. Secretary, I think you have adequately described for this committee the difficulties that you see in connection with the bill, with this bill, and I think that is a service to the committee.

I feel satisfied that if the Congress should decide in its wisdom to pass this legislation and it became a law, that you would do your best to effectuate the legislation irrespective of the difficulties you might find in connection with it.

Mr. WEINBERGER. That is a completely correct assumption. We would do our utmost to carry out any bill that the Congress passes. But we would also feel it our responsibility to argue just as strongly as we can that certain things are unwise, improvident, and nonadministerable, and that is what we are trying to do this morning.

Senator STAFFORD. We understand that. Thank you.

The CHAIRMAN. Thank you.

We want to end with the principal sponsor's final statement on this. But before we pass to Senator Kennedy, really your problems with this bill fall under the administrative difficulties, questions of equity. It does not reach all unemployed workers and also the fiscal question, the dollar figure on this program—

Mr. WEINBERGER. The dollar figure, but its effect on the economy as a whole.

Economic arguments, inequity arguments, and administrative problems involved, yes, sir.

The CHAIRMAN. I thought Senator Schweiker particularly dealt with the last factor, the expense of the program.

We are talking about coverage of medical expenses for people. They are ill and they are going to have to receive medical attention. Somewhere the bill is going to have to be paid.

The question is whether it is this way, adapting present payment methods of insurance company carrier coverage, or some other way, welfare, or the community.

And the communities, most of them, cannot be taxed any more.

And, secondly, equity, it does not cover—it reaches only those that are presently under insurance contracts, and we did this because we are in an emergency, and these are the people we know, and these are the people we can reach, and perhaps there would be time within the next month overall to reach those who are not presently under an insurance program for health delivery.

Finally, the administrative difficulties, really the Government's partner in the administration would be broadly the insurance industry that covers the health care.

Now, this, you seem to suggest that they would not be adequate to be your partner in administration, yet this is the same group of people that you rely on completely, as I understand it, for your comprehensive health program that you had tabled or put aside for another year.

Am I right on that?

Mr. WEINBERGER. No, sir; you are not right. You are also not right about the first point, if I may now comment on that one.

That first point, you said, with respect to somebody is going to have to pay the bill, and that general line of argument.

One of the arguments with this measure is that it would induce and result in a number of health insurance plans that are being paid in turn by employers, and there are quite a few of those, employers dropping that cost and not paying it, because of the knowledge that the Government would continue these premiums.

So you would have substitution of the Government and you would have, I think, an undesirable result in substituting Government as the payer rather than the employer who covers a great many of these things by payments.

On the point that you made about the very people that you rely on in our comprehensive health insurance plan, yes, we do have—we would rely—we would have 2 years, 2½ years to have that kind of new relationship established that would enable comprehensive health insurance to go into effect—

The CHAIRMAN. Does that use the present insurance companies?

Do you use insurance carriers in your CHIP, as you call it, the CHIP program?

Mr. WEINBERGER. Yes.

The CHAIRMAN. That is what I said. I am right on that.

The people that you now feel are inadequate to work through the complexity of administration of this program are the same people you would work with under your program.

Mr. WEINBERGER. Senator, there are two or three major differences.

One is that under the program of comprehensive health insurance, Government funds would not go to pay insurance premiums except for the very low income or people with very high real risk.

The great bulk of your coverage under comprehensive health insurance would be the coverage that would be provided by private health

insurance carriers under contract with employers sharing costs by employer and employee.

The CHAIRMAN. The carriers are the center—are in the center and the core of the comprehensive program you propose—

Mr. WEINBERGER. They are not disbursing Government funds.

If you get into disbursement of Government funds, under all statutes you passed that have been on the books for years, centuries in some cases, you have to have a very different set of procedures involved.

It is those things that I am talking about.

The CHAIRMAN. They would be dispensing funds drawn from employee and employer. That is why we are here, the employee is not making any money. He is unemployed, and the employer, obviously is not in a position after a contract period—

Mr. WEINBERGER. You are going to be having the Government pay premiums under this bill.

In order to do that, all I am suggesting to you is, I assume you also want premiums paid to and on behalf of the eligible people, and that involves the administrative problems which are so large, they would require a very much longer period of time to bring into effect—they would delay the benefits you would want under the bill being received by the people or on behalf of the people who are most in need of them.

The CHAIRMAN. Senator Kennedy.

Senator KENNEDY. Just finally, Mr. Secretary. I am sure we have been singly or jointly unable to persuade you as to our viewpoint, and as far as I am concerned, you have been unable to persuade me.

The interesting point is, having listened to all of this debate and discussion about the administrative problems we face, that we find just about every other industrial nation in the world has a program to deal with the unemployed workers in this kind of a situation. There are varying matching contributions that are made by unemployed people. In Canada, for instance, after a 3-month period the unemployed worker makes some marginal contribution, then when he is reemployed, the program converts to his previous situation.

There are different kinds of programs in the European nations. Each of these nations have been able to develop a program that is responsive to the problem of the unemployed. But we cannot devise a program; at least the administration has not been able to devise a program to meet that particular need.

Now, the program we have proposed is not all the things that all of us would like it to be. I am completely satisfied that if we had a national health insurance program, we would not have this particular need. But your response all during the course of these hearings is that it is administratively a nightmare.

Well, just about every other industrial country has been able to do it. And to have a response from the principal spokesman for the administration saying, well, we just cannot do it, or it is going to be administratively a nightmare, or too complex, we cannot initiate it—I find that an unsatisfactory answer.

As has been pointed out by this committee, we are eager, if this is not the best way of doing it, to discover some other means of meeting this particular problem. We have not heard that from you.

I think this is the point which is, as far as I am concerned, the most disappointing aspect of the hearing this morning.

I think you have to expect that we are going to move ahead and press this approach. And hopefully we are able to pass it, and the President will not veto it, and we will be challenging you to administer it.

Mr. WEINBERGER. May I comment on that?

Senator KENNEDY. Sure.

Mr. WEINBERGER. I would like to say simply that the administration did devise a program, a comprehensive health insurance program, which would have taken care of all of these problems.

We did have a built-in 2-year period to get ready. Every other country which has designed program you have spoken of—some of them have not—but the countries which have, all took 2 or 3 years to get them into effect.

We are talking about an administrative nightmare largely consisting of trying to put a program of this magnitude together—well, you cannot put a program of this magnitude into effect the day after it is passed, and the delays that are involved, necessarily not delays of anybody's creation, or any bugaboo, but delays adherent in the magnitude of the population covered and the magnitude of the examination required. Those are the delays which defeated its very purpose. That is the point I am making.

I am not saying it cannot be done. It can be done if you have 2 years, or if you have a 1 year and 3 months. We took 14 months for the SSI program, and as I say, we used every waking moment to get it into effect, which it was a year ago January.

Every other program that the country did, the things that you talked about, did not do it in a half hour or 2 weeks. They took 2½ to 3 years to put the program into effect. That is essentially what is required.

A very large number of programs, all of which are solvable given the time, none of which are solvable in a matter of a few days or a few weeks, which is the period of time when this sort of thing would be helpful.

Senator KENNEDY. You do not come up here and say to the committee, I have not heard you say, that we are for a particular program XYZ that is going to take a year to put into effect. You come up here and oppose the program we are talking about today, you have opposed each of the various approaches that have been devised, either by the Finance Committee, or this committee.

You do not come up and say we can do it in 8 or 9 months, or we can do so much within the first 3 or 4 months, so much within the next 8 or 9 months. You come up here in opposition to it.

You cannot get away from the fact that other nations have dealt with people coming and going from the employment rolls to the unemployment rolls, back into the various contributory kind of contributions.

Just about every other industrialized nation in the world has done it.

What you are saying this morning is throwing up your hands and saying we cannot do it.

Mr. WEINBERGER. No, sir; I am saying that—

Senator KENNEDY. Certainly in a period when we have significant numbers of unemployed people—

Mr. WEINBERGER. I am not saying that no nation attempted to do what you are asking to be done in a week or two, no nation has done it, but after 2 to 2½ to 3 years, and what you are asking to be done cannot be reached in a period of time to make it in any sense effective.

We are not saying we oppose everything that is done. What we are saying is that this particular small segment of the unemployed you are attempting to reach, and one portion of their problem, which is one of their costs, is not only administratively totally impossible within the time frame you are talking about, but it is also inequitable, and it will have an exacerbating effect on the economy as a whole and make it undesirable.

We are opposing it on all three grounds, and opposing it on the idea of singling out health care providers as beneficiary of the Government at this time with a program that cannot benefit them, or unemployed within a suitable time that will do any good.

Those are the points we are making.

Senator JAVITS. Mr. Chairman, I must say that I associate myself with what has already been said by all those favoring the bill.

I am dismayed to note in your statement that you do not even give us any hope for the CHIP. You say unfortunately we now find ourselves in an economic situation which makes it temporarily impossible to pursue early enactment of comprehensive health insurance program.

Do we take it that we are completely stymied?

Mr. WEINBERGER. May I comment on that?

The President has indicated that this is not the year to seek new spending programs, except in the field of energy. He has, however, indicated that he does desire to have the health insurance plan reintroduced next year. And in view of the time schedules already announced by the chairman of the Ways and Means Committee in the other House, that is quite apparent that that will not involve any delay in the enactment of that very necessary bill.

I repeat again, that that is a very comprehensive bill, and one which, when it does get into effect, will make unnecessary this kind of piecemeal approach that is proposed here, and that is not workable in our—

Senator JAVITS. It seems to me that if a lead time is so long, 2 years, then we ought to have the comprehensive health insurance program now, and then it takes you 2 years to put it into effect, and by that time we ought to get ready, and if you defer another year, 3 years.

Mr. WEINBERGER. We pleaded for it as strongly as we could last year, and literally begged all the committees involved to move on it as quickly as we could. We are fully prepared to embark on that course again next January.

Senator JAVITS. Thank you, Mr. Secretary. I think we have each said what we think.

Mr. WEINBERGER. Thank you.

The CHAIRMAN. Thank you very much, Mr. Secretary.

The next witness is from United Automobile Workers, president of the great union, Mr. Leonard Woodcock.

We welcome you indeed, Mr. Woodcock, and look forward to a positive statement.

STATEMENT OF LEONARD WOODCOCK, PRESIDENT, INTERNATIONAL UNION, UNITED AUTO WORKERS, ACCOMPANIED BY MELVIN GLASSER, SOCIAL SECURITY DEPARTMENT DIRECTOR

Mr. WOODCOCK. Mr. Chairman, I have with me Mr. Melvin Glasser, who is director of our social security department.

With your permission, I would like to file the relatively brief statement, and just make a few excerpts from it.

It is frequently asserted that American workers, particularly blue collar workers, are among the highest paid in the world. But they are also the most insecure. One of these insecurities this committee is looking at today.

While membership of the UAW, particularly in the automotive and agricultural implementation industries, have the benefits of negotiated plans providing supplemental unemployment insurance, as well as medical protection for up to a year, we nevertheless have significant numbers in our unions who do not have, because of the economic situation of their employers, such protection.

In addition, the Supplemental Unemployment Benefit (SUB) plan that we have—next week the salary SUB plan for Chrysler will run out. The first week of April, the highly rated SUB plan for the Chrysler people will run out. And GM SUB fund will run out sometime in May.

Of the 127,000 General Motors workers now on the indefinite lay-off, 26,000 of those did not have at the point they first became laid off sufficient eligibility, either for SUB protection or for insurance protection.

In addition, 7,000 have already exhausted their SUB, and by virtue of that fact their insurance protection.

Our information is based upon a study released by the Department of Labor in February, that even for the minority of unemployed workers whose health insurance coverage extends into their layoff, such coverages cease within the first 3 months. Forty percent of the laid off workers who have health benefits while working may expect these benefits to continue at least a month, but 60 percent of their benefits continue only into the end of the month in which the layoff occurred.

Those plans where employees contribute to the monthly premiums, 78 percent have no continuation of benefits after layoffs.

I might say, relative to the discussion that I have been hearing with regard to unemployment insurance, in 1966 a day of hospital care cost \$43.58. In 1974 that had shot up to \$110.77, an increase of 165 percent.

Unemployment benefits on the average went from \$39.09 in July 1966, to \$66.61 in July 1974, an increase of 72 percent, less than half of the rate of increase of hospital costs.

I might say that a worker faced with a huge medical bill, an unemployed worker, who has no health insurance, has only one recourse, going bankrupt, and even beyond that reliance upon medicaid, which meant impoverishment, and the passing of that kind of means test.

Senator Kennedy referred to the situation in Canada. Let us take Ontario, where we have many UAW members. For the first 3 months of layoff there is no charge of unemployed worker to family protection. Starting with the 4th month, it is \$22 a month, which is far, far below the charges in this country.

Of course, in West Germany, for an unemployed person, health insurance continues indefinitely. As long as he is employed, the contributions are paid partly by himself, and partly by his employer. When he becomes unemployed, the same central Federal agency which makes his unemployment insurance payments sees his contributions to the health insurance fund are continued.

I might say that listening to this difficulty of administration, obviously there are some difficulties, because I could not help but think as I was listening, about what happened during the time we had the big General Motors strike in 1970.

When we go on strike, the agreement with the employer provides that if we are on strike for a full month, the employer does not pay the premium, so to meet that contingency we guarantee the premium. Not only did General Motors accept our guarantee of the premium during that strike, they accepted it at a time we had not one single penny in our treasury.

As a matter of fact, we were at the end \$50 million totally in debt. Now we signed a promissory note we will pay the premiums. But General Motors knew very well that we could not pay that total premium if we could show that they were loading in people not properly in that group, because they had to break out of the total General Motors group those who were covered by our promissory note.

That is true, that is only a microcosm, but they made the point to see that it was done properly, because they knew their reimbursement depended upon that, and the employer certainly is in the best—well, is the best conduit to the good conduct of the carrier.

So we do support S. 625.

Now, obviously if it becomes enacted into law, there are substantial numbers of our members who will benefit. Of course, those who are employed or unemployed in Ford and American Motors and Caterpillar, International Harvester, and John Deere, will get no benefit from S. 625, because their SUB funds are in a good financial position.

By virtue of that fact, their companies must pay health problems. With regard to General Motors and Chrysler, on and after October 1, 1975, their contracts change, so any workers laid off after that has his health protection premiums paid based upon his length of service at point of layoff, and it no longer will have a relationship to SUB.

We support the bill because by and large unemployed who are not UAW members need it more than our people do.

I would like to draw attention, Mr. Chairman, to two technical amendments that we suggest, which appear on page 7 of our statement.

We would also like to suggest an amendment that the bill, as drawn, ignores health needs of Americans here who have never had employment relating to health insurance.

Now, we propose, or our amendment is geared to the receipt of UI, because that has to be the parking ticket for quick qualification. We would suggest that for those persons whom their employed relationship had no health coverage, but are in receipt of unemployed insurance, that there be an amendment that use the medicaid programs, with removal of all current eligibility conditions in State medicaid programs for these workers, including eligibility requirements for categorical aid, and asset and income tests; medicaid entitlement to be based solely on proof of receipt of unemployment

insurance; and Federal general revenue financing of benefits and of State administrative costs.

We suggest this because industrial States that have most of the unemployed are also being hardest hit by virtue of reduced revenues.

As has been said, we would not have this program had we in years past enacted into law the national health insurance program, and we certainly hope that current emergency which also goes to the question of continued viability of many, many of our hospitals, particularly the hardest pressed States, we have a system that is in difficulty, but if we have a collapsing hospital system, then the long long problems will get much more difficult to handle.

We certainly hope that the Congress will get on with the job of fashioning the national health insurance program, which obviously would take a period of leadtime to put into effect.

The CHAIRMAN. Thank you very much, Mr. Woodcock.

I just have one question dealing with your technicals, described in the two problems that you develop on page 7.

First, on this employer obligation to continue the benefit plan, now the objective here is to not in any way encourage the employer to drop what I thought would be the contract period of coverage, that is the objective of the bill, I am sure. The language is not clear enough, do you feel, and perhaps that permitted Secretary Weinberger to suggest there would be a wholesale falling away from continuation of coverage by the employer?

Mr. WOODCOCK. Rather than have Mr. Glasser advise me, why does he not speak directly to the committee?

Mr. GLASSER. Mr. Chairman, the language is, in our view, not clear. It needs to be spelled out in considerably more detail.

The purpose is one we support, but the language is one we do not think supports the purpose.

We are prepared to suggest detail language that would accomplish what you are after.

The CHAIRMAN. You have language that you can submit to us?

Mr. GLASSER. Yes.

The CHAIRMAN. Senator Kennedy.

Senator KENNEDY. I want to join in extending a word of welcome to two old friends of this committee.

I would just be interested, Mr. Woodcock, if you could talk with us for just a moment about the human terms of this problem. We had the Secretary here for about 2 hours, talking about administrative difficulties, basic fundamental inequities, complications in the legislation, various other details of the legislation.

I think all of us respect the close association you have with your workers.

How realistic is it really to expect that a worker who is unemployed, an UAW worker whose SUB fund benefits have expired—how realistic is it to expect that he or she is going to be able to pay the premiums of the program which has been developed by your union and which is certainly one of the best to exist in any industry in this country.

From your own contact with people that are currently, or expecting, to lose their coverage, are they going to be able to afford your kind of program?

What does this do in terms of morale, temperament, and the attitude of the people who are unemployed, and looking down a rather gloomy road to the future?

Mr. WOODCOCK. With regard to the big companies, Senator, we have not faced that problem, even in General Motors and Chrysler where SUB plans are going to run out in the very near future.

In General Motors, we have been able to make an agreement whereby borrowing 2 cents that becomes available October 1 for other purposes, and using that to underwrite the cost of the premiums for those who would no longer be covered by SUB, that will carry the program forward to October 1, when new condition goes into effect.

In the case of Chrysler, we have a \$14 million fund, which is the product of an earlier recession when workers contributed wage money to keep their SUB plan going during another difficult period. That is being used for the same purpose.

Where this problem becomes most crushing is in the smaller companies, marginal employers, and there, when you are looking at—the smaller companies—and even there the family coverage premium cost which runs up to \$97 per month in terms of the big companies, and the smaller companies runs in the range of \$70 to \$80, if the individual simply has unemployment insurance, that \$70 to \$80 monthly bill to be paid, with all the others, the choice becomes between food on the table and roof over the head, and if there is no illness on the immediate horizon, the human thing to do, given the normal reaction, is I will take a chance on that and meet the things I have to, today.

It is a very, very serious condition.

