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Associate General Counsel

Report on the Anderson Health Insurance Amendments
to H. R. 10606

The proposed Anderson amendments to H. R. 10606, a public assistance and child welfare measure, would add to that bill a program of health insurance benefits practically the same as was proposed in H. R. 4222 (the King-Anderson bill) as described in my report to you dated May 25, 1961. There are, however, four important ways in which H. R. 10606, as so amended, would vary the program described in my previous report on the King-Anderson bill. The four changes referred to are described below. (Changes in the tax schedules from those proposed in the King-Anderson bill would be made only to gear the increases to the social security schedule as amended in 1961, and the social security wage base would be increased from \$4,800 to \$5,200 instead of to \$5,000 as in the King-Anderson bill; certain technical changes would also be made in the financial interchange provision without affecting the application of that provision as far as the railroad retirement system is concerned. These changes are discussed in detail in a separate report by the Chief Actuary.)

1. Use of Private Organizations to Facilitate Payment

"Providers of service" [the hospitals, etc.] could, if they wish, authorize private organizations, such as Blue Cross, to act

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as intermediaries, to handle payments, audit bills (subject to further audit by the Secretary) and otherwise perform administrative or liaison functions in connection with the health insurance program. This would be done under agreement with the Secretary and only if he determines such arrangements to be administratively efficient. The private organizations would be paid the "reasonable cost", as determined by the Secretary, of performing such functions (section 1715).

2. Option to Continue Private Insurance Protection

At the option of some individual beneficiaries, instead of payment to the "provider of service" (the hospital, etc.), payment could be made to an "eligible carrier". An "eligible carrier" would include any nonprofit organization, fraternal or otherwise, which is licensed to provide or to pay the costs of such services as are covered by the bill, and which is exempt from payment of income tax under federal law. The Kaiser hospital organization has been mentioned as an example. A considerable variety of organizations could qualify under this definition. In addition, private, mutual or for-profit insurance companies doing a nationwide business in health insurance could qualify and private insurance companies doing a business of appreciable consequence in the health-insurance field in any State could qualify in that State. The "eligible carrier" would be paid the reasonably necessary administrative costs incident to this function.

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This option to continue private insurance protection would be given only to those individuals previously covered by a plan of the "eligible carrier" providing for or covering costs of the same services covered by the Act, plus some additional health services. To be entitled to the option, the individual must have had such private coverage for some period of time, 90 days at first and after March 1964, for longer and longer periods until after about five years, a period of five years coverage (preceding the month following the first month of entitlement to benefits) would be required (section 1716).

3. Benefits for Presently Uninsured Persons

Persons attaining age 65 before 1967 and persons, 65 or over, who have at least three quarters of coverage (whenever required) for each calendar year after 1964 and before the year the individual reaches age 65, and who would not otherwise be eligible for health insurance benefits under the Act, would be made eligible by a new section 231. (There would be no "means test" in this connection.) This provision would not be applicable with respect to anyone eligible for benefits under the Federal Employees Health Benefits or the Retired Federal Employees Health Benefits Act. An appropriation would be authorized to the Federal Health Insurance Fund to place such trust fund in the same position in which it would have been if section 231 had not been enacted. (Section 231)

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4. Separate Health Insurance Benefits Trust Fund

A separate trust fund to be known as the Federal Health Insurance Trust Fund would be set up by this bill in connection with the health insurance benefits program. (Section 202)

Effective Dates

Health services would be covered only if furnished after 1963; in the case of skilled nursing facility service, after June 30, 1964.

DMFG
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Associate General Counsel

cc: Secretary of the Board
Chief Executive Officer

RFButler:em