

FACTS AND COMMENTS ON THE MAJOR PROVISIONS
OF THE SOCIAL SECURITY AMENDMENTS OF 1967

INTRODUCTION:

The following is a comparison of the Administration's proposals for amending the Social Security Act and the amendments to that Act passed by the House of Representatives.

This analysis will be limited to major issues and policy variables in the areas of social security, medicare, medicaid, and public assistance.

Social Security and Public Assistance Background: Social Security constitutes a wage-related income insurance program to guard against loss of income due to death, disability or old age of a wage earner. Benefits are the right of the wage earner, his spouse, or his children, depending on the need situation of any one or combination of two or more possible beneficiaries. Benefits are paid as a matter of right and specific taxes are collected in a relatively progressive manner to fund the program. The tax does not take, nor does the benefit structure give, an amount totally adequate to meet all the financial needs generated through death, disability or old-age. It does, however, provide a basic "floor of protection" on which the majority of the American people can build a financially secure future.

Public Assistance, has neither the contributory nor the earned right aspects of social security. It is paid on the basis of need defined by statute and administrative regulation. The recipients of public assistance are such because of the conscience of, rather than their contributions to society. Therefore, Federal, state, and local governments have set down and enforce certain modes of behavior on the part of recipients which will prevent the abuse of public assistance laws and work to move, whenever possible, recipients up from welfare to more productive places in society. Philosophically, these enforced behavioral modes, or welfare rules, are set down not only to help those persons on the welfare rolls, but also to limit the burden they place on the more fortunate, more productive members of the society.

The Social Security Act deals with both the Federal social security system and the Federal contributory and management aspects of public assistance.

I. FACTS AND COMMENTS - SOCIAL SECURITY

Administration (H.R. 5710)
Proposed

House of Representatives (H.R.12680)
Passed

1. Benefit Increases

General Benefit Increase of 15%

General benefit increase of 12-1/2%

Minimum benefit of \$70

Minimum benefit of \$50

Benefit increase for persons 72 and over, from \$35 to \$50 for singles; from \$52.50 to \$75 for couples.

Benefit increase for persons 72 and over, from \$35 to \$40, for singles; from \$52.50 to \$60 for couples.

Special minimum benefit for long-term employment--\$100 minimum for 25 years work.

No provision

Benefits for disabled widows-- 82-1/2% of workers benefit for those disabled within 7 years of husband's death.

Benefits for severely disabled widows age 50 and over paying from 50% to 71% depending on age at onset of disability.

Comment: Both sets of benefit increases actuarially sound under the tax increase schedule in the respective bills.

However, the urban and suburban beneficiary population has experienced the phenomena of combined inflation, population explosion, and resultant property tax increases. One but need look at the mortgage foreclosures in retirement areas such as Dade County, Florida, to realize the impact of this combination on persons with fixed incomes. It has outstripped the planning and saving of much of the beneficiary population.

Near adequate benefit increases help not only their recipients but the communities in which they live and the businesses and individuals those communities tax. Actuarially sound increases: (a) reduce welfare payment at the local level, (b) reduce existing welfare caseloads, (c) prevent new processing of welfare clients, and (d) help maintain the aged, the disabled, and the widowed in viable economic units that are tax-paying and not tax-taking.

2. SOCIAL SECURITY TAX INCREASE (INCLUDING MEDICARE)

Year	Present Law	Administration (H.R. 5710)	House of Representatives (H.R. 12080)
1967	4.4	4.4 (wage base \$6600)	4.4 (wage base \$6600)
1968	4.4	4.4 (wage base \$7800)	4.4 (wage base \$7600)
1969-70	4.9	5.0	4.8
1971-72	4.9	5.0 (wage base \$9,000)	5.2
1973-75	5.4	5.5 (wage base \$10,800)	5.65
By 1987	5.65	5.8	5.9

Comment: The Administration proposal compared with the House bill:

- (a) provides a more progressive tax,
- (b) provides a lower ultimate tax rate for both employer and employee,
- (c) spreads the tax for both employer and employee in the majority of cases by taxing wages above those usually paid in industry.