Senator KENNEDY. Really, people are given the choice of playing roulette with their health. They have to provide food on their table and warmth in their house, and they take a chance that they are not going to get sick and their wives are not going to get sick, and their wife is not going to have a child, or any of these possibilities. Basically, they are just taking an extraordinary kind of chance.

I am sure that when a mother hears a child coughing or who is sick at night, and those benefits have expired, she is going to make a decision whether she is going to go down and pay \$25 or \$35 to have someone take a look at that sick child and perhaps give some reassurance to her that the child is not sick, and then maybe cut back on some of the food. They are going to have to make these kinds of critical choices which I think is completely unacceptable in terms of our society.

You were there, Mr. Woodcock, during those economic summit meetings, and you heard the President of the United States indicate that there should not be any section of our country or segment of our society that bears an undue burden because of the problems of recession.

I think what we are seeing at this time is that we are asking the workers, the unemployed workers, to bear a very undue burden, in this particular area. We are asking these workers to assume the enormous risks of getting ill or a member of their families getting sick and wiping out whatever savings they have been able to accumulate. That is an unacceptable risk.

What you are interested in, as I understand, what we are interested in is a stopgap measure to try to meet this particular problem until we are able to get the economy back on track.

Mr. GLASSER. May I put one additional factor in here?

There has been much discussion of illness. In our contracts, we determined some 11 years ago that it was essential that we have prenatal care for pregnant women, because evidence is quite conclusive that if a woman does not get prenatal care, beginning with the first trimester the likelihood of her having a malformed or retarded child is many times greater.

This has been an important benefit to us.

Now, in the lapsing of the insurance, we not only do not have coverage for illness, but we no longer then have the prenatal care. The price the family and society will pay in additional children who are born malformed or retarded is very great, permitting this to lapse in our insurance, and in others that have it is not a factor of illness, it is a permanent damage to that family and the society.

The CHAIRMAN. On that point, now, another approach to coverage of the unemployed worker is through medicare.

Now, medicare does not have any maternal coverage at all; does it?

Mr. WOODCOCK. That is S. 496, which we appreciate as being a serious effort to meet this problem. It does also include outpatient, maternal and child care benefits.

I might say that with regard to S. 496, as long as it stays with part A in medicare, it is simple to administer. But, if, in fact, part B is added, it becomes much more difficult to administer because then the relationship is for each individual doctor who gives the medical attention, and if it is just part A of medicare, then it tends to increase the usage at hospitals which is not good for the whole system.

Senator SCHWEIKER. Would the chairman yield for 1 minute?

The CHAIRMAN. Yes.

Senator SCHWEIKER. I have to leave for another meeting.

I appreciate your yielding.

I want to compliment Mr. Woodcock for his statement.

I want to say that I think it is certainly a very commendable view, Leonard, to come here advocating a program which, because of your foresight and your union's leadership, you probably will not receive as much benefit from as other unions would.

Your union has been very progressive and very forward looking. You anticipated many of the problems that recession has brought.

So I want to commend you for coming here and testifying on behalf of a bill that certainly will help a lot of other workers. I am sure it will help some of yours, but certainly not in the same degree.

I think that is a very commendable position because you really foresaw some of these problems.

Mr. WOODCOCK. Thank you, Mr. Chairman.

Senator KENNEDY. I, too, have read the statement. We would like to stay in touch with you and your staff just so we meet some of these technical issues. I am sure we can rely on you.

The CHAIRMAN. In that connection, it is our hope to move right ahead with the bills that are before us, recognizing, of course, that a conscientious effort is being made to meet this need in another committee. And we will have to relate our activity and advise them of our schedule and timing.

We do hope to proceed even this week on this bill in executive session.

Mr. Woodcock. May I say I am delighted to hear that.

Could I add just one thing?

Unless I misunderstood CHIP completely, even if CHIP were on the statute books, we would still be before this committee with this problem today, because CHIP simply mandated coverage for up to 3 months, plus the fact that it left to the worker, since it required a payment by him, whether or not he opted out. And you take a worker who is earning \$5,000, \$6,000, \$7,000 a year, and there are millions of them, again he is going to take the chance to opt out simply to pay for other basic necessities, plus the fact the inclusion of the poverty level group, that is on previous year's income.

So, unemployed workers of today, who would have a zero income, could be well excluded from that group, were CHIP today in effect, because they would be measured by what their income was last year.

I am surprised to hear the Secretary of HEW say if we had CHIP, we would not have this problem. We would still have the problem if we had CHIP. I am certainly not advocating CHIP.

The CHAIRMAN. What is the average weekly unemployment compensation benefit today?

Mr. Woodcock. \$66.41, Mr. Glasser tells me.

The CHAIRMAN. Thank you very much. You have been most helpful and constructive.

[The prepared statement of Mr. Woodcock follows:]

Testimony on
EMERGENCY HEALTH BENEFITS
PROGRAM FOR THE UNEMPLOYED

before the

Committee on Labor and Public Welfare
U.S. Senate

by

LEONARD WOODCOCK
President, International Union, UAW

Washington, D. C.
March 11, 1975

Mr. Chairman, members of the Committee on Labor and Public Welfare: My name is Leonard Woodcock. I am President of the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America, UAW. With me is Mr. Melvin Glasser, Director of the UAW Social Security Department. I represent our one and a half million UAW workers and retirees and their families -- some five million Americans who are covered by our negotiated health insurance benefits programs.

Mr. Chairman it is frequently asserted that American workers are probably the highest paid in the world. But they are also the most insecure. When their often tenuous hold on jobs is broken they lose income, they cannot meet payments on heavily mortgaged homes and they have hanging over them the spectre of illness and injury without health insurance coverage.

Seven and six-tenths million American workers, a disproportionately large percentage of them blue collar workers, are currently unemployed and their numbers are increasing. The unemployment rate in Detroit is over 21%. The national unemployment rate may well climb to between 9 and 10% in the next few months. Twenty to twenty-five million workers will be unemployed at one time or other in 1975 -- 7 or 8 million of them for periods of 3 1/2 months or more. Taking into account their dependents, this means that the lives of 40 to 50 million Americans -- nearly 1 in 4 -- will be scarred by the disgrace of America's not providing useful work for all who need work. For every person who is actually laid off, there are two or three who fear they will be.

The membership of our Union has been very hard hit by this depression. At the end of 1973, the UAW had 700,000 employed auto workers. The U.S. unemployment rate was under 5%. As of the week of March 3, 1975, over 211,000 auto workers have been indefinitely laid off, about 30% of our auto workforce. Hundreds of auto supplier companies have totally closed out or sharply reduced production. For that same week, an additional 47,200 auto workers were temporarily laid off. While other auto workers are still on the job, they are taking home substantially less pay as a result of working one week on and one week off.

While our membership in the Auto and Agricultural Implement industries have the benefit of negotiated plans to supplement Unemployment Insurance, a substantial portion of UAW members and millions of other workers are not protected by the SUB plans. These have been designed to assist workers for relatively short periods of unemployment. These plans are now being rapidly depleted: The Chrysler salaried worker SUB fund is expected to run dry next week; the Chrysler hourly worker SUB fund will run out in the first week in April while GM's hourly worker SUB fund will run out in May.

There are 127,000 GM workers on indefinite layoff and 27,500 on temporary layoff. Twenty-six thousand of those on indefinite layoff have not worked long enough to become eligible for SUB, and therefore have not been eligible for continuation of health benefits. An additional 7,000 GM workers have already exhausted SUB eligibility and therefore are not receiving extension of health benefits from the Corporation.

A new study released at the end of February by the Department of Labor reports that even for the minority of unemployed workers whose health insurance coverages extend into their layoff, such coverages cease within the first three months.

Two-fifths of laid-off workers who had health benefits while working may expect these benefits to continue at least one month. But three-fifths continue benefits only to the end of the month in which the layoff occurred.

And in those plans where employees contribute to the monthly premiums, 78% have no continuation of benefits after layoff.

This new data highlights how very serious and extensive is the problem of layoff without continuation of any kind of health benefits.

In the national pattern, after coverage runs out, the unemployed may convert to individual policies, usually providing less in benefits at a higher cost than union-negotiated group policies. Comparatively few do this in the trauma of lost jobs and the adjustment to living on unemployment benefits. In Michigan, an auto worker with a family faces a current monthly premium of as much as \$97 to keep his former employer-financed health coverages in effect. This can represent as much as 25% of his or her monthly Unemployment Insurance benefits. With average increases in health insurance premium rates in Michigan of over 30% now being proposed, our laid-off members have to choose to spend their Unemployment Insurance checks to continue their health coverages or on food, heating, clothes and mortgage principal and interest.

In response to rapidly increasing health care costs, the Congress passed Medicare and Medicaid in the 1960's. This resulted in increased services to millions of Americans but also in further skyrocketing costs and inflated prices. A day of hospital care cost \$43.58 in 1966 and shot up to \$110.77 in 1974, an increase of 165%. The increase in average weekly unemployment benefits has not kept pace with the increase in hospital costs. Average weekly unemployment benefits increased from \$39.05 in July 1966 to \$66.61 in July 1974, an increase of 72%, less than half the rate of increase in hospital costs. The average weekly unemployment benefit is still \$49 or below in six states. In 1974, average hospital costs per day were \$110.77. This Congress also needs to take action now to federalize and raise the level of state unemployment benefits.

Faced with a huge medical bill, the only recourse an unemployed worker with no health insurance has, other than spending his lifetime's limited savings, is to rely on whatever protection state Medicaid programs may provide. Medicaid requires impoverishment and a needs test before a worker gets it. Many workers whose families require medical care are therefore forced to spend all their savings, carefully husbanded over a period of years, before becoming eligible for Medicaid. And many doctors and hospitals reject Medicaid eligibles who are often the lowest paid workers with the greatest medical needs. This is because providers are often inadequately reimbursed for their services by poorly administered state programs.

Other modern nations have long solved the problem of emergency health benefits for the unemployed by establishing national programs of health insurance or health service. The Canadian worker, for example, has his basic health care needs met with no direct cost, or minimal cost, whether employed or unemployed. In Ontario, a worker has prepaid coverage for the first three months of layoff and then pays \$22 a month for continued family coverage thereafter. In Western Germany, an unemployed worker's health insurance continues indefinitely -- there is no end to it. As long as the worker is employed, his contributions to the health insurance fund are paid partly by himself and partly by the employer. When he becomes unemployed the same central federal agency which makes his unemployment insurance payments sees that his contributions to the health insurance fund are continued. These countries and other industrialized countries such as Great Britain and France have taken the necessary action to provide public programs of health care -- not as emergency measures but as a right of all citizens whether employed or unemployed.

For four years the previous two Congresses have had before them well thought out national health insurance proposals at least one of which, S. 3, would eliminate the problem of emergency health benefits for the unemployed. The price of previous Congressional inaction is one the present Congress is being asked to pay.

I am not here to argue with previous Congresses or the Administration. I ask only that we learn from our previous experience and act accordingly.

In the face of emergency unemployment, our Union is asking for an emergency, admittedly imperfect, stopgap program which will provide continuing health insurance coverage for those who have lost their jobs.

The Kennedy, Javits, Schweiker, Williams Bill (S. 625)

The bill proposed by Senators Kennedy, Javits, Schweiker and Williams would provide for continuation of a worker's private health insurance coverage which was lost when his employment was terminated. The federal government would pay the premiums involved from general revenues, either to the private carrier or the worker's last employer. Eligibility would be determined simply by the worker being in receipt of Unemployment Insurance, rather than by a hospital or doctor at the point of service. S. 625 has the great advantage in that it can be promptly implemented, with much less difficulty than other proposals.

S. 625 is best for our membership so long as they are unemployed because it does not lower their health benefits.

I wish to make clear, however, that the majority of our unemployed members would receive proportionately fewer advantages from S. 625 than would workers outside the UAW. Our members who are laid off by Ford, American Motors and the major agricultural implement companies where the SUB funds continue to be in sound fiscal condition, would not receive benefits under S. 625. They would be eligible for employer-paid continuation of health insurance coverages.

Furthermore, even at General Motors and Chrysler, under another contractual provision negotiated in 1973, UAW members laid off after October 1, 1975 would receive

continuation of coverage related to seniority rather than to SUB credits. This means continuation of health insurance coverage will no longer be dependent on the solvency of the SUB fund. Rather, it will be related to length of service.

Our support of S. 625 is therefore based in part on the recognition that a portion of our unemployed members would be helped by it. We support the bill because by and large the unemployed who are not UAW members need it more than our people do.

There are two technical amendments I would like to propose to S. 625. Under Section 401(c)(1), the provision is made for what we in the Union would call "non-duplication of coverage". The provision as now worded is neither clear nor equitable. The unemployed worker should be entitled to benefits under the bill, if the benefits of his currently employed spouse are not substantially lower than his own, and if the currently employed spouse is not paying more than half of his or her employer-sponsored health benefit premiums.

Under Section 401(c)(2), the language of the provision should be amended to more clearly indicate that an employer has an obligation to continue his health benefits plan as of a specified date, February 7, 1975, and not to allow cancellation or alteration of an employer's plan to provide health benefits in anticipation of emergency legislation.

We are well aware of the limitations of S. 625. It will continue the costly, unregulated private insurance administration of health care benefits. It will also do nothing to improve the inadequate insurance coverages which were available to lower-paid workers, now unemployed and uninsured. But S. 625 would act as an

emergency stopgap measure for millions of unemployed Americans in the next few months, if they fall ill and require care they cannot possibly finance. The most serious defect in the bill is that it ignores the health needs of Americans who have never had employment-related health insurance.

To assist these persons, we propose the use of state Medicaid programs as an amendment to S. 625, but with three important changes:

1. The removal of all current eligibility conditions in state Medicaid programs for these workers, including eligibility requirements for categorical aid, and asset and income tests.
2. Medicaid entitlement to be based solely on proof of receipt of Unemployment Insurance.
3. Federal general revenue financing of benefits and of state administrative costs.

This special and temporary Medicaid benefits program should be funded entirely by the federal government, because the industrial states which are being hardest hit by unemployment are also being hit the hardest by reduced tax revenues.

In summary, we recognize the following limitations of S. 625, even with our Medicaid amendment:

1. It ignores the unemployed who are ineligible for Unemployment Insurance.
2. It is inequitable in that those who have had low health benefits while employed would continue to receive only those coverages. Those who

had better benefit programs when they worked, would have better coverages when laid off.

3. It does nothing to control the skyrocketing costs of medical care which is often unnecessary, fragmented and impersonal.
4. It does nothing to control the ever-increasing premium rates of private insurers or replace the ineffective and costly administration of health care benefits by the unregulated private insurance industry.

On the positive side, S. 625 would continue coverage for those unemployed who have had health care benefits, so long as they receive Unemployment Insurance. And, with the addition of a federally-financed Medicaid program, S. 625 would provide coverage as well for millions of Americans who had no health care benefits prior to their unemployment. This Bill is a stopgap emergency response and necessary to meet an emergency crisis situation.

The Bentsen Bill (S. 496)

Senator Bentsen has introduced a Bill which would provide Medicare Part A (hospital insurance) benefits to workers and their families who receive Unemployment Insurance benefits, but who do not have private health insurance coverage. In addition, outpatient maternal and child health benefits, to be defined by the Secretary of HEW, would be provided. Legislative authority would expire after one year.

The Bentsen Bill represents a positive response to a crisis situation. Under it, workers who currently have limited health insurance benefits would receive broader health benefits under Medicare Part A. Our UAW members, on the other hand, would receive less adequate benefits than they now have. The Bentsen Bill would primarily assist only workers who are hospitalized, and would not cover the \$92 for the first day of care, or the required \$23 per day co-pay during the 61st to 90th day of hospitalization. It would provide even more limited benefits thereafter. More important, the Bentsen Bill entirely ignores the worker's doctor costs, whether incurred in the hospital or outside.

We have drawn up an example of a situation which might easily face an unemployed auto worker in Michigan in 1975. Early in the year, the worker requires an emergency gall bladder operation. Later in the year, his youngest son has a broken leg. As illustrated in the Appendix to this testimony, S. 496 would just not help him enough. The worker would still have to pay approximately \$1,324 from his savings. However, if S. 625 passes, all of his medical care bills would be paid.

S. 496 has the disadvantage of potentially increasing hospitalization because benefits such as drugs, laboratory, and x-rays are covered, but not outside of the hospital. It would increase admissions to often overcrowded city and county public general hospitals while aggravating the financial condition of private voluntary hospitals. Recently, published reports indicated that Miami's public Jackson Memorial Hospital was flooded by emergency patients while smaller voluntary hospitals were actually facing bankruptcy because of a lack of admissions. At Jackson,

stretchers were being set up in lobbies to administer oxygen and intravenous solutions. The executive director of the local health planning council blamed the sagging economy for the crisis situation.

Also, we are not clear concerning the operation of maternal and child health services coverage which would be added to Medicare Part A under the bill. There are, we know, such services provided now under existing public programs. We assume that this Bill envisages additional coverages.

Once we start designing new benefits, new administrative machinery is required to handle them. There just isn't time to do this in a program which must start at once if it is to help the unemployed. Emergency action requires a program, as proposed under S. 625 which is simple, and easily and quickly administered. The program must use mechanisms already in place rather than creating new administrative machinery to reallocate employer health benefits coverages and to provide hospitals and doctors with the means of determining employment status.

Closing Comments

Some suggest that the federal government ignore the problem of continuing health insurance for the unemployed. But as we well know, neither the unemployed nor the problem will go away. And many hospitals and clinics may be driven into bankruptcy as they are swamped with members of unemployed workers' families with genuine medical emergencies for which there is no choice but to provide care.

Others suggest the federal government cannot afford the large costs involved in this one-year proposal. Accordingly, they would mandate employers to pay for the continuing coverage of

their laid-off or discharged employees. This approach is both impractical and unrealistic. By and large, the employer whose business is in such bad shape as to require large layoffs is hardly in an economic position to assume substantial new and unanticipated costs of health care coverage for the unemployed.

Still others urge provision to the unemployed of catastrophic health insurance benefits. In this regard, a recent study of Michael Meyer has reported that less than one percent of the U. S. population has over \$5,000 in total medical expenses each year. The vast majority of these, Medicare or psychiatric patients, do not receive unemployment insurance benefits and so would not be eligible for coverage under an emergency bill. But for an unemployed worker's family, as I have attempted to demonstrate in this testimony, uninsured medical expenses of \$500 to \$1,000 may be a catastrophe. And the unemployed population so endangered will be in the neighborhood of 25 million people this year. Their numbers are far greater than those who could be involved in the traditional catastrophic illness programs. There is an immediate need that calls for prompt action by this Committee and by Congress.

We are proposing a stopgap measure to provide health insurance benefits for the unemployed. This cannot take the place of or lead to the type of comprehensive national health insurance which has been so long delayed in this country. Something must be done now. The passage of S. 625 (with our proposed Medicaid add-on) can demonstrate to the unemployed millions that this nation does have the leadership and the will to act quickly to protect American families against crippling health

care costs in the current and worsening economy.

And concurrently I trust this Congress will get on with the business of passing a decent comprehensive national health insurance program. The country should not be forced to deal with the next national health care emergency with another stopgap solution.

APPENDIX

An example: Comparison of a Michigan Unemployed Auto Worker's Out-of-Pocket Costs Under S. 496 and S. 625 (UAW worker or worker with no continued health benefits, who would become eligible for Medicaid).

	<u>S. 496</u>	<u>S. 625*</u>
Laid Off Employee Needs Emergency Call <u>Bladder Operation</u>		
1. Hospital Bills		
A. 7 days @ \$100 per day	\$ 700	
B. Drugs and other hospital services	<u>430</u>	
Total Hospital Bill	\$1,130	Paid in full
2. Medical Bills		
A. Surgeon's fees	\$ 500	
B. Surgical assistants	100	
C. Anesthetist's fee	<u>90</u>	
Total Medical Bill	\$ 690	Paid in full
3. Grand Total	\$1,820	Paid in full
4. Medicare Part A Pays	\$1,038	Paid in full
5. Patient Pays	\$ 782	Paid in full

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APPENDIX (Cont'd.)

	<u>S. 496</u>	<u>S. 625*</u>
Child Breaks Leg (Fracture of Tibia and Fibia) Later in Year		
1. Hospital Bills		
A. 3 days @ \$100 per day	\$ 300	
B. Drugs and other hospital services	<u>220</u>	
Total Hospital Bill	\$ 520	Paid in full
2. Medical Bills		
A. Surgeon's fees	\$ 240	
B. Anesthetist's fee	60	
C. X-ray (3)	75	
D. Change of cast	<u>75</u>	
Total Medical Bill	\$ 450	Paid in full
3. Grand Total	\$ 970	Paid in full
4. Medicare Part A Pays	\$ 428	Paid in full
5. Patient Pays	\$ 542	Paid in full
Grand Total		
<u>Family Annual Health Bill</u>	\$2,790	Paid in full
Medicare Part A Pays	\$1,466	Paid in full
Family Pays	<u>\$1,324</u>	Paid in full

*With Medicaid add-on as proposed in Mr. Woodcock's testimony.

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The CHAIRMAN. The next witness is Bert Seidman, director, social security department, AFL-CIO.

Mr. Seidman.

STATEMENT OF BERT SEIDMAN, DIRECTOR, SOCIAL SECURITY DEPARTMENT, AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS (AFL-CIO), ACCOMPANIED BY ROBERT McGLOTTEN, LEGISLATIVE DEPARTMENT, AND JAMES O'BRIEN, UNEMPLOYMENT INSURANCE EXPERT

Mr. SEIDMAN. Thank you very much, Mr. Chairman.

We are delighted to be here.

My name is Bert Seidman. I am director of the social security department of the AFL-CIO.

To my left is Robert McGlotten, who is a member of the legislative department, AFL-CIO. To my right is James O'Brien who is an expert on unemployment insurance in our department. Since this relates to unemployment insurance questions, he may be very helpful.

Mr. Chairman, I want to apologize in the first place because we were laboring under the misimpression that this was a hearing before the Subcommittee on Health. We are delighted that you have seen fit instead to have a hearing of the full committee on this question, because that indicates to us how seriously you regard this very crucial problem that you are dealing with.

I do have a corrected copy of my statement for the reporter, and I would ask that that be included in the record of the hearing.

If I may, I would just like to summarize what I have in my formal statement.

The CHAIRMAN. That will be fine.

Mr. SEIDMAN. The AFL-CIO welcomes the opportunity to appear here today to state our views on the urgent need for speedy enactment of legislation to provide health insurance for the unemployed.

On February 17, 1975, the AFL-CIO executive council endorsed S. 625, introduced by Senator Kennedy for himself, Senator Williams, chairman of the full committee, Senator Javits and Senator Schweiker. Since then, they have been joined by a number of other Senators who have indicated their support for the bill.

We wish to express our appreciation to all Members of the Senate who have recognized the necessity of providing as quickly as possible health care coverage for the millions of unemployed and their families.

With your permission, we would like to introduce into the record the text of the AFL-CIO executive council statement on health insurance for the unemployed.

The CHAIRMAN. We will include that in the record at the conclusion of your remarks.

Mr. SEIDMAN. It is attached to my statement.

The AFL-CIO is convinced that something must be done immediately for workers who have not only lost their jobs but also their health care coverage under their employer-employee benefit plans.

The unemployed can neither afford the high premiums for individual health insurance policies nor the cost of an illness without insurance.

We, therefore, hope that the Labor and Public Welfare Committee will quickly report out S. 625, and that Congress will enact, without delay, a program to provide health insurance for the unemployed.

Mr. Chairman, we are very much encouraged by the statement you made to Mr. Woodcock that your committee does intend to push ahead as rapidly as possible in marking up this legislation.

The problem is most serious. There are now 7.5 million workers out of work. Still another 3.7 million are working only part time. The number of payroll jobs has declined 2.3 million from last October's peak, the largest 4-month decrease since World War II. Unemployment is, therefore, even more serious than the official unemployment rate figure of 8.2 percent.

The number of persons filing first-time unemployment insurance claims during the week that ended February 22, 1975 was 564,000. During the week that ended February 15, 1975 more than 6 million were receiving unemployment checks, of which over 5 million were receiving regular UC benefits. About 458,000 workers filed claims during the week ending February 15 for extended benefits. The insured unemployment rate has climbed to 7.6 percent from 7.4 percent a week ago. This was the highest rate of insured unemployment for any week since March 1961. One year ago, the volume of insured unemployment was 2,604,300 and the insured unemployment rate was 4.1 percent. The economy appears to be slipping into a deeper depression. Investment in business equipment is down 8.5 percent since September 1974. Investment is down because markets are contracting. This reflects the fact that the purchasing power of the average worker's weekly take-home pay has dropped 5.4 percent in the last year. Investment tax credits can help stimulate investment, but not if there is no market for the goods and services that new capital investment creates.

The millions of unemployed workers are having a hard time stretching their meager unemployment insurance checks to pay for food and keeping up rent or mortgage payments. They certainly can't also shoulder the high cost of the health insurance they lost at the time or soon after they lost their jobs.

It is true that many collective bargaining contracts provide for a continuation of health insurance coverage after layoff. But the duration of health insurance coverage after layoff varies greatly. Some contracts continue the coverage for only 1 month. Other contracts continue health insurance protection for a full year. Duration of coverage may be based upon seniority.

The Bureau of Labor Statistics released a study, "Health Benefit Coverage of Laid-Off Workers," just last month. The study showed that three out of every five workers covered by employer-employee benefit plans lose their health insurance coverage on the day they are laid off. While 40 percent can expect continuation of their health insurance for at least 1 month, only about 20 percent have continued coverage for 3 months or more.

Among unemployed men, 19 percent had a wife who was employed, and 16 percent of unemployed wives had a husband who was working. It can be presumed that some of these spouses had health insurance coverage for the family through their employers.

We understand that the Department of Health, Education, and Welfare has estimated the cost of covering those on UI with health insurance as follows:

Coverage under medicare part A only, \$1.26 billion; coverage under medicare parts A and B, \$2.6 billion; continuation of existing private health insurance, \$1.8 billion; continuation of existing benefits plus medicaid for those who did not have group coverage while employed, \$2.1 billion.

The above estimates assumed an unemployment rate of 8 percent and that 25 percent of all terminations of employment are in situations where the employer continues coverage of the laid-off workers. We, therefore, believe these HEW estimates may be on the high side because the BLS study indicates 40 percent, and not 25 percent, can expect continuity of coverage for at least 1 month. On the other hand, HEW estimates as to the rate and duration of employment may be underestimated, which would understate costs.

Not only would the health care needs of the unemployed be served by a program to provide continuation of health insurance coverage for laid-off workers, but so would the financial needs of hospitals and other providers, as well as State and local governments.

Hospitals, in particular, are faced with a mounting burden of unpaid bills as more and more of the unemployed do not have the resources to pay for their hospitalization.

More and more unemployed workers are forced to apply for coverage under the medicaid program. This is putting an increasing burden on the States and localities when they are already hard pressed to meet their financial obligations.

It is to be emphasized that the program we support should not be considered as a substitute for, nor a lessening of, our commitment in support of the national health security bill, S. 3, introduced by Senator Kennedy with many cosponsors.

Health insurance for the unemployed should be considered an emergency program to meet an emergency situation. In fact, if the health security bill had been enacted, we would not be in the situation we are in today.

I would like to join with what Mr. Woodcock has just now said in repeating that S. 3, unlike other national health insurance bills, provides universal coverage, and eligibility for benefits under the program is not based on attachment to the labor force nor conditional on a record of employment.

The AFL-CIO position is that there is an emergency that needs to be dealt with now. At the same time, we urge that the hearings be held as promptly as feasible on national health insurance in order to arrive at a permanent solution for the unemployed and everybody else.

With your permission, Mr. Chairman, I would like to introduce into the record the statement on health security which was also passed by the AFL-CIO executive council on February 17, 1975. It reaffirms our support for speedy enactment of the health security bill.

At the time the executive council considered the health insurance for the unemployed statement, there were only two bills before Congress, namely S. 496, introduced by Senator Bentsen—Democrat, Texas—and S. 625 by Senator Kennedy—Democrat, Massachusetts.

In deciding which bill to endorse, the AFL-CIO executive council measured the bills against the following criteria:

1. There would have to be an administrative mechanism already in place to administer the program.

2. Determination of eligibility for benefits would have to be made by the Federal-State unemployment offices.

3. The program should be noncontroversial.

Both S. 496 and S. 625 meet criteria 1 and 2 above, but S. 496 would likely generate some opposition and, therefore, jeopardize or prevent passage of this urgently needed legislation.

It was felt that the health insurance industry would likely oppose extension of the public medicare program but would favor retaining those unemployed workers who had previously been covered under their employer-employee group contracts. Also, any change in benefit structure would likely generate some opposition.

Coverage under medicare would mean many workers would have better health insurance than they had before, but many would have poorer coverage.

On the other hand, by maintaining benefit levels at exactly what they were prior to layoff, every unemployed worker would have exactly what he had in the way of health benefits when he was employed. In other words, no one would be hurt, and no one would gain more than he had before.

The AFL-CIO executive council favored a noncontroversial bill that could be enacted as fast as possible and felt that S. 625 best met this criteria.

Events have indicated the executive council made the right decision. Representatives of the providers and of the insurance industry have testified that they support a bill along the lines of S. 625.

We do, however, wish to extend our appreciation to Senator Bentsen for having recognized the importance and necessity for providing some protection to people who have lost, through no fault of their own, their health insurance coverage. Whatever disagreement we may have is not on goals but only on the quickest and most effective way of achieving them.

In its statement on health insurance for the unemployed, the AFL-CIO Executive Council called for making unemployed workers, who had not previously been covered under an employee-employer health benefit plan in their last job, eligible for medicaid. We urge that S. 625 be amended to include such a provision.

Jobless workers with no previous coverage should become eligible for medicaid benefits which would have no categorical welfare exclusions or income tests.

Those who do not have any prior coverage are usually among the most poorly paid and are the least able to pay for health insurance protection or medical bills when working, let alone when living on meager unemployment compensation benefits.

Therefore, the AFL-CIO Executive Council urged that S. 625 be amended to include this hard-hit group.

We have just one other suggestion. Section 404 of S. 625 provides that no health benefits may be paid after June 30, 1976. If a patient were hospitalized before that date but were not discharged until after June 30, 1976, he could not be paid.

We suggest that all accrued health benefit claims be honored if the onset of illness occurred prior to June 30, 1976. Insurance carriers typically establish reserves for accrued but unpaid claims in their group insurance contracts which are built into their premiums.

The AFL-CIO wishes to thank you, Mr. Chairman, for moving so promptly with these hearings and for your concern about the health of the unemployed. We hope the Senate will act with equal dispatch to enact a bill to provide health insurance for the unemployed.

That concludes my statement. My colleagues and I will be glad to answer any questions that you have, Mr. Chairman.

The CHAIRMAN. Thank you very much, Mr. Seidman.

The AFL-CIO resolutions that you include will be very, very helpful to us, believe me.

We, of course, deal here only with those that have been in a current position, who are unemployed, and not with those who have not, and that administratively could be included under coverage under medic-aid, that is done in the finance bill, is that right?

Mr. SEIDMAN. No.

The CHAIRMAN. They are all under medicare.

Mr. SEIDMAN. They are all under medicare under the finance bill, but of course they would not be covered for any physician services under the bill that Senator Bentsen has introduced. We think it is quite defective in that respect.

The CHAIRMAN. What is the approach that you would suggest for our broader, more equitable coverage in this bill?

Mr. SEIDMAN. We would hope that sometime before this bill is finally enacted, and we do not care how that is done, but it would be amended so as to provide for coverage of those unemployed who have not had previous health insurance coverage, but who are receiving unemployment insurance, to be eligible without any means test or income test under medicaid.

The CHAIRMAN. Medicaid?

Mr. SEIDMAN. Yes. We think this would be the best way of handling that problem.

The CHAIRMAN. We are without authority to amend in that way here, as you well know. We will look to the leadership of the principal sponsor to find our way through that jurisdictional problem.

Senator KENNEDY. We will look to the chairman of the full committee.

Mr. SEIDMAN. We have some experts on that question, but I am not one of those experts, Mr. Chairman.

The CHAIRMAN. Thank you very much.

Senator Kennedy.

Senator KENNEDY. I want to join in welcoming you, Mr. Seidman, and for your testimony.

Let me ask you, in reaching your decision, the decision of your organization, one of the points which you mention in your testimony is your feeling that if you go to the medicare model, there will be a number of workers who will actually receive reduced benefits.

But there are also some workers who will be raised in terms of benefits. That is correct, is it not?

Mr. SEIDMAN. Yes. Of course, a lot depends on whether part B would be added to the bills. As they have been introduced, it provides only for part A. If part B is not added, this seems to me most workers would have their benefits very considerably reduced.

Senator KENNEDY. That is the very point. I would be interested in what information, what figures you have on that.

Second, how do you respond to the argument that what we are really interested in doing in this stopgap measure is at least to get some basic minimum kinds of standards that might be included under medicare.

Mr. SEIDMAN. Well, those bills provide for coverage only for part A in medicare, which means only hospitalization, not even for the physician services while the patient is in the hospital.

Now, the figures are that about 80 percent of the population has some kind of coverage, and approximately the same percentage are covered for at least surgical services inside the hospital.

About, if I recall the figures correctly, somewhere around 50 percent are covered for what I call home and office visits.

Senator KENNEDY. Of the ones who have any insurance at all?

Mr. SEIDMAN. Yes. And this would mean that a very large proportion of the unemployed would have worse coverage, far worse coverage under the bills as they have been introduced, unless part B is added, than they have now.

Senator KENNEDY. Mr. O'Brien, I understand that you have worked a good deal with State employment agencies.

I would be interested in what your impressions are of their abilities to assume some administrative responsibility in this program.

As I understand, the best estimates in terms of unemployment show some leveling off over the period of the summer. There may be some slack in the administration of the State unemployment programs—some lessening of demand that perhaps it could be brought in to administer this program.

I think realistically we are going to expect that we are going to need some people from HEW, who have been working in the medicare and medicaid program. We are going to need some people from the Labor Department. We are going to need to develop a team, drawing strength from different departments.

I think that the administrative capacity exists. It may have to be augmented, supplemented to some extent but I do not think it has to present the kind of overwhelming obstacle that has been presented here today.

I would be interested if you could talk a bit about this aspect of the program, and let us know what your experience is. You are probably as good an authority on this as anybody in the country.

Mr. O'BRIEN. Senator, the AFL-CIO shares your view that the problems are not as overwhelming as they were outlined here today, and perhaps the past few days, at other hearings.

For example, I would like to call your attention, and the committee's attention that during the last week of 1974 Congress enacted two pieces of unemployment legislation, one provided new coverage for people that were not formerly covered, and the other extended emergency benefits to people presently within the scope of the program.

These two pieces of legislation each requires the Department of Labor to enter into agreements with the States to administer these programs. The problem also requires issuing regulations. Because of the interest and administration, within let us say 15 days, most all agreements were entered into with the States to administer the program.

However, last week at a meeting at the Labor Department I was informed that by March 6, 99 of the agreements had been signed with the States. In addition, the bill was signed by the President on December 31, and by February 6, within 35 working days, we—35 calendar days, regulations to implement programs had appeared in the Federal Register.

The programs have been put in place, and they are being implemented at this moment.

So if the Department wishes, and if the Congress wishes the Department to, and the administration wishes to cooperate, we think that this indicates that the Federal-State unemployment compensation agencies can administer this program.

Senator KENNEDY. That I imagine entails new people coming on the unemployment rolls, people with varying, different kinds of expiration dates, and some people that have not been on the rolls at all.

It seems to me it is a remarkable kind of program, particularly if medicaid aspect of it—

Mr. O'BRIEN. Senator, in recent weeks we have had people who have worked for many years that have never been close to an unemployment compensation office, who suddenly find themselves in a position where they wished to utilize this system.

There are some areas where problems have developed. The Department is moving on them, and claims are being processed. We think in terms of implementing health insurance for unemployed, the Department and State agencies can gear their workloads a little differently than they can in terms of processing initial claims.

For example, if a man or woman wants to file a claim today who has just been laid off last week, the State agency could inquire about health insurance. They could determine if health insurance was to expire within 30 days, or 45 days, or 90 days, and then this person could be scheduled at a later date for the information and procedures that would be involved in terms of continuing health protection, so we think it is a more manageable proposition than the surge of initial claims we have had in terms of recent unemployment.

In addition, Senator, I would like to point out one factor has not been mentioned. There are six States now that currently administer temporary disability insurance programs.

This is not identical to health insurance, but it involves the State agencies in sickness and health problems. In addition to the 6 States that have temporary disability insurance, there are a number of States now, approximately 12 that—

Senator KENNEDY. How does that work? How are they administering the disability program?

Mr. O'BRIEN. Five jurisdictions administer the temporary disability insurance through unemployment insurance offices.

You file a claim for temporary disability insurance, and exactly the same, using the same procedures you are doing for unemployment compensation.

In the State of New York, New York uses their workmen's compensation agency to administer their temporary disability insurance, but the procedures are there, and this is experience that the Department could call upon right now.

In fact, the Department follows these programs closely, and they have for many years.

In addition to temporary disability—by the way, I might mention that the Railroad Retirement Act also administers what they call sickness insurance, but it is a temporary disability program. And experience and expertise is here to be called upon.

In addition, there are many States now that when a worker files a claim, every bit of information that is needed relative to coverage of the other working partner, if there happens to be another working partner, is already in place.

The age of the children, how many children, whether they are living at home, these are regular procedures that are now followed under many State unemployment compensation laws.

In fact, Massachusetts is one of the States that follows this procedure.

Senator KENNEDY. What is the administrative burden for these various State agencies, this summer. If we are able to pass this bill, am I not correct there is somewhat a lessening of burden on these unemployment offices, as unemployment kind of stabilizes over a period of time?

I understand they have been under a heavy burden—

Mr. O'BRIEN. Senator, the big surge, or heavy workload comes with an avalanche of initial claims. The initial claim procedure, which the claimant must follow, involves personal entity. It may take 25 minutes, it may take 30 minutes.

However, after that initial claim, continuing claim for both the State agency and the individual worker are then rather routine procedures.

So of this surge of initial claims, this claim load has been handled, we would hope, and as the economy turns around, and people go back to work, not only would it be fewer initial claims, but continuing claims would also diminish. As this workload is diminished, it would certainly permit the agencies with additional personnel to properly process claims for health insurance.

Mr. SEIDMAN. I think that this would be true even if the worst happened, and the economy did not turn around, because the biggest part of the burden are the initial claims. And even if unemployment were to hit 9 or 10 percent, the largest part of the initial claims have already been filed.

Senator KENNEDY. Mr. O'Brien, I think you listened to Mr. Weinberger's presentation. Obviously you have had a good many years—how many years have you worked in this area?

Mr. O'BRIEN. Approximately 25 years, Senator.

Senator KENNEDY. I think you probably know more, in all due respect, than the Secretary, about the particular problems. I do not think any of us underestimates that it is a complex and difficult area.

I appreciate your reaction to the statements made by the Secretary in this area. I think it is very helpful for our record.

Thank you very much.

[The resolutions referred to follow:]

Statement by the AFL-CIO Executive Council

on

Health Insurance for the Unemployed

February 17, 1975
 Bal Harbour, Fla.

There are now 7.5 million unemployed workers in the United States, 8.2 percent of the labor force.

According to the Library of Congress more than 80 percent of the workers laid off during 1974 lost their health insurance coverage. A survey of health insurance contracts indicates at least two out of three workers have no health insurance after being unemployed for one month or more. Thus, if unemployed workers wish to continue their health insurance after coverage is terminated, they must pay the premium, usually at exorbitant individual rates, at a time when they are financially pressed and least able to do so.

Stripped of their group coverage and denied Medicaid because they are not poor enough, a serious illness in the family could leave some unemployed workers bankrupt. Many will postpone needed medical care for themselves and their families because they won't be able to pay sky-high doctor bills with meager unemployment insurance checks. This situation is intolerable and would not have existed had Congress enacted National Health Security which provides health benefits for all residents of the United States whether they are employed or unemployed.

The AFL-CIO Executive Council, therefore, calls upon Congress to give highest priority to early enactment of the Corman-Kennedy Health Security Bill (H.R. 21 and S. 3). However, there is no way that the Health Security program could be implemented, even if passed immediately, for at least one year. Therefore, at its meeting last month, the AFL-CIO General Board called for Federal legislation to provide health care to the millions of workers who lose their health insurance coverage under employer-employee plans when they become unemployed.

A bill (S. 625) introduced by Senators Kennedy (D.-Mass.), Williams (D.-N.J.), Javits (R.-N.Y.) and Schweiker (R.-Penna.) would simply extend existing or prior coverage provided by the unemployed worker's last employer-employee health benefit plan. The premium cost for continuation of this coverage would be paid from Federal general revenues. The program would be administered by the existing unemployment insurance offices and could be implemented almost immediately after passage.

Enactment of this bill would meet the critical need for the continuation of health insurance protection for the unemployed. But many jobless workers didn't have health care coverage when they were working and now that they are living on meager unemployment insurance payments certainly cannot afford to obtain it. To meet the health care needs of these jobless workers and their families, S. 625, when enacted, should provide for their coverage under Medicaid.

With this necessary change, the AFL-CIO Executive Council, therefore, endorses S. 625 as an emergency program to assure health care coverage for the unemployed and their families.

Statement by the AFL-CIO Executive Council

on

Health SecurityFebruary 17, 1975
Bal Harbour, Fla.

The Congress must ignore the President's veto threat and begin immediate consideration of national health insurance legislation.

The health of the American people is just too important for further delay.

National health insurance was a major issue in the 1974 elections. A majority of the members of Congress promised their constituents they would seek early action on national health insurance and pledged their support to one of the many bills that have been introduced.

We expect they will keep their pledge.

The AFL-CIO reaffirms its wholehearted support of the National Health Security program introduced in 94th Congress as H.R. 21 in the House by Rep. James Corman and as S. 3 in the Senate by Sen. Edward Kennedy.

We support Health Security because it is the only program that would provide quality health care as a matter of right for all Americans, financed through tried, proven and accepted social insurance principles.

Only Health Security provides universal coverage; a comprehensive, simple standard of benefits; strong cost and quality controls; no deductibles and no coinsurance; reform of the health care delivery system; and strong consumer representation.

Only Health Security, of all the proposals thus far presented, would provide comprehensive coverage for unemployed workers when they lose their employer-employee health insurance because they are laid off.

Additionally, the Health Security bill reintroduced this year has been improved and strengthened without compromising principles we believe essential to national health insurance.

The new bill includes the following improvements over earlier versions:

1. Sound financing through an increase in the ceiling on individual contributory taxes from \$15,000 to \$20,000.
2. Grants for local nonprofit agencies to develop and provide social care services to the aged and chronically ill.
3. Protection for the employment and benefit rights of employees in health care institutions.
4. Use of free-standing centers for treatment of alcohol and drug abuse, family planning and rehabilitation as providers of health care.
5. Participation of optometrists and podiatrists as eligible providers under the regulation of the Health Security Board.

We reject the claims of the Administration that social progress must be postponed in times of economic difficulty. Millions of Americans cannot obtain or afford medical care. They need help as soon as possible.

The Congress has a responsibility to the people to develop a national health insurance program. We call on the Health Subcommittee of the House Ways and Means Committee, where the action starts, to begin hearings immediately.

The CHAIRMAN. Our next witness is Alfred M. Bell, National Association of Professional Administrators.

We welcome you.

STATEMENT OF ALFRED M. BELL, NATIONAL ASSOCIATION OF PROFESSIONAL ADMINISTRATORS

Mr. BELL. Mr. Chairman and members of the subcommittee, I am Alfred M. Bell, president of Alfred M. Bell and Associates.

Senator KENNEDY. Do you think you might be able to summarize your statement? We will put it all in the record, if you could summarize it.

Mr. BELL. Certainly.

Senator, there are approximately 40 million people in the United States that are covered by health and welfare trust funds. I think it is important to identify the establishment and operation of these trust funds, because it is the trust funds and their administrators who maintain the records for those people who are eligible for benefits, and who also pay these benefits on behalf of these beneficiaries.

It is not the carrier, and it is not the employer. The administrator of a trust fund collects the contributions from all of the companies in a given industry, determines eligibility of the individual employees and their families, and whether there is a carrier involved, or whether it is self-insured, the administrator of the trust fund also pays and provides the benefits to those individuals who are covered for benefits.

We wholeheartedly endorse your bill, S. 625. We feel while there are administrative problems insofar as the unemployment compensation offices and other Government agencies may be involved, we do not feel they are insurmountable.

We do feel there are some techniques which we can bring to bear which will simplify the major administrative tasks, some of which have been referred to here earlier, in earlier testimony.

Because we have the list of all the people who were eligible who have lost their eligibility through unemployment, we feel that we can cooperate with the unemployment compensation boards by providing them the lists of the people who have lost eligibility.

We feel we can, on a continuing basis, provide a list of people who were previously eligible, asking them simply to strike out those people who are no longer eligible, and we can continue eligibility of those trust beneficiaries, and we feel that we can do it on an almost immediate basis.

We have the techniques, computers, and wherewithal and ability of many years of experience in this field.

Senator KENNEDY. How long do you think it would take to set up the necessary machinery to implement this type of legislation if we were to accept some of the recommendations you are making in terms of streamlining the bureaucracy?

Mr. BELL. I think we could do it within 60 days, and perhaps even less. I do not feel that much of administrative burden need be placed on unemployment compensation departments—

Senator KENNEDY. Would it be very costly?

Mr. BELL. Actually, I do not think that it would, because if you can regard for a moment the unemployment compensation department becoming the employer in a sense, we are already doing this type of

work, where the employee is employed by the employer, and as a result of his organization of work with that employer, he is eligible. And as a result of loss of his job, he ceases to be eligible. And we reinstate him because of his ineligibility, and continue him on his eligibility list.

We are doing much of this work already. I do not think the figures would be that astronomical, frankly.

Senator KENNEDY. Could you comment on your preference for either S. 625, or the medicare approach, and would you tell us why you favor one or the other?

Mr. BELL. First, I have addressed myself to S. 625, Mr. Chairman, as it is presently drafted. I have not addressed myself to the question of the medicare approach.

I feel that S. 625 should be enacted immediately, and if there are other people who can and should be covered by other means, then that should be another subject. I think that this is an emergency type measure, and the need is here now.

In many of our trusts we have as many as 20 and 25 percent of our people who have been eligible in the past, and are no longer eligible now, particularly in construction trades.

Senator KENNEDY. Your presentation really addresses one of the key issues that we have to respond to: administrative problems and complexities.

Obviously you have developed a wealth of information and an understanding of these problems.

You are completely satisfied, as you mentioned, in repeating your testimony, that it can be done in approximately a 60-day period, without heavy additional expenditures for administrative machinery; is this right?

Mr. BELL. That is correct, Mr. Chairman.

Senator KENNEDY. And a great deal of the information that will be necessary to implement this program is already available; is that right?

Mr. BELL. That is correct, Senator. And particularly if the unemployment compensation office's responsibility is limited to identifying those people that are on their eligibility rolls by the fact of receiving an unemployment check, and that is all they would be responsible for doing. I do not think we would be creating the excessive burden on unemployment compensation boards that one might think we would.

Senator KENNEDY. How are you going to know when people are going off work, and then coming back to work and—

Mr. BELL. We would prepare, for example, in the month of February, we would prepare a list of all people whom the unemployment compensation board has told us were eligible for the month of February, and tell them if they are still on your rolls, do nothing with them, and mail the list back. If they are off your rolls, simply strike them out, or make them disappear by any means, and we will drop them from our eligibility roll, and continue to carry those who remain on the list.

It is something like a bill. We will submit a bill in March for people they told us they owed us for in February. They will line out those people who are no longer on that bill in the month of March because they are no longer qualified for unemployment compensation.

That should be all that unemployment compensation boards should have to do.

Senator KENNEDY. Would this be a new way for dealing with employers or is this the way you are dealing with them now?

Mr. BELL. This is the way we deal with them now, Senator.

Senator KENNEDY. You think it should follow the same type of approach?

Mr. BELL. Exactly. We are doing that right now with every employer. We bill them for a list of employees they had on their rolls, they eliminate those that are no longer there.

Senator KENNEDY. Did HEW get in touch with you or any of your organizations about the development of administrative approaches?

Mr. BELL. No.

Senator KENNEDY. OK.

Thank you.

The CHAIRMAN. Thank you very much.

Senator KENNEDY. If you have specific recommendations, we would like to stay in touch with you on this. We value very highly your comments. Obviously you have been in the field and have a wealth of information.

Mr. BELL. Thank you. We will be in touch with your committee.

I would just like to add one final thing.

The act refers to carriers and employers, and if somehow the term "trust fund" or "Taft-Hartley trust fund" could be added to that, it would then open up some 40 million additional people. Because, I repeat, it is through the trust fund that you must communicate. They are the only ones who know who was eligible last, or who has lost eligibility because of loss of employment.

The CHAIRMAN. I wonder if we could establish here with the staff and with your office to work up a description of the administrative operations of S. 625 program with insurance companies with trusts?

Mr. BELL. Yes, Senator.

The CHAIRMAN. And with self-insured.

Mr. BELL. Whether they are insured or self-insured.

The CHAIRMAN. And take a major company like General Electric, they insure health coverage as self-insurer. There must be a contract period. When they run out they should be eligible, I would think.

Mr. BELL. Yes.

The CHAIRMAN. If this could be done, expedited, we would welcome it when we mark this bill up.

Mr. BELL. We will certainly work with your committee in any way we can.

The CHAIRMAN. Excellent.

Senator KENNEDY. Thank you very much.

[The prepared statement of Mr. Bell follows:]

PREPARED STATEMENT OF ALFRED M. BELL, PRESIDENT, ALFRED M. BELL & ASSOCIATES, ON BEHALF OF THE NATIONAL ASSOCIATION OF PROFESSIONAL ADMINISTRATORS

Mr. Chairman and Members of the Subcommittee: I am Alfred M. Bell, President of Alfred M. Bell & Associates. My company, which maintains its principal office in Washington, D.C., is in the business of administering health, welfare and other employee benefit programs. I am pleased to appear here this morning on behalf of the National Association of Professional Administrators, a voluntary association composed of leading professional administrators who are engaged in the administration of health, welfare programs and other employee benefit programs established pursuant to collective bargaining agreements.

First, on behalf of N.A.P.A., we endorse S. 625 as a commendable approach for an emergency national health insurance program for the unemployed. S. 625, if enacted, is capable of accomplishing its objective quickly and efficiently with a minimum of administrative difficulties.

The Bill's concept of continuing health care benefits of the type and scope received during prior employment satisfies a national need. It is designed to lift the morale of the unemployed by providing for them a continuation of health insurance, a need which is fundamental. Few can reasonably quarrel with this underlying legislative policy.

Taft-Hartley trusts are an important adjunct in the national health care system and should be effectively utilized in the implementation of emergency health benefits for the unemployed.

Section 302(c) of the Taft-Hartley Act prohibits employer payments to a union fund unless the contributions are made pursuant to a written trust agreement in which employer and employees are equally represented in the administration of the fund. Annual reports are required to be filed with the Secretary of Labor. These are open to the employees and the public. The trust fund, moreover, is in all other respects subject to the fiduciary standards of the recently enacted Employee Retirement Income Security Act.

Taft-Hartley trusts comprise a principal source of health care in the country. According to the Department of Labor there are approximately 4,800 Taft-Hartley Health and Welfare Trusts in the United States. It is estimated that approximately 40 million members of organized labor and their dependents are covered by these programs. These trusts, which have rendered services to organized employees over the last thirty years, have developed efficient administrative procedures in all aspects of health insurance. These procedures, which have been highly developed over the years, deal with such varied functions as collecting contributions on behalf of the fund, preparing and issuing reports, maintaining employee eligibility records and processing and paying claims. Taft-Hartley health and welfare programs may be administered by a salaried employee of the fund or contracted out to professional administrators.

Taft-Hartley health and welfare programs may be underwritten by an insurance carrier or a group of carriers but in a growing number of instances are becoming self-insured. I should like to emphasize, however, that where an insurance carrier is present it merely underwrites the program and does not participate directly in its administration. These tasks are handled by the trust itself and delegated to the professional administrator. Hence, in the administration of the emergency health program for the unemployed an appropriate relationship should take place between the governmental agency and the Taft-Hartley trusts rather than with the insurance carrier.

In our judgment, emergency health insurance for the unemployed union employee can be easily accommodated into the existing Taft-Hartley structure so that the unemployed worker could be provided identical services and treatment. The unemployed worker is already carried on the rolls of the trust and upon certification by the appropriate authority the unemployed worker and his dependents can be instantly eligible for benefits.

Procedurally, it is suggested that the unemployment compensation office issue to each eligible employee a certificate of eligibility for health benefits. This certificate should then be deposited with the trust. Each month the trust would submit a certified unemployed health benefit list to the appropriate unemployment compensation office for confirmation. The certification would be based on the prior month's eligibility list. The unemployment compensation board would then strike those names no longer eligible. Health benefits would continue to be paid for all persons whose names have not been stricken.

Practically speaking, the unemployment compensation board would be regarded as the equivalent of a contributing employer. The same records which the trust regularly maintains would also be maintained on behalf of the unemployed. Of course, there will probably be a need to furnish separate reports to the appropriate governmental agencies. Generally speaking, the accommodation of the unemployed could be accomplished with a high degree of efficiency and with a minimum, if any, of additional administrative costs related to the governmental program.

We have heard a suggestion that the Government might meet the problem of providing health insurance for the unemployed through a system of payment of claims. This, we submit, is an unacceptable solution for an emergency program of limited duration. The Government is in no position to determine the actuarial feasibility, since it could well be that the unemployed, as a group, would then constitute a high risk category.

Finally, I wish to point out that the approach set forth in S. 625 is infinitely preferable to integrating the temporarily unemployed into the medicaid or medicare system. Medicare is a long term program geared exclusively for senior citizens while Medicaid is essentially a State welfare program of differing and sometimes limited benefits. The principle of S. 625 is to maintain and aid the temporarily unemployed and to preserve their dignity by permitting the continuation of prior health care protection.

I appreciate the opportunity to be heard on behalf of the National Association of Professional Administrators, and wish to say that N.A.P.A. and I stand ready to offer all assistance to aid the Committee in any way which it may deem advisable.

Thank you for your courtesy and patience. I will be happy to attempt to answer any questions.

The CHAIRMAN. The next witness is Mr. William L. Heartwell, Jr., commissioner, Virginia Employment Commission.

STATEMENT OF WILLIAM L. HEARTWELL, JR., COMMISSIONER, VIRGINIA EMPLOYMENT COMMISSION, AND CHAIRMAN, LEGISLATIVE AND LEGAL AFFAIRS COMMITTEE, INTERSTATE CONFERENCE OF EMPLOYMENT SECURITY AGENCIES, INC., ACCOMPANIED BY ROBERT GOODMAN, DIRECTOR, INTERSTATE CONFERENCE OF EMPLOYMENT SECURITY AGENCIES, INC.

Mr. HEARTWELL. Mr. Chairman, I will be brief.

I have a statement I would like to read.

On my right is Mr. Robert Goodman, director of our Interstate Conference of Employment Security Agencies.

I am commissioner of the Virginia Employment Commission. I also am chairman of the legislative and legal affairs committee of the Interstate Conference of Employment Security Agencies. These agencies administer the unemployment insurance program and the public employment service in the respective States.

I appreciate the invitation to appear before your committee to discuss the proposed emergency health benefits program set forth in S. 625 particularly as it relates to State employment security agency programs.

The interstate conference has not had an opportunity to poll all the States on the issues involved in health benefit legislation and therefore has not taken an official position on S. 625 or other health benefit legislation.

However, I have discussed the proposed legislation with a number of State administrators and I will try to identify some of the problems in using employment security agencies for the purposes described in the bill.

I find myself sympathetic with the objectives of S. 625, and I believe that most other State employment administrators would feel the same way. Unemployment insurance reimburses not more than 50 percent of average wages for most claimants, and when unemployment hits, it is a bad time for a worker to lose his health coverage.

Regardless of the merits of S. 625, there are good reasons for not placing the administrative responsibility with State employment security agencies at this time. These agencies are now struggling with the largest workload in the UI system. For the country as a whole, the load is about double that of a year ago, while in some States the increase is much larger. In my own State of Virginia, the dollar vol-

ume of benefits paid in January and February of this year was more than benefits paid for all of 1973.

The increase of unemployment has come on quickly, and it has not been possible to hire and train new staff quickly enough to take care of all claims without undesirable delays.

Many State agencies have worked longer work days, Saturdays, and holidays to reduce to a minimum delays in benefit payments. I think the States have done an outstanding job in meeting this emergency, but it has strained their resources, and the heavy load continues to do so.

As presently constituted, S. 625 would require State employment security agencies to:

1. Ask UI claimants if they had prior health benefit coverage.
2. Notify employers and obtain detailed verification of health benefit coverage.
3. Make determination of claimant eligibility and notify claimant and employer. (It is assumed that some form of appeal would also have to be established.)
4. Issue payment to employer or carrier.
5. Notify employer of changes of claimant status.
6. Meet and respond to an equity challenge for claimants who qualify for UI but do not qualify for health benefits. (With only an estimated 50 percent of UI claimants eligible for health benefits, many challenges can be expected.)

These functions would place a serious burden on an already heavily burdened UI system. Initially, it would require action on a current claim load of over 6 million individuals, and perhaps as many as half of these would require action after preliminary screenings.

I realize that S. 625 proposes to reimburse State agencies for administrative costs. Our experience with similar provisions in the past is that by the time the Labor Department has submitted its budget estimates, and they have been trimmed by OMB, the State agencies are required to absorb a substantial part of the additional administrative costs at the expense of existing programs. So, if after a full consideration, you decide to ask State employment security agencies to assume some responsibilities for the health benefit program, perhaps you can help us with this problem.

UI claimants average two spells of unemployment in a benefit year. This "on" and "off" claimant status would make notification of status for health benefits purposes difficult.

To the extent that involvement with this health benefit system is concerned, the UI staffs would be entering an entirely new area of subject matter with which they have no familiarity and no expertise.

If the role of the State employment security agencies could be limited to identification of those receiving unemployment insurance, it might be possible for the States to perform that function. Most States would be able to supply lists from the computer, and it is believed this could be done even though some States are now operating their computers on a 24-hour-day basis.

I would also suggest that consideration be given to a system which could collect information on an individual's eligibility at the time he applied for health services. I understand that HEW estimates that about half of those receiving UI will be eligible for health benefits and

that no more than 10 to 12 percent of those eligible would be expected to apply for health services.

Thus, the number of individuals for whom information would be collected on a request reporting basis would be greatly reduced. Such a system would greatly reduce paperwork, and might produce a viable system.

Fourteen States now operate their regular UI system on what is called request reporting. In this system no central worker records are kept. When a worker applies for benefits he gives his employer's name and the State agency sends a request to the employer for information needed to decide the claimant's eligibility. Employers are required to respond in 2 or 3 days. States using this system generally are able to make payments as quickly as those keeping central records.

I would like to close by assuring the members of the committee of our concern for those of you who are seeking to help, and pledge our cooperation to your committee in working out the best possible system.

That concludes my statement.

Thank you.

The CHAIRMAN. Thank you very much, Commissioner.

I wonder if you, or those in a similar position, have been called on by other committees to talk on the administration question of coverage here?

Mr. HEARTWELL. Well, no, sir. This is our first appearance on health legislation.

The CHAIRMAN. It is yours, but do you know of any other State employment commissions—

Mr. HEARTWELL. I am not aware of any, sir.

The CHAIRMAN. I think it would be helpful. You pledge your cooperation to the committee in working out the best possible system, and we appreciate that offer, and trust, and we will have need to call on you.

Mr. HEARTWELL. Thank you.

The CHAIRMAN. Senator Kennedy.

Senator KENNEDY. I have just one area I would like to have you clarify.

As I understand, there is no problem with the certification of the unemployed, that can be done immediately?

Mr. HEARTWELL. Yes, sir.

Senator KENNEDY. That does not put a very substantial burden upon you. The real problem is no notification about those who are no longer eligible for unemployment compensation?

Mr. HEARTWELL. Yes, sir.

Senator KENNEDY. As I understand, that takes a period of 2 to 3 months, does it not, for notification?

Mr. HEARTWELL. Yes. I think one of the other major problems, the initial certification and identification, I feel like is our responsibility. I feel like this could, of course, be provided.

I think one of the problems that has not been touched on previously in testimony, we have a lot of claimants that are working, say, for 2 weeks, off for 2 weeks, back on for a week. This gets very cumbersome, because we have to look at each of these each time they come back on, or go off, and we, if we would have to continuously, on what we call partial type claimants like this, provide this information, it would provide some difficulties.

If I may say, sir, I think the request reporting that 14 States have, offers some possibilities—here a claimant just comes in to the social security office, and says I am unemployed, and we would request that the particular office request information from the employer.

I can see possibly, without having thought of the answer, some tie in where information you would need would be received from the employer at that time.

I think, Senator, if I may again once more, I have no expertise or experience in the health benefits area, and I think the suggestion or statement you made earlier of a team approach, if this does get into the unemployment insurance arena, we would need some people who have had experience in health care.

Senator KENNEDY. Sure. I do not really know whether we really have to burden you in terms of administration of this program, other than two things. The first is notification of the initiation of benefits. That is relatively, as I understand, easy. The second thing, which is more complex, is when the benefits, for whatever reason, end, another notification would be given to the carrier. That is more complex as I understand.

Mr. HEARTWELL. It is more complex, but I do not believe it is all that complex.

But as I understood the legislation, it would require more identification—looking at us for possible payments and verification with employers and this type. I think on identification problem this could be worked out both on the individual that received the claim, and when they are terminated.

Senator KENNEDY. If we just depend on you for notification in and out of the system, and worked out a payment mechanism by some other means, then you would be able to manage it really without a great deal—

Mr. HEARTWELL. I would not see it as a major barrier.

Senator KENNEDY. I think that is satisfactory.

OK.

The administrative aspects of it are complex, and we would like to stay in very close touch with you and see if we cannot work out something, and get the benefit of your experience.

Mr. HEARTWELL. Thank you very much.

Senator KENNEDY. I want to thank you very much for coming, and your organization, for working with us.

You have been a great help and assistance to us and the committee. We look forward to drawing on your expertise.

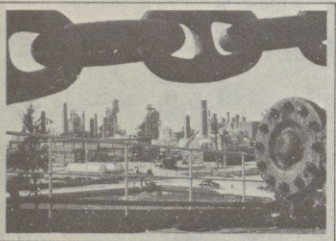
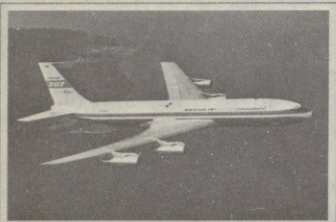
Mr. HEARTWELL. As your staff knows, we have a staff right here in Washington that represents us.

Senator KENNEDY. Thank you.

The CHAIRMAN. Thank you very much.

At this point I order printed all statements of those who could not attend and other pertinent material submitted for the record.

[The material referred to follows:]



Statement of the

CHAMBER OF COMMERCE OF THE UNITED STATES OF AMERICA

on: Proposals for Health
Insurance for the
Unemployed

to: Senate Committee
on Labor & Public
Welfare

by: Andrew A. Melgard

date: March 7, 1975



As the nation's largest business federation, the Chamber's membership includes over 46,000 business firms, corporations and individuals—and more than 3,500 chambers of commerce and trade and professional associations, with an underlying membership in excess of 5,000,000.

STATEMENT
on
PROPOSALS FOR HEALTH INSURANCE FOR THE UNEMPLOYED
for submission to the
SENATE COMMITTEE ON LABOR AND PUBLIC WELFARE
for the
CHAMBER OF COMMERCE OF THE UNITED STATES
by
Andrew A. Melgard*
March 7, 1975

The Chamber of Commerce of the United States welcomes this opportunity to present its views on the various legislative proposals that have been introduced recently to provide health insurance for unemployed workers and their families on a temporary and emergency basis.

This issue is of vital concern to our membership which embraces more than 47,000 business enterprises, 3,600 trade and professional associations, and local and state chambers of commerce. The underlying membership is more than 5,000,000 individuals and firms.

These comments are under three major headings, as follows:

1. "Basis for Chamber Comments," including our positions on current unemployment policies and the need to assure quality health care for all Americans.
2. "The Employment Situation: January 1975."
3. "Legislative Proposals," including a discussion of the pros and cons of the "Medicare approach" and the "extension of employer plans approach." We recommend consideration of an alternative approach, the use of the Medicaid system.

BASIS FOR CHAMBER COMMENTS

The Nation faces three difficult problems: the severe recession and resulting unemployment, the continuing inflation, and the energy crisis. The Chamber recognizes that there is no easy or quick solution to these problems, but has developed a comprehensive set of recommendations for national policy against recession and inflation. A coordinated approach to both recession

* Director, Economic Security, Education and Manpower Section, Chamber of Commerce of the United States

and inflation is imperative.

Among the Chamber's recommendations are a new approach to unemployment, as follows:

New Approaches to Unemployment Policies

A tax cut and easing of credit will stimulate employment and reduce unemployment associated with the recession. Also to reduce hardship caused people by recession-related unemployment, the National Chamber supports the use of unemployment compensation and public service unemployment programs. Such programs automatically provide income, but recede as unemployment declines.

Public service employment programs should have clear self-destruct limits. They also should be applied only in areas where the rate of unemployment has been no less than 6.5 per cent for three consecutive months.

However, there is need for careful analysis of current unemployment. A significant number of today's unemployed are out of work for reasons not related to economic recession. They have either quit their jobs, or reentered the labor force, or are seasonally unemployed, or have never worked before.

Such unemployment should be dealt with by means that are noninflationary, such as:

- Removing obstacles which stand in the way of job opportunities for teenagers.
- Implementing the Comprehensive Employment and Training Act.
- Urging the expansion of career and economic education in schools.
- Eliminating restrictive measures by labor unions that limit the supply of workers in major trades and industries.
- Resuming federal publication of national job vacancy statistics.

New Approaches to the Nation's Health Care Needs

The Chamber supports the national goal of a health care system that would assure quality care for all Americans. Such a system should maximize the advantages of individual freedom of choice and flexibility.

The Chamber supports national health insurance legislation that provides universal, comprehensive coverage built on our current systems. We also support the development and optimum utilization of quality health manpower, increasing the effectiveness of delivery systems, and measures to assure efficiency and control of costs.

Any national health insurance program should recognize certain basic principles. It should:

- provide for universal financial access to health care through both private and public means;
- provide public financial assistance for the poor, near-poor and the unemployed;
- build on our existing hospital and medical care delivery systems with underwriting and administration supplied by private enterprise;
- protect individuals and families against the devastating impact of very costly and prolonged illness;
- provide a benefit "package" which is comprehensive in scope;
- provide for cost-sharing on the part of beneficiaries; and
- provide for effective measures to help contain spiralling costs.

When such a program is adopted, the unemployed will have health coverage, as will those who are on welfare or who are low-income individuals. Unfortunately, we appear to be several years away from having such a permanent solution to the problem.

The Dilemma

The present problem is whether or not we should adopt a temporary emergency program of health coverage for those laid off employees who are receiving unemployment compensation but who have no health insurance coverage. This would be an additional and costly new social insurance program.

The ideal solution is to get laid off workers back on the job where they will once again have earned income, health coverage and a full range of employee benefits. It is questionable whether a new social insurance program will contribute to such a solution. But it is certain to add to the enormous budget deficit.

The Chamber has concluded that there should now be a moratorium on all new federal programs and spending, other than energy programs. A major contribution to inflation has been the growth of government faster than the growth of the overall economy. Government at all levels now absorbs almost 35 per cent of the Gross National Product. It employs one out of every six workers. At the federal level alone, the debt is some \$495 billion, of which over \$100 billion has been added in the past five years. Further expansion of government would not only be inflationary, but would further encroach on the private sector.

The National Chamber believes there is a vital need now to study the adequacy of measures used to maintain stability in the economy and to evaluate the whole question of the size and role of the public sector in a society basically committed to private ownership and a market economy.

This position does not mean there is any lack of concern among employers for the plight of the unemployed during this severe recession. All employers are anxious to get back into full production and quickly rehire laid off employees. Long range, employers want the economy and their businesses to grow. This will afford more job openings for the millions of young Americans who will be new entrants into the labor force.

A picture of employer commitment to higher employee income appears in the Chamber's latest biennial Employee Benefits Survey for 1973. Exhibit A shows the increases in wages and employee benefit costs from 1963 to 1973. Average weekly earnings increased from \$107.52 to \$189.96, or some 77 per cent. Weekly

employee benefit costs increased from \$27.52 to \$62.12 per employee, or some 126 per cent -- almost twice as fast as weekly earnings.

It should be noted, however, that weekly costs for employee benefits vary from industry to industry, and from company to company with a given industry. Exhibit B shows these costs by industry. The cost per employee per week ranged from \$81.88 to \$37.79.

All told, it is estimated that employers paid over \$230 billion in 1974 for employee benefits. Further increases are expected in the years ahead.

A second way to look at non-wage income supplements is to study the growth of transfer payments as a source of personal income. This includes items like social security payments (based on 50-50 employer-employee payroll taxes) and unemployment insurance (primarily based on the employer payroll tax) which go to people not working. Transfer payments have grown from \$33.3 billion in 1962 to an estimated \$158.8 billion in 1975.

This means that in addition to our "market economy", we also have a growing "transfer economy". Traditionally in America, citizens received their incomes from the productivity of their labor or from the productivity of their property. The way citizens obtain income has been changing in the last forty years with the growth of the various components of the "transfer economy".

The transfer economy has arisen from the attempt to reconcile demands for equity and justice in the distribution of income and wealth with the requirement for efficiency in the marketplace. There is concern that the rapid growth of the "transfer economy" may be weakening the linkage among work, property and income. Such a linkage is necessary for the efficient operation of the marketplace.

Some would argue that the growth of transfer payments is evidence of a growing welfare state. Whether this proves correct or not, certain welfare states in Europe are recognizing the need to stimulate the growth of the private sector. For example, Sweden's policy

of encouraging business reflects its recognition that a welfare state needs a vigorous business community to support it financially.

What this means is hard choices, or trade-offs--whether to go further into debt by starting now a new social insurance program to provide health coverage for the unemployed, or whether to defer such additional and possible inflationary deficit spending? Whether to spend several billion dollars to get employees back to work where they will have health benefits or to introduce a new social insurance program that could weaken the linkage between work and income?

Against this background, we would like to examine the current unemployment picture, review the legislative proposals before the Committee and suggest consideration of an alternative approach.

THE EMPLOYMENT SITUATION: JANUARY 1975

The unemployment rate in January was 8.2 per cent. This is the highest point since World War II. Total employment (as measured by the monthly survey of households) was 84.6 million. Unemployment totaled 7.5 million. The expectation is that the situation will worsen before it improves.

Unemployment is an all too clear reality for the person unemployed, but a complex concept to deal with on a national basis. Our current unemployment results from cyclical, frictional, structural and seasonal factors. In addition, any particular rate of unemployment depends for its meaning on the way unemployment is defined and measured.

The Current Population Survey, a monthly survey of 47,000 households, provides the major source for unemployment information in the United States. It covers the labor force status of household members aged 16 and over to determine who are employed, unemployed, or out of the labor force.

Persons are classified as unemployed if they were not employed during the survey week but were available for work and have made a specific effort to find a job at some time within the preceding 4 weeks,

or if they were waiting either to report to a new job within 30 days or to be recalled to a job from which they were laid off.

Exhibit C compares our current employment picture with that of 1958, when we had the highest previous rate since World War II. The number of households has increased from about 51 million to about 70 million. The number of employed has increased from 63 million to 84.5 million.

The makeup of our labor force has changed significantly. Males 20 and over are now only 56 per cent of our labor force as compared to 64 per cent in 1958. Interestingly, the rate of unemployment for this group was slightly higher in 1958.

In 1958, females 20 and over plus both sexes ages 16 to 19 were about 36% of the labor force. This January these two groups totaled almost 44 per cent of the labor force. The current rate of unemployment is now higher for females than males, a reverse of the 1958 situation. The worst rate continues to be for the 16-19 age group, which at 20.8 per cent is about one-third higher than in 1958. More than half our unemployment is among women and the teenage group.

One fact that seems to surprise many is that for every one hundred households we have over one hundred and fifty people working. This is for households with heads under age 65, and, of course, some of these jobs are low-income, or part time. Nonetheless, it shows the degree to which American households are committed to working and to increasing or maintaining their incomes.

The jobs per household figure has some relevance to the legislative proposals. First of all, two or more workers per household is a form of unemployment insurance--household self-insurance. If one employee in the household is laid off, household income maintenance is provided through the incomes of those who continue to work plus the tax-free unemployment payments received by the person laid off. In addition, a laid off spouse or other young dependent may be able to pick up health insurance coverage under the policy of the spouse who continues to work.

Exhibit D shows household data on the reasons for unemployment. Slightly over half the unemployed lost their job. The other half either left their last job, are reentering the labor force, or are seeking their first job.

Exact statistics on the number of individuals who have lost their health insurance coverage are difficult to determine. The statistics in Exhibit D narrow the problem to the 3.8 million who have lost their jobs. We have no figures on how many of these individuals have their health insurance coverage continued for any where from 30 days to 1 year, how many have or purchase individual health coverage, how many may have or pick up coverage through a policy covering a spouse or other relative, how many have income at levels that qualify them for Medicaid, how many of them are elderly and qualify for Medicare, and how many have coverage under previous policies because of pre-existing conditions. In addition, other medical coverage may be available under automobile insurance policies, disability riders on life insurance policies, and other insurance policies. It would be helpful to have a clearer picture to be able to gauge the extent of the problem, price out the cost of the various proposals, and determine what duplication the proposals may cause.

Another factor is the average mean duration of unemployment which the BLS reported was 10.7 weeks in January 1975. This poses the question of how administratively you can efficiently provide temporary, emergency health coverage for the period involved.

Finally, most informed persons now regard an average overall level of unemployment of 5%, or even a little higher, as normal in today's economy. This means the recession-caused part of our current unemployment is about 3 percentage points of the total 8.2 percentage points. This translates into about 2.7 to 3 million jobs. The crucial problem is to get these people back to work. Then, we can start to work on the remaining group and future entrants into the labor force. This all requires policies directed toward investment spending and capital formation to create jobs.

LEGISLATIVE PROPOSALS

Medicare Approach (H.R. 3208 by Rep. Corman and S.496 by Senator Bentsen)

These similar bills would amend the Social Security Act to use Part A Medicare to pay hospital costs of individuals entitled to weekly benefits under a Federal or State unemployment compensation plan. A dependent spouse or a dependent child or children of such an individual would also be entitled to the basic coverage, and in addition, they would receive a maternal and child health benefit package to be devised by the Secretary of HEW. All Medicare deductibles and co-payments would apply to these newly enrolled or covered individuals. But, to avoid unnecessary costs, benefits would not be paid for any individual who had an insurance policy or prepayment plan covering "such item or service."

If adopted, this amendment to the Social Security Act would be effective for one year. It would be financed out of general revenues. The preliminary estimated cost is \$2.1 billion.

The advantages claimed for this approach are that it would utilize an existing system and not require an additional layer of bureaucracy. It has a standardized benefit package which includes deductibles and co-insurance. It covers the most essential hospital services: operating and recovery room costs, lab tests, radiology services, medical supplies and a wide range of rehabilitation services. It is secondary coverage if another health plan is effective.

The problems with this approach are:

1. It would take the Medicare program which is specifically designed for the aged and which is primarily self-financed through taxes on earnings and payrolls and load on to it a general revenue financed program for some unemployed under 65 and their spouses and children. There is concern that this could water down the services being provided the elderly. Our senior citizens living on fixed incomes have been hardest hit by inflation and should not have to run the risk of having their own specifically designed health program weakened.

2. In a broader sense, it is essential that we maintain public confidence in our Social Security system. The 1974 Annual Report of the Trustees estimated a long-term 3% taxable payroll deficit in Social Security. Experts reporting to the Senate Finance Committee have estimated the deficit will be 6% of taxable payroll. The Ways and Means Committee has just learned that the trust funds may be depleted by 1980. Eight former HEW Secretaries and Social Security Commissioners were so alarmed at "attacks on the system" that they recently felt constrained to issue a defense of "Social Security: A Sound and Durable Institution of Great Value." At such a time there would be a grave risk in loading on to the Medicare part of Social Security temporary health coverage for some unemployed under 65 and their dependents. We cannot afford to have public confidence in our Social Security system undermined.

In addition, the proposal is not equitable, nor is that claim made for it. This raises the question of whether general revenue funds should be used in this fashion. Further, whatever the cost may be, should the Congress increase the expected deficit with such a new social insurance program?

Extension of Employer Plans Approach (H.R. 3165 by Rep. Hastings and S. 625 by Senators Kennedy, Javits, Schweiker and Williams)

H.R. 3165 would amend the "Public Health Service Act" and use the Secretary of HEW to administer the emergency health benefit program. S. 625 would amend the "Emergency Jobs and Unemployment Assistance Act of 1974" and use the Secretary of Labor for administration. Both bills propose to provide qualified unemployed with the same health benefits package they had with their previous employer. To accomplish this, the Secretary of HEW or Labor would be authorized to enter into arrangements with insurance carriers, employers, employee welfare benefit plans, and State agencies to pay appropriate premiums plus any additional administrative expenses to continue the unemployed's previous health coverage.

These are temporary bills terminating on June 30, 1976. Various costs are cited. In the Congressional Record of February 7, 1975, Senator Kennedy stated "We estimate over 8 million

unemployed and their families, a total of nearly 25 million Americans, will benefit from the program during the course of the program." Later, he stated, "We estimate the cost of the program to be between \$1 and \$1.5 billion assuming an unemployment rate of 8 per cent." Senator Williams estimated a cost of \$1.75 billion based on a 9 per cent jobless level with 3.5 million eligible workers at an average premium cost of \$500 per year. Senator Javits estimated a cost of \$1.5 billion based on 3 million eligible unemployed workers. Senator Schweiker assumed "that this program may cost at least \$1 billion and may reach \$1½ billion." Whatever the cost, it would be paid from general revenues.

The advantages claimed for this approach are that it would utilize existing private mechanisms on a voluntary basis to provide the coverage. Senator Kennedy stated, "The fact is, by passing this bill, we will be rescuing more than the worker. We are also rescuing the hospitals, the clinics, the health maintenance organizations, and the doctors."

Some of the disadvantages of the bill as stated by Senator Kennedy are:

- "It does not assure comprehensive coverage;
- "It does not cover every American, or even every unemployed worker;
- "It does nothing to restrain the inflationary practices of hospitals and other providers;
- "It does nothing to assure health services are actually available in every community;
- "It does nothing to assure the quality of health care."

In addition, there is no claim that this proposal is equitable, but the hope is that "the inequities and shortcomings in this approach" can be corrected during committee deliberations. This effort to have

employers extend their private programs would be unsuccessful because of the costs involved, the administrative impracticalities and the inequitable results.

An Alternative Approach

The Chamber recommends that, in the course of deliberations, the Committee consider another alternative, the use of the Medicaid system. As with Medicare, the administrative machinery is in place and could probably be started as quickly as any other approach, if not quicker.

This approach would be to amend Title XIX of the Social Security Act to provide a temporary emergency program for a new category of persons, the unemployed and their dependents not otherwise eligible for Medicaid or Medicare and who have no other health coverage. This particular program could be limited to a basic package: inpatient and outpatient hospital service, x-ray and lab services, physician services and prescribed drugs. Appropriate deductibles and co-insurance features could be added to limit costs. This program, like the others, would be funded out of general revenues and should be limited to a short period.

The Chamber has already recommended to Congress that when national health insurance is adopted, it should include a state insurance pool to provide health coverage for low-income individuals including the unemployed. Under this comprehensive approach, Title XIX (Medicaid) would be repealed and the low-income state insurance pool would replace it. Using a temporary Medicaid type approach for unemployed during this recession would help accomplish the purposes of the "Congressional Budget and Impoundment Control Act of 1974" (P.L. 93-344). It would allow pilot-testing and improve the information base in advance for determining the effectiveness of the forthcoming national health insurance program. In other words, if Congress should decide to temporarily cover the unemployed during this recession, it would be helpful to pilot test a program

which could become one of the basic building blocks of national health insurance, i.e., coverage for the unemployed, the low-income and the poor. This approach would build on our existing private health insurance system since the states would be utilizing existing carriers.

Exhibit A**WEEKLY EXTRA BENEFIT COSTS, PER EMPLOYEE**

	Per Cent		
	1973	1963	Change
Social Security taxes.....	\$ 10.13	\$ 3.23	+214
Private pensions (nongovernment) .	9.67	4.19	+131
Paid vacations.....	8.96	4.62	+ 94
Insurance (life, sickness, accident, hospitalization, etc.)	8.79	3.12	+182
Paid rest periods, lunch periods, wash-up time, etc.....	6.56	2.90	+126
Paid holidays.....	5.67	2.79	+103
Unemployment compensation taxes.	2.25	1.83	+ 23
Profit-sharing payments.....	2.15	0.96	+124
Paid sick leave.....	2.12	0.75	+183
Workmen's compensation.....	1.77	0.87	+103
Christmas or other special bonuses	0.71	0.54	+ 31
Contribution to employee thrift plans.....	0.42	0.10	+320
Employee meals furnished free....	0.42	0.33	+ 27
Discounts on goods and services purchased from company by em- ployees.....	0.29	0.21	+ 38
Other employee benefits.....	2.21	1.08	+105
TOTAL EMPLOYEE BENEFITS...	\$ 62.12	\$ 27.52	+126
AVERAGE WEEKLY EARNINGS..	\$189.96	\$107.52	+ 77

Source: Employee Benefits 1973, Chamber of Commerce of the United States

**WEEKLY EXTRA BENEFIT COSTS
BY INDUSTRY—1973**

	Per Employee Per Week
ALL INDUSTRIES.....	\$62.12
MANUFACTURERS:	
Petroleum.....	81.88
Chemicals and allied products.....	71.56
Transportation equipment.....	67.12
Primary metal.....	65.29
Machinery (excluding electrical).....	63.02
Fabricated metal products (excluding machinery and transportation equipment).....	62.33
Rubber, leather and plastic products.....	60.02
Stone, clay and glass products.....	58.83
Food, beverages and tobacco.....	58.15
Instruments and miscellaneous products.....	57.98
Electrical machinery, equipment and supplies..	55.38
Printing and publishing.....	54.87
Pulp, paper, lumber and furniture.....	53.73
Textile products and apparel.....	35.27
NONMANUFACTURING:	
Public utilities.....	75.33
Banks, finance and trust companies.....	64.31
Miscellaneous industries (mining, transportation, research, warehousing, etc.).....	61.38
Insurance companies.....	61.33
Wholesale and retail trade (excluding depart- ment stores).....	45.10
Department stores.....	37.79

Source: Employee Benefits 1973, Chamber of Commerce of the United States

EMPLOYMENT IN THE UNITED STATES: 1958 and JANUARY 1975

<u>YEAR 1958</u>		<u>JANUARY 1975</u>	
<u>Unemployed Rate</u>		<u>Seasonally Adjusted Data</u>	
6.8%		8.2%	
<u>Total Population</u>		212.9 million	
<u>Households: Estimated from 1955 & 1960 data. (Thousands)</u>		<u>1974 Data</u>	
		Male	Female
		Head	Head
<u>Total</u>		<u>Total</u>	<u>Total</u>
Total	50,830	69,859	15,997
Head 65 & Over	9,500	13,877	5,801
Head under 65	41,330	55,982	10,196
<u>Employed and Unemployed:</u>			
		(Thousands)	
		Employed	Unemployed
		63,036 100.0%	7,529 100.0%
		6.8%	8.2%
Total Males, 20 and over	40,411 64.1	47,490 56.2	3,025 40.2
Females, 20 and over	19,043 30.2	29,932 35.4	2,624 34.9
Both sexes, 16-19	3,582 5.7	7,140 8.4	1,880 25.0
Jobs per Household (Head under 65)	1.525		1.511
			6.0
			8.1
			20.8

Exhibit C

Sources: Bureau of Labor Statistics and Bureau of Census, with percentages and jobs per household computed by the Chamber of Commerce of the United States

Exhibit D

HOUSEHOLD DATA

HOUSEHOLD DATA

Table A-5. Reasons for unemployment

(Numbers in thousands)

Reason	Not seasonally adjusted		Seasonally adjusted					
	Jan. 1974	Jan. 1975	Jan. 1974	Sept. 1974	Oct. 1974	Nov. 1974	Dec. 1974	Jan. 1975
NUMBER OF UNEMPLOYED								
Lost last job	2,519	4,858	1,987	2,256	2,418	2,840	3,190	3,831
Left last job	757	780	738	745	834	784	788	760
Reentered labor force	1,227	1,905	1,239	1,592	1,450	1,670	1,762	1,924
Seeking first job	504	637	679	726	770	784	778	858
PERCENT DISTRIBUTION								
Total unemployed	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Job losers	50.3	59.4	42.8	42.4	44.2	46.7	48.9	52.0
Job leavers	15.1	9.5	15.9	14.0	15.2	12.9	12.1	10.3
Reentrants	24.5	23.3	26.7	29.9	26.5	27.5	27.0	26.1
New entrants	10.1	7.8	14.6	13.6	14.1	12.9	11.9	11.6
UNEMPLOYED AS A PERCENT OF THE CIVILIAN LABOR FORCE								
Job losers	2.8	5.3	2.2	2.5	2.6	3.1	3.5	4.2
Job leavers	.8	.9	.8	.8	.9	.9	.9	.8
Reentrants	1.4	2.1	1.4	1.7	1.6	1.8	1.9	2.1
New entrants	.6	.7	.8	.8	.8	.9	.8	.9

Table A-6. Unemployment by sex and age

Sex and age	Not seasonally adjusted			Seasonally adjusted unemployment rates					
	Thousands of persons		Percent looking for full-time work	Jan. 1974	Sept. 1974	Oct. 1974	Nov. 1974	Dec. 1974	Jan. 1975
	Jan. 1974	Jan. 1975							
Total, 16 years and over	5,008	8,180	81.0	5.2	5.8	6.0	6.6	7.2	8.2
16 to 19 years	1,271	1,732	53.5	15.5	16.7	17.1	17.4	18.1	20.8
16 to 17 years	606	746	25.1	18.8	18.5	18.8	19.5	21.2	25.6
18 to 19 years	665	985	75.1	13.2	16.0	15.7	15.8	16.0	19.6
20 to 24 years	1,170	1,829	87.0	8.3	9.4	9.4	10.5	11.7	12.4
25 years and over	2,567	4,619	89.0	3.2	3.7	4.0	4.4	4.9	5.7
25 to 54 years	2,122	3,938	90.5	3.3	3.8	4.2	4.7	5.1	6.1
55 years and over	445	681	80.0	2.8	3.0	3.1	3.2	3.7	4.2
Males, 16 years and over	2,764	4,644	85.6	4.3	5.0	5.4	5.7	6.4	7.2
16 to 19 years	707	972	54.6	14.1	16.9	16.5	17.1	17.4	19.8
16 to 17 years	365	439	26.4	18.2	18.4	17.9	19.7	21.1	22.3
18 to 19 years	341	533	77.9	11.4	16.6	15.2	15.1	14.9	18.2
20 to 24 years	648	1,070	90.9	7.7	9.1	9.4	10.4	11.2	12.6
25 years and over	1,409	2,602	95.0	2.6	3.0	3.4	3.7	4.2	4.8
25 to 54 years	1,130	2,189	97.0	2.6	3.1	3.6	3.9	4.4	5.1
55 years and over	230	412	84.2	2.6	2.8	2.7	2.8	3.4	3.9
Females, 16 years and over	2,244	3,535	75.0	6.5	6.0	7.0	7.8	8.5	9.7
16 to 19 years	564	759	52.0	17.1	19.5	17.8	17.6	19.0	22.1
16 to 17 years	241	307	23.1	19.6	18.6	20.0	19.3	21.4	23.0
18 to 19 years	324	482	71.9	15.3	15.3	16.2	16.6	17.3	21.1
20 to 24 years	522	759	81.6	9.0	9.7	9.5	10.7	12.4	12.2
25 years and over	1,157	2,017	81.2	4.2	4.8	4.9	5.7	5.9	7.1
25 to 54 years	992	1,750	82.3	4.5	5.1	5.2	6.1	6.3	7.6
55 years and over	165	268	73.9	3.0	3.5	3.7	3.9	4.4	4.9

Source: Bureau of Labor Statistics, U. S. Department of Labor

STATEMENT OF THE AMERICAN DENTAL ASSOCIATION RE TEMPORARY HEALTH INSURANCE FOR THE UNEMPLOYED (S. 625)

The American Dental Association shares the concern of members of this Committee and the Congress over the problem of providing a mechanism for continuing health insurance benefits for persons who have lost that protection through unemployment from the current economic recession.

The Association recognizes that many of the unemployed will not have sufficient resources individually to maintain entitlement to their health benefits during this period and, therefore, it is appropriate and desirable for the government to assist them on a temporary, emergency basis.

The Association believes that the most efficient and immediately effective approach would be to initiate a program under which the government would pay, from general revenues of the Treasury, premiums and necessary administrative expenses directly to carriers to continue pre-existing benefit coverage on behalf of persons who would have been entitled to such benefits had their employment not been terminated.

Such a system would merely require a change in billing procedures rather than the development of new plans and benefit structures different from those that were applicable when the beneficiaries were in an employed status. It would also permit an easy return to coverage under an employer program when the individual regains employment.

In reviewing the several proposals which have been introduced on this subject, the Association believes that the approach taken in S. 625 introduced by Chairman Kennedy and H.R. 3165 introduced by Representative James F. Hastings and similar bills, such as H.R. 4004 introduced by Representative Paul G. Rogers, is the most practical. The bills would provide health benefits protection for unemployed individuals who are entitled to weekly federal or state unemployment compensation benefits and who had been receiving health insurance benefits as employees. Under authority which would expire on June 30, 1976, the government would enter into contracts with carriers and others administering health insurance plans whereby eligible individuals would receive coverage equal to the particular benefits provided while they were employed. Under such contracts, payment would be made for premiums and appropriate administrative expenses. H.R. 3930 and H.R. 4003 also encompass this same type of approach. However, these bills would not provide coverage for "elective services." Unfortunately, the bills do not define elective services. The Association believes that such a provision would result in confusion among beneficiaries as well as administrative difficulties. In a short term program such as those proposed, involving individuals who have experienced considerable disruption of their lives, we feel it is very important to retain a continuity of health insurance benefits to the greatest extent possible.

The Association believes that legislation such as S. 625 and H.R. 3165 could be most readily administered and placed quickly into effect as temporary measures designed to meet an emergency situation. In addition, and very importantly, the continuation of equivalent benefit packages would provide a desirable degree of stability and security for unemployed persons and their families.

By contrast, S. 496 and H.R. 2208, introduced by Senator Lloyd Bentsen and James Corman, respectively, would require conversions from existing plans to a new plan limited primarily to hospital benefits covered under Part A of Medicare. This would entail a complicated and overlapping mixture of carriers and would have a disruptive effect by leaving outside the program many of the non-hospital health care expenses previously covered by various employer-employee plans. Additionally, the bill would place unreasonable burdens on the Medicare administrative structure.

Therefore, the American Dental Association favors the approach taken in S. 625 and similar bills as the one which can most satisfactorily meet the needs of those who are temporarily unemployed while at the same time providing the least disruptive and most efficient mechanism for doing so.

STATEMENT OF THE NATIONAL ASSOCIATION OF LIFE UNDERWRITERS

The National Association of Life Underwriters (NALU) wishes to take this opportunity to comment on the concept presently incorporated in several legislative proposals which would make health insurance benefits available on an

emergency basis to those American workers who have recently become jobless because of the dramatic spread of the current economic recession in the United States and who, because of this phenomenon, have lost their health insurance.

NALU is a Washington-based trade association whose 1,000 member state and local associations have in turn over 130,000 members actively engaged in the marketing of life and health insurance products in virtually every community in the United States. NALU feels competent to comment on the emergency health problem because life underwriters are in contact daily with people in the community and are intimately acquainted with the problem the current high jobless rate has caused, including the dislocation of normal health insurance benefits.

Life underwriters are deeply troubled by the severe financial loss people are exposed to when health insurance benefits are lost along with a job. Of course, whenever and wherever possible, life underwriters are assisting recently unemployed workers to extend their current benefits, convert their former benefits or acquire health insurance coverage on an individual basis to make up for insurance lost because of unemployment. In many instances, however, the drastically reduced income unemployed persons experience makes it impossible in many cases for them to afford even moderate individual health insurance coverage.

NALU supports legislation which will temporarily fill the gap created by high levels of unemployment and make it possible to extend health insurance coverage to recently unemployed individuals and their families on the same basis as they were covered before becoming unemployed. Two approaches to solving the problem are covered by this statement. One method, sponsored by Sen. Edward M. Kennedy in the Senate and Rep. Paul G. Rogers in the House and embodied in S. 625 and H.R. 4003 respectively, would direct the Secretary of Labor to pay directly to insurance carriers the premiums necessary to extend for up to one year a laid off worker's benefits. S. 625 and H.R. 4003 would both rely upon existing health insurance structures and methods for the most part, and maintain the affected group in place for a temporary period of time.

Another approach, sponsored by Sen. Lloyd Bentsen and Rep. James C. Corman and contained in S. 496 and H.R. 3208, respectively, would attempt to accomplish the same goal by making recently unemployed persons eligible for Medicare Part A benefits. While arguments can be made for and against both approaches, NALU prefers the method taken by S. 625 and H.R. 4003, each of which would maintain the individual's status quo, relying on mechanisms to deliver health insurance benefits which are presently in place and operational.

A third alternative, H.R. 5000, has been put forward by the Chairman of the Subcommittee on Health, Committee on Ways and Means, Rep. Daniel Rostenkowski. Frankly, NALU has not seen an actual copy of this bill, but from general descriptions published by the Committee, NALU has reservations about the approach suggested by H.R. 5000. The bill, while relying on the private sector, seems to consider the problem as a long-standing one while most observers view it as a temporary emergency. NALU would prefer that short-term problems be solved currently, and the long-term health care picture addressed in a comprehensive national health insurance bill.

The need for emergency health insurance legislation has been brought about, of course, because of the recent economic recession which has caused widespread unemployment in major industries, and, through a rippling effect, touches virtually every employer and employee in the United States. Most employed workers enjoy numerous "fringe" benefits from employment including health insurance, and, while it need not be the case, it is oftentimes indeed quite true that when a worker loses his job, he loses his health insurance as well. This occurs not necessarily because health insurance is unavailable anywhere else, but rather because it often represents an expense which an unemployed person simply cannot pay.

It has been recognized by most witnesses who have testified before the various Congressional committees now considering emergency health legislation, that if a national healthcare insurance program had been in place at this time, the need for emergency legislation would have been obviated. While the spectrum of national health insurance proposals ranges from those which would create a completely federal structure controlling virtually every aspect of the healthcare system to those which would merely make the money available to operate the current system, most if not all of these proposals contain a program to cover temporarily unemployed persons to guarantee that by virtue of unemployment a person would not be denied effective access to the healthcare system.

The National Health Insurance plan supported by NALU, the "National Health Care Act" sponsored in the last Congress by Sen. Thomas McIntyre and Rep. Omar Burleson is no exception. "The Health Care Act" would provide that a laid off worker would automatically have his health insurance benefits continued for a significant period of time, and, if still unemployed at the end of that period, the worker would be transferred to a state plan that would be required to have the same minimum benefits as the employer-employee plan that covered the worker while employed. The fact is, though, that no comprehensive national health insurance plan is presently in force, and so the need arises for emergency treatment of a problem that everyone hopes will be of short duration.

As noted above, NALU supports the proposal sponsored by Sen. Kennedy and Rep. Rogers because we think the approach taken by these gentlemen is appropriate for the times. S. 625 and H.R. 4003 perceive the situation to be grave at the present moment and would call upon the existing healthcare structure to respond accordingly. This we believe the system is ready to do, but it needs the funding of the Federal government in order to accomplish the task.

Emergency situations call for emergency action, the salient ingredients of which are speed and effectiveness. While it is recognized that there is some inequity in spending federal funds to continue health insurance programs which may treat some workers less generously than others, the objective of the emergency proposals is to get as much health insurance benefits to unemployed workers as quickly as possible. With a structure in place, the existing health insurance system offers the most realistic expectation that these benefits will be delivered in a minimum of time. In fact, health insurance industry witnesses have indicated that the program can be implemented with virtually no lead time whatever, although it is anticipated and expected that certain administrative problems will arise which will need to be solved. However, most private insurance carriers have indicated the capacity and the willingness to tackle this job, and NALU believes they should be given the chance.

This is not to say the Medicare system could not do the job in the final analysis if given the task. However, in view of the emergency, temporary nature, it seems to NALU that Medicare should not be asked to do the job.

Medicare was designed to cover individual persons 65 and over who have left employment permanently for the most part and who will spend the rest of their lives in the Medicare system. As such, Medicare is geared towards a continuing long-term financing of health insurance benefits and would not be well equipped to handle a temporary emergency such as we have now. Workers will constantly be moving in and out of employment, a fact which presumably would cause Medicare extreme administrative problems. And, even if the adjustments are made, the end result would be the delivery of hospital benefits only to the unemployed.

While hospital benefits are critically important, providing them alone would probably only encourage usage in the hospital of medical services which would normally be performed on an ambulatory basis. Also, the Medicare extension bills make no provision for the availability of Medicare Part B benefits on an optional basis, although this could easily be adopted. However, it seems likely that unemployed persons would have just as much difficulty in paying the optional Medicare Part B premiums as some of the elderly poor do now.

When considering the magnitude of the problem and the solutions at hand, NALU's conclusion is that the workers to be served by emergency health insurance legislation would be much more efficiently served by a program which utilizes the current delivery system now in place and which provides those benefits as quickly as possible. NALU, therefore, endorses the concepts of S. 625 and H.R. 4003 and recommends that the Congress adopt them as quickly as possible.

STATEMENT ON BEHALF OF NATIONAL COUNCIL OF COMMUNITY MENTAL HEALTH CENTERS

This statement is presented on behalf of the National Council of Community Mental Health Centers (NCCMHC), representing 317 community mental health centers, most of which receive federal funding under the Community Mental Health Centers Act, and all of which receive federal funds from one source or another, and another 119 agencies which are developing CMHC programs or which have a direct interest in community mental health.

National Council of Community Mental Health Centers strongly endorses the concept of health insurance coverage for unemployed workers and their families

to be financed by the federal government. The need for legislation to protect these people from health care costs has been well documented, and the number of individuals and families affected makes action in this area imperative.

Of the various measures proposed to alleviate the problem there are some which will merely add to the costs of health care, while providing no encouragement for the most efficient use of health care resources. The escalating costs of Medicaid and Medicare warn against merely underwriting the cost of care. We must ensure, for example, that treatment which can be provided more efficiently and effectively through outpatient or other ambulatory service programs is not provided on an inpatient basis; that care provided through comprehensive systems (such as community mental health centers, community health centers, health maintenance organizations) is fully covered; and that care, especially primary care, is accessible to all.

A number of bills recently introduced (HR 4003, HR 3165, HR 3166, HR 3228 and S 625, and S 951) would authorize the federal government to assure continued health insurance coverage for unemployed workers and their families by paying the premiums for the coverage they previously received through their employers. These bills have a number of very serious drawbacks:

They do nothing to improve the system of care or to ensure maximum use of existing resources;

They fail to provide a mechanism for controlling costs and quality of care;

They would continue inequitable coverage, by providing different benefits to different individuals (on the basis of the coverage such individuals were receiving under their health insurance policy when employed);

They would continue the inequities and discrimination which is generally apparent in health insurance policies (for example, most private insurance companies discriminate against mental health care and where such coverage is provided it is generally limited to more expensive inpatient care, resulting in inappropriate hospitalization in many cases);

They ignore the needs of unemployed workers who had no health insurance coverage when they were last employed, but who are equally incapable of purchasing insurance through the private market;

They would provide a two-billion dollar bonanza for private insurance companies, which would act as middlemen between the federal government and the insured individuals, and hence be more expensive than proposals for direct federal health insurance;

Many of these bills also would require the establishment of a new bureaucratic mechanism to administer the program in the Department of Labor, which has no experience in managing a health insurance program.

Other bills (HR 3208, HR 3932 and S 496) would provide coverage for the unemployed and their families under the Medicare program. The one serious drawback in these proposals is that coverage would be provided only under Part A of Medicare. Part B, which provides coverage for outpatient and other ambulatory care and aftercare, would not be available to these individuals. If these bills were enacted without change, they would seriously effect the delivery system by emphasizing expensive inpatient care. However, were coverage provided to unemployed individuals and their families under both Parts A and B of Medicare most of the objections cited above would be met.

For instance, equal coverage would be available to all, regardless of the coverage they had previously received under a private policy and regardless of whether or not they had previously been covered at all. The program could be administered routinely by the Social Security Administration, which has years of experience in operating Medicare and which has the administrative machinery in place. In this regard, it should be noted that an expansion of the Medicare program would be easier for SSA to manage than the new Supplementary Security Income program which ran into a number of snags, mainly because it was a brand new program. The experience with SSI should warn us against setting up another new system in the Labor Department, when the SSA Medicare program can be utilized instead.

A quality and utilization control mechanism is already set up (or in the process of being set up) through the Professional Standards Review Organizations authorized under the Social Security Act for monitoring Medicare and Medicaid services.

The costs of providing this essential coverage would also be kept to a minimum by utilizing Medicare, as the federal government would pay providers for care provided, rather than paying insurance premiums for all covered individuals.

However, while providing coverage under Parts A and B of Medicare would be far more equitable and less costly than continuing previous insurance coverage for unemployed workers, it will not improve the system for delivery of health care services. Medicare, as well as private insurance companies, discriminates against small comprehensive care centers, such as community mental health centers and community health centers. It also discriminates against mental health coverage in general (by limiting inpatient care to a certain number of days during the patient's lifetime, and limiting care under Part B to 66½% of costs or \$312.50 a year, whichever is less). However, in this respect Medicare is more comprehensive than many private insurance policies.

NCCMHC therefore urges that legislation to provide health care coverage for unemployed workers and their families be enacted swiftly. Such legislation should:

Cover all individuals receiving unemployment benefits, regardless of whether or not they had previously been covered under a private insurance policy.

Provide hospital insurance coverage under Part A of Medicare and supplementary insurance coverage under Part B (with no premium charged for Part B coverage).

Amend title XVIII to include community mental health centers which meet certain standards as providers of care under Medicare and eliminate existing restrictions on mental health coverage.

Further details on NCCMHC recommended amendments to Medicare are contained in the attached position paper. Briefly, we recommend amendments to Title XVIII as follows:

Include CMHCs which meet the definition of such centers in the Community Mental Health Centers Act as providers of care for inpatient services under Part A.

Amend Part B to specifically include under the definition of medical and other services "all services of community mental health centers which meet the definition of such centers in the Community Mental Health Centers Act, whether provided in the center facility or in disbursed service elements affiliated with the center".

Repeal the provision which limits the total number of days of mental health care a person can be reimbursed for in his lifetime, and replace it with a limitation on spell of illness coverage which should be the same as for other forms of care.

Repeal the limitation on reimbursement under Part B for mental health services (now limited to \$312.50 or 66½% of expenses incurred).

Enactment of these amendments and of legislation to provide coverage under Parts A and B of Medicare for unemployed workers and their families will ensure improvements in the delivery system and an emphasis on ambulatory and other noninstitutional care. We should avoid the mistake of earlier years of funding health services for a certain population group without at the same time ensuring that costs are contained, care is accessible to all in need, and the quality of care provided is monitored (in this case through the PSROs set up to review Medicare and Medicaid services).

While legislation to protect the unemployed is urgently needed, it is vital that we not rush into law a measure which could compound our present problems in health delivery. Although the pending legislation is clearly intended to be temporary; it is likely that it will be extended beyond the proposed one-year period and even become the basis for a program of national health insurance. Thus, if all the ramifications are not carefully examined, the new law could prove detrimental to future federal efforts to improve the system for delivery of care.

POSITION PAPER: NATIONAL COUNCIL OF COMMUNITY MENTAL HEALTH CENTERS

HEALTH INSURANCE FOR AGED AND DISABLED—MEDICARE

Background.—As Congress begins serious work on proposals for national health insurance, it is important to review the operation of existing federal third party payment programs designed to bring health care to specified population groups by underwriting costs. The Medicare program, designed to cover the costs of certain health services for elderly and disabled persons is one such program, and one which has generally not provided significant reimbursements to community mental health centers.

Whether or not national health insurance is enacted in the next few years, there is a need for improvements in Medicare. At the present time, both Congress and the Administration are proposing that CMHCs become less financially dependent upon federal categorical grants, and transfer their support to third party payment systems, including Medicare. Yet at the same time CMHCs are finding that retrictions built into Medicare prevent their receiving adequate reimbursement for services to the elderly and the disabled.

If CMHCs are to become more fully self-supporting, it is essential that the Federal Government provide a system to reimburse centers for essential services to those unable to pay.

Problem.—Currently, some centers are obtaining substantial revenue from Medicare (in terms of number of elderly persons served) but many others run into difficulties because:

Free standing CMHCs have found it impossible to qualify as providers of care under the inpatient program as they do not meet the definitions (which are more suited to large psychiatric or general hospitals);

CMHCs are not able to receive reimbursements for home health services, because the law is not specific on their eligibility;

Some intermediaries have excluded CMHCs from Part A or Part B reimbursements because the centers received federal grants (policy on this issue is being clarified by the Social Security Administration and this should not remain a problem);

Limitations on the costs of covered mental health services excludes some patients;

Some CMHCs cannot qualify for reimbursement for services provided through these satellite programs) which are not co-located with the main center facility and which do not have a physician on the premises).

Position.—NCCMHC urges swift enactment of a number of amendments to Medicare to increase reimbursements to CMHCs through this program. These amendments should:

Include CMHCs which meet the requirements set for such centers applying for financial assistance under the Community Mental Health Centers Act as providers of services for inpatient care under Part A;

Amend Part B to specifically include under the definition of medical and other services, "all services of community mental health centers which meet te definition of such centers in the Community Mental Health Centers Act, whether provided in the center or in disbursed service elements affiliated with the center";

Repeal the provision in Medicare which limits the total days of mental health care a person can be reimbursed for in his lifetime, and replace it with a limitation on spell of illness coverage which should be the same as the limit for other forms of care;

Repeal the limitation on reimbursement under Part B for mental health services (now limited to \$312.50 or 66½% of expenses incurred.)

Attached is a list of these amendments.

SUMMARY OF NCCMHC SUGGESTED AMENDMENTS TO MEDICARE LAW

PART A—INPATIENT COVERAGE

(1) *Limitation on Coverage.*—Medicare limits mental health coverage to a total of 190 days during the patient's lifetime, Sec. 1812(b)(3). This section should be repealed.

Inpatient mental health care should be limited, not by the total number of days of care in a lifetime, but for each spell of illness. This would encourage shorter hospital stays and accent ambulatory care (which is both less expensive and more desirable for most patients). A lifetime limitation on care, on the other hand, could exclude from coverage persons in desperate need of such care.

The limitation placed on inpatient mental health care per spell of illness should be the same as those now in the law for other forms of care (i.e. 90 days, plus a lifetime supply of another 90 days which can be used at the patient's discretion except that services are not covered for more than 150 days per spell of illness).

(2) *Inpatient Psychiatric Hospital Services—Definition of Psychiatric Hospital.*—The definition of a provider of care for inpatient mental health services under Medicare accents care in psychiatric or large general hospitals. Free-standing CMHCs are unable to obtain reimbursement from Medicare for services to elderly patients.

This situation could be ameliorated by including in the definition of a psychiatric hospital (Sec. 1861 (f)): "community mental health centers meeting the definition of such centers in the Community Mental Health Centers Act".

PART B—SUPPLEMENTARY BENEFITS

Part B provides coverage for medical and other services provided to persons who are not inpatients. Many services of community mental health centers qualify for support under this Part. However, some centers have found it difficult or impossible for various reasons to get reimbursement through Part B.

As centers are required to reply more and more upon third party payments, and as categorical grants are de-emphasized in favor of national health insurance schemes, it is important to ensure that the federal government does not *discourage* the utilization of community mental health centers for mental health care. NCCMHC therefore recommends that Sec. 1861(s) be amended to add a new paragraph to the definition of "medical and other services" to include: "all services of a community mental health center whether provided in the center facility or in disbursed service elements affiliated with the CMHC, which center meets the definition of such centers under the Community Mental Health Centers Act."

Also, Sec. 1833 should be repealed. This would have the effect of removing the limitation on reimbursement under Part B for mental health care (now limited to \$312.50 or 66½ percent of expenses incurred).

STATEMENT OF THE AMERICAN FEDERATION OF STATE, COUNTY, AND MUNICIPAL EMPLOYEES ON EMERGENCY HEALTH INSURANCE FOR THE UNEMPLOYED

The American Federation of State, County and Municipal Employees, AFL-CIO, submits this statement on behalf of its more than 700,000 members: men and women employed by State and local governments. These governmental units, faced with budget deficits, are laying off workers in increasing numbers as a means of alleviating their fiscal problems.

We commend the Subcommittee on Health and its able Chairman for the hearings now being conducted on temporary, emergency health insurance for the unemployed. We hope these hearings will lead to speedy relief for unemployed workers in this time of economic difficulty.

AFSCME strongly supports this type of legislation on a short-term basis to provide immediate needed assistance to unemployed workers. A recent study by the Lebrary of Congress indicates that more than eighty percent of workers laid off during 1974 lost their health insurance coverage. In addition, the AFL-CIO, in a study of health insurance contracts, found that over two-thirds of all workers have no health insurance after being unemployed for one month or more.

However, we believe the bills currently pending before the Subcommittee should be amended to meet certain criteria. We hope the Subcommittee will consider the criteria developed and recommendations for amendments made in this statement during its deliberations.

LIMITATION ON THE DURATION OF THE PROGRAM

First, we urge the Subcommittee to enact a definite limit on the duration of the program to ensure that it is not viewed as nor does it in fact substitute for comprehensive national health insurance, such as that envisioned by S. 3, introduced by the able chairman of the Subcommittee, Senator Kennedy. Such legislation should be seen as a means of responding, on a short term basis, to an immediate and emergency situation, not as method of perpetrating the current hodge-podge of costly, inadequate health insurance programs. Indeed we feel Congress should move quickly beyond this necessary stopgap measure to action a national health insurance.

EXPANSION OF COVERAGE

Second, we urge the Subcommittee to develop legislation which would provide coverage to all unemployed workers who have been eligible to receive unemployment compensation benefits. Neither S. 625 nor S. 496 fully meets this criterion.

S. 625 introduced by Senator Kennedy, only provides benefits to workers *currently* eligible to receive unemployment compensation benefits *who are covered by employer-sponsored health insurance plans* while they were employed. This approach ignores two categories of workers in need of health insurance coverage: those who are no longer eligible for unemployment compensation for they have exhausted their benefits; and those who were not covered by health insurance plans when they were employed.

S. 496, introduced by Senator Bentsen, expands coverage to all unemployed workers eligible to receive unemployment compensation, regardless of past health insurance coverage, but does not include those whose period of eligibility for benefits has expired.

Many State and local government employees are now covered under Federal-State unemployment compensation programs for the first time, because of their inclusion under P.L. 93-567, the Emergency Jobs and Unemployment Assistance Act of 1974 (Title II—Special Unemployment Assistance Program). Benefits under this program are limited to 26 weeks. The program itself is temporary, and benefits will only be paid through March 31, 1976, with claims for payment accepted up to December 31, 1975.

As cities and States are unveiling their budgets for FY 1976, it becomes increasingly evident that layoffs of public employees are likely to increase greatly over the next six months, unless Federal assistance to these areas is increased. The situation in many areas already is bleak—the unemployment data show, the city of Detroit, Michigan, with almost 13 percent unemployment, placed 1,400 workers on a “forced furlough” for the month of January. The city of Newark, New Jersey, with almost 13 percent unemployment, plans to lay off 433 city employees. Further, the Mayors of both cities stress that these data underestimate the actual unemployment levels in their cities.

For public employees, the requirement that one must be currently eligible to receive unemployment compensation would have an extremely adverse impact. This restriction would deprive the majority of public employees of health insurance coverage after six months of unemployment, at a time when their financial resources are most severely strained.

AFSCME therefore recommends that the Subcommittee amend the legislation it is considering to provide maintenance of health insurance coverage to workers whose period of eligibility for unemployment compensation expired December 31, 1973. The adoption of this amendment would provide eligibility to tens of thousands of workers who are least able to provide for themselves and their families.

INCLUSION OF WORKERS WITH NO PREVIOUS HEALTH INSURANCE

S. 625, the Emergency Unemployment Health Benefits Act of 1975, provides coverage only to workers who were enrolled in employer-sponsored health insurance plans. While S. 625 does provide for continuation of all health insurance benefits the covered workers were previously entitled to, it does not address the question of previously uncovered workers.

S. 496, expands coverage under Medicare to all unemployed workers eligible for unemployment compensation regardless of past health insurance coverage, but only provides for coverage for hospitalization. As Rep. Corman stated in his introduction of the bill on February 19, “We should examine the feasibility of adding physical services . . .” (*Congressional Record*, p. H 905).

AFSCME favors the approach in S. 625 to provide continuing health insurance coverage to workers who were enrolled in health insurance plans. We urge the committee to cover workers who did not have prior health insurance under State Medicaid programs. However, we believe that current Medicaid regulations must be changed in the following areas:

1. Eligibility for coverage for Medicaid must be based only on the individual's eligibility for unemployment compensation. This would require removing state imposed assets and means tests, and categorical aid requirements. Without waiving these requirements, unemployed workers would be forced to divest themselves of savings, homes, and other assets to become eligible.

The Federal government must provide for total financing of benefits out of general revenues, instead of the current requirements for State sharing of the costs of Medicaid.

QUALITY CONTROL AND EVALUATION

Further, AFSCME believes that a mechanism must be developed to evaluate the quality of care provided under this program. Such a program could be based

on the PSRO model. It is critical that legislation providing health care under this proposed Federal program contain standards of evaluation to ensure that it meets the objectives of the legislation.

CONTROL OF ADMINISTRATIVE EXPENSES

S. 625 provides for payment to the carrier of "any additional administrative expenss reasonably incurred by the carrier (or by the employer or health and welfare trust) in securing such benefits under the arrangement." (Section 402(a)) AFSCME urges the Subcommittee to limit the definition of "reasonable" to insure that carriers do not receive windfall profits from the implementation of this program. Since the carrier previously provided coverage to the worker, reinstatement of the policy should not be expensive and administrative expenses should be closely monitored and limited.

For private carriers, the cost of reinstatement should be limited not to exceed 10% of the premium cost.

Further, AFSCME believes that private health insurance carriers should be reimbursed for only 90% of the premium costs. The Federal government should not subsidize the insurance industry in an emergency program to provide health insurance. By using this formula, carriers are reimbursed up to the total costs of premiums and administrative expenses, but are not rewarded for reinstating health care coverage to unemployed workers.

ELIMINATION OF COSTS TO THE UNEMPLOYED WORKER

S. 625 further provides that these arrangements will provide payments "equal to the premiums or other charges prescribed for such benefits." (Section 402(a)) Unless this section is refined to define "payments" as including both employer and employee costs of premiums, where applicable, many unemployed workers will not be able to participate in the program because they won't be able to afford the employee contribution. Employee contributions vary greatly, but almost any contribution by a worker and family trying to survive on limited unemployment compensation benefits, will severely lessen the participation of workers in this program.

S. 496 provides that "the provision of title XVIII relating to deductibles and copayments shall be applicable to individuals deemed to be entitled to hospital insurance under this section (Section 226(j) (3) (A), unless waived by the Secretary by regulation (Section 226(j) (3) (B)).

AFSCME urges the Subcommittee to develop legislation to ensure that the costs of employee contributions (as in S. 625) and/or the Medicare copayments and deductibles (as in S. 496) be paid out of general revenues to ensure maximum availability and participation by eligible workers.

ADMINISTRATIVE REQUIREMENTS

Administration of the program in S. 625 and under Medicaid would rest with State agencies. S. 625 would use the State Employment Security agency to determine eligibility and provide payment to carriers. With the tremendous increase in workers seeking unemployment compensation benefits, personnel capabilities of employment security agencies are increasingly overburdened. We therefore recommend that S. 625 be amended in order to avoid a repetition of the present backlog in determining eligibility and processing claims. The legislation should be amended to provide funds for Employment Security agencies to hire adequate numbers of personnel needed to administer the program.

We further recommend that additional personnel be provided to State agencies administering Medicaid to better enable them to quickly expedite claims.

AFSCME commends the Subcommittee on the timeliness and importance of these hearings. We believe that with the adoption of the recommendations proposed in this statement, the goal of providing temporary, emergency health care insurance to the unemployed can best be accomplished.

STATEMENT OF ASSOCIATION OF AMERICAN PHYSICIANS AND SURGEONS

Testimony on proposals to nationalize medical care for the unemployed makes clear that these proposals provide many proponents of so-called national health insurance a convenient cover for continued efforts to destroy the private practice of medicine, and substitute compulsory, politicalized medical care.

The Association of American Physicians and Surgeons urges this Committee to reject proposals to nationalize medical care for the unemployed for these reasons:

1. They represent an unwarranted assumption by the federal government of conduct that is properly the responsibility of state and local governments. There are sound reasons why insurance has always been a state and local responsibility. Less intervention by the federal government is called for—not more.

Such proposed legislation represents another usurpation of power by the federal government, contrary to fundamental concepts of our republican form of government.

2. What is billed as a temporary answer to an emergency would, if adopted, certainly become a permanent program. The experience of the past 45 years teaches us that there is nothing so permanent as a temporary usurpation of power by the federal government.

Honesty requires admission of the fact that this would not be a “temporary stopgap”—but an opening wedge to one more permanent program.

3. Enactment of this program would further exacerbate inflation, which is itself the terrible price Americans are paying for 45 years of excessive intervention by the federal government.

Senator Kennedy estimated that a health program for the unemployed such as he proposes would cost as much as \$1.5 billion. That's a familiar figure—\$1.5 billion was the estimated annual cost by the bureaucracy of Medicare . . . which is now costing \$14 billion a year!

4. Chief proponents of these proposals to extend usurpation of federal power are also proponents of compulsory political medicine—which they euphemistically and deceptively label “national health insurance.”

5. This program would open yet another door to bureaucratic meddling in medical care that would further accelerate costs and feed inflation.

Anyone familiar with the propensity of the bureaucracy to multiply geometrically will have no trouble visualizing the nightmare of yet another medical care program wedged between the mess of medicare and medicaid.

The vulgar assumption that there is a definable limit to so-called free medical care that can be supplied by government is absurd. Demand for care, without cost at point of consumption, is infinite.

And most importantly, the cruel and destructive tax of inflation will inflict the worst injury on the poor and on those ostensibly being helped—the unemployed. And all in the name of compassion, which is synthetic.

There is nothing in these proposals that even remotely suggests an interest in attacking the real cause of the problem of unemployment—economic recession bred by inflation—inflation that is the product of irresponsible deficit spending by a profligate federal government.

In fact, it is frightening and tragic that the proponents of government intervention seek to hide the truth about inflation by attempting to blame everyone else but government for our problems.

For example, the statement was made in explaining the Emergency Health Benefits Program introduced in the House and Senate that: “It does nothing to restrain the inflationary practices of hospitals and other providers.”

Nowhere is there a single word about restraining the inflationary practices of the federal government—the real culprit!

AAPS members strongly challenge the assertion that only the federal government can do the job of taking care of medical bills of unemployed because state treasuries are being emptied by falling revenues and rising costs that result from unemployment.

Unemployment is not the root cause of falling local revenues.

And it is not just the treasuries of state and local governments that are being emptied. The pockets of individuals are being emptied, too, by the perpetual-motion suction pump operated by the federal bureaucracy.

This pump must be turned off, or this country's free institutions are doomed.

If we continue to invent crises to deceive the American people into accepting more government intervention, if we continue to use real emergencies as excuses to push government deeper into private affairs, if we continue to ignore the tragic consequences of inflation, which is caused by government spending, we are a nation inviting—no, begging for—disaster!

If fiscal sanity is not restored to government, if we keep on following the false Keynesian ideology that government must intrude on the slightest pretext into every nook and cranny of private affairs, we are going to end up like Britain—a third or fourth rate power headed for bankruptcy and ignominy.

The Keynesian philosophy is one of the greatest frauds of the century.

A nation that uses tax money extracted from its citizens, and the more subtle tax of inflation, to buy ever greater government control over its people is a nation bent on suicide. And, by definition, there is no future in suicide.

This is a good place to begin the long journey back to sanity in government, and to restoration of our faith in local self-government.

STATEMENT OF THE U.S. DEPARTMENT OF LABOR

The Department of Labor has been requested to submit a statement on S. 625, introduced by Senator Kennedy, which would establish an emergency health benefits program for the unemployed. S. 625 would assign the responsibility for administering this program to the Secretary of Labor. The bill is designed to allow continuation of private group health plans for unemployed workers by having the Federal Government subsidize their continuation.

Mr. Chairman, our comments on this subject should be prefaced with the caveat that they should not necessarily be construed as the position of Secretary-designate John Dunlop, who will be very shortly taking over leadership of the Department.

It is our understanding that S. 625 would:

1. Continue previous group health insurance coverage for persons and their families receiving benefits under either the regular or emergency unemployment compensation programs who had employer-financed health insurance.
2. Continue coverage only for those whose employer insurance coverage has expired. Excluded would be those still covered while on lay-off status and those who have access to group health insurance through another family member.
3. Require the State agency administering the program to determine eligibility by collecting relevant data from the employee and the previous employer or health and welfare trust fund, and to pay premiums.

The emergency program would remain in effect until June 30, 1976.

Mr. Chairman, we deeply appreciate the seriousness of the concerns underlying this proposal. No domestic issue has a higher priority in this Administration and in the Department of Labor than unemployment and its economic and social consequences.

This is why the President has asked for a major tax cut—to stimulate the economy—to get the unemployed back to work. That is why we hope that the first priority of the Congress will be to take action on this request as quickly as possible.

A second vital priority deals with improve income maintenance, essentially through the unemployment compensation system. The President already has asked that we review the potential problem of unemployment benefit exhaustion in light of our current economic circumstances and report to him quickly.

Still another important element in a balanced approach to economic recovery is public service employment. Last week, as you know, the President announced his intention to request an additional \$2 billion for PSE for use in FY 1976.

There are the actions for which the need is most urgent.

In addition, we have already taken two emergency measures to extend income assistance for the unemployed:

Regular unemployment benefits have been extended for up to 52 weeks to those already covered by the existing Federal-State system;

Some 12 million new workers not previously covered by the regular system have been made eligible for special unemployment benefits, including local and State government employees, and domestic and agricultural workers.

Now a new form of assistance for one group of the insured unemployed is being proposed; that is, those who lose their health insurance protection when they lose their jobs.

As we indicated earlier, the essential first priorities for the unemployed are jobs and income. To divert resources into a categorical program such as this will diminish the level and quality of effort we need to resolve the basic underlying problems of job creation and income maintenance.

The Department of Health, Education and Welfare, in its testimony before this Committee will oppose this bill for reasons of both equity and administration. We concur in their views with respect to the equity questions and hence will not burden the record by repeating or restating them.

Under S. 625, it is likely that administrative responsibility for implementing these proposals would be vested in the State unemployment insurance agencies.

Since we would be responsible, your Committee ought to be aware of the administrative complexities which this proposal would impose upon a system already overburdened. The enormous administrative burden would fall not only on this Department but also on 52 State agencies, thousands of employers and a multitude of insurance carriers and welfare plan administrators. At this point, let me sum up our concerns with the administrative problems.

Regardless of the Federal Government agency which might administer the program, the following administrative actions would be required.

1. The claimant would have to be queried as to previous coverage, previous employer and carrier, and whether he is covered by another family member.

2. The employer would have to be contacted to obtain similar but more detailed information, including data on costs, termination dates, carriers, and the like.

3. A determination would have to be made as to whether or not each claimant and his dependents are eligible.

4. Claimants would have to be notified of their eligibility.

5. For those claimants not deemed eligible, a new appeal and review structure and procedure would have to be established.

6. Arrangements would have to be made to pay employers or carriers on a regular basis.

7. Notification would have to be made to employers of each change in a claimant's employment status so that the employer will stop paying the premium in the event he becomes reemployed by another employer or he is no longer eligible under State law for unemployment benefits.

We estimate that for the millions of unemployment benefit recipients this process may involve as many as 50 million separate transactions. Such a system could entail administrative costs conservatively estimated to be at least \$200 million.

A new bureaucracy would be required to administer this new program, regardless of the agency in which it were located.

Naturally, we are concerned about the burden this would place on the unemployment insurance system. So let us speak to that issue. We need not remind you that the unemployment insurance system is already under the greatest strain it has experienced since its creation. We think our employees and the employees of the State agencies are doing a yeoman's job in serving the millions of unemployment benefit claimants, but the system is already barely able to keep its head above water in coping with this enormous and still growing workload.

S. 625 proposes to append a totally new function to the UI system. First, the UI system would have to determine eligibility of millions of unemployment benefit recipients. Written questionnaires would have to be mailed to tens of thousands of employers. Special efforts would have to be made to followup those employers not responding, or responding incompletely.

Employers also would be faced with a new burden in locating and providing data about individual employees. In cases where an employer has gone out of business, the carrier, assuming it is known, will have to be contacted directly by one of the 2,000 UI offices. But the carrier may not have all the data. For example, many extended health benefits vary by seniority, and the insurance carrier may not have that information for individual workers.

The UI system will then have to collate this huge new quantity of information in order to determine eligibility and amount of premium. The problems in accomplishing this are immense. A new recordkeeping and communications system would be required for the six million UI recipients. (An estimated 16 million individual UI recipients would be involved over the course of the year, due to turnover.)

It is doubtful that there is any simple way by which we can quickly or accurately determine whether John Jones has a wife who is covered by a policy through another employer and another carrier. Yet, such a determination is essential to effective administration of the program. Thus, this proposed legislation leaves itself open to a variety of abuses. As a consequence, a new monitoring activity would have to be created to protect the integrity of the program.

The UI system will also be called on to acquire instant knowledge of health insurance, an area with which it has had no prior experience, including determining the validity of a given premium for a specific health benefit package. Cost control of premiums is difficult enough even for an employer who is sensitive to and knowledgeable about costs. There are hundreds of different types of policies and premiums. We doubt that we, or, for that matter, any other Government

agency can master this function within the short lead time that would be available.

By the time all the forms have been sent to the employer and returned to the UI office, and the validation of eligibility and premium made, a large number of potential beneficiaries will have come and gone from the UI rolls, creating needless additional work for a UI system that can ill afford, particularly at this time, to redirect its energy from its primary purpose of paying unemployment insurance benefits.

What we have noted are just the major problems. There are others; for example, the problems created by the many unemployed who have several different spells of unemployment during the year, often with different employers. Each such case would require a separate determination for each employer. Additional problems arise when UI recipients begin to regard the UI service as a substitute for their previous employer's personnel office—and request information about limits of coverage, claims, procedures, and the like.

These are among the difficulties inherent in the proposed legislation. We think the central point is clear. When you take a system designed for one purpose, and try to weld onto it a totally new function, based on different concepts and principles, you inevitably create an administrative morass which engulfs both new and the old programs.

In this case, the problems seem to be virtually insurmountable.

The UI service would still face considerable administrative difficulties even if the health insurance program responsibility were assigned to HEW, as some have suggested. If another Federal agency had overall authority to determine eligibility and pay premiums, the burden on the State UI offices would be just as severe.

Additionally, there is a problem stemming from the fact that the UI system has no way of determining UI eligibility instantaneously. Two to four weeks is usually needed under present workload conditions. The unemployed seeking extended health coverage would therefore be unprotected during this period.

In summary, it is not only the unworkability of the system per se that leads us to recommend against its enactment. It is the inappropriateness of this program in light of competing priorities for the use of Government energies and resources. We should like to reiterate, Mr. Chairman, that we do appreciate the seriousness of the problems, but unfortunately, the solution proposed creates grave problems of inequity and administration.

The CHAIRMAN. The hearing is adjourned.

[Whereupon, at 12:56 p.m., the committee was adjourned.]