3. MEDICARE

(a) Depreciation allowance - hospitals

Administration (H.R. 5710)	House of Representatives (H.R. 12080)
Require full loading in costs of depreciation of capital equipment and physical plant when cost accounting system is in accord with recommended State plan.	No provision

Comment: Lack of a provision means taxpayers (for municipal hospitals and payers of insurance premiums (for all hospitals) carry the depreciation loads for medicare recipients. The Administration proposal provides both a realistic overhead loading mechanism and an incentive to apply modern accounting and cost effectiveness techniques in an area which has long burdened cities, employers, and others who must pay for hospital services.

(b) Tax Rate

Administration (H.R. 5710) House of Representatives (H.R. 12080)

No provision

Increase tax rate by 0.1% on employer and employee above present schedule beginning 1969.

Comment: The cost of the various liberalizations of medicare suggested in the House bill can not be determined until the medicare program has had time to work. Tax adjustment can be made as actual experience determines.

II. FACTS AND COMMENTS - PUBLIC ASSISTANCE (WELFARE)

Administration (H.R. 5710)

House of Representatives
(H.R. 12080)

(a) Assistance payments

Requires states to meet full need as they determine it with some additional financial aid. Cash assistance standards must be at least 2/3 of income levels for medical assistance.

No provision

(b) Work incentives

Requires states to allow \$50 monthly income without reduction in assistance for AFDC adults.

Requires states to allow \$30 monthly income without reduction in assistance. For each additional \$3 earned, assistance would be reduced \$2.

(c) Community work and training

Requires States to use work and training programs provided by Dept. of Labor for all appropriate AFDC recipients.

Requires states to establish community work and training programs (75% Federal matching) for virtually all appropriate AFDC adults and children over 16 not attending school to be administered by welfare agencies.

(d) Unemployed parent program

Makes permanent present provisions.

Covers children of unemployed fathers only. Unemployment definition requires substantial prior connection with the labor force, excludes recipients of unemployment compensation.

In addition to the above, the House bill included provisions not proposed by the Administration. These include requiring states to:

- (a) develop employment programs for AFDC families where appropriate;
- (b) provide day care for AFDC mothers working or training;
- (c) provide family planning services;
- (d) attempt to determine paternity and obtain support from the father;
- (e) inform courts of unsuitable homes, one criterion of which is a parent who refused employment or training; and
- (f) freeze the rate of child dependency due to absence of parent as of January 1967 for purposes of Federal matching.

Comment: The major purpose of the House bill is to increase employment and training of welfare recipients and thereby reduce program costs. The House approach would:

1. Combine responsibility for payment, social services, training, and job placement within one agency. A single agency and, more practically, a single caseworker, would have the right to withhold payment if a family does not take what that caseworker deems "appropriate" action with regard to training, employment, family planning, and living arrangement.

2. Duplicate government functions through the placement of responsibility for training in an agency unprepared to handle it. The Welfare Administration has run limited training programs for welfare clients in the past, but always with an enrollment of less than 50,000. Under the House passed bill it will be mandatory by 1969 for that organization and its state counterparts to be prepared to handle 500,000 trainees annually. A more practical approach would be to add a new area of emphasis to on-going programs of the Manpower Administration of the Labor Department than to build a whole new bureaucracy.

3. Economic impact of Community training programs. The House Ways and Means Committee estimates a saving by 1972 of \$130 million "for persons trained who become self-sufficient". This is 7% of the 1972 program cost, indicating a reduction in the rolls of approximately that number of recipients. However, that same Committee estimates that the 1972 cost of day-care for children whose mothers are in the work and training program will be \$470 million and that the program itself will cost another \$270 million. This \$695 million is more than five times the savings in welfare payments.

4. Increase in state and local costs by imposing an AFDC ceiling. Freezing proportionately the number of AFDC children eligible for Federal matching monies does not take into account either the possibility of changing economic conditions or heavy in-migration into certain states. Either occurrence would result in the states being forced to bear the entire burden of increased AFDC costs. The alternatives to increased burden on the taxpayer are to make eligibility requirements more stringent or to lower benefits even further. The prime victim in either situation is the child of the AFDC family and, ultimately, the society he enters.

III FACTS AND COMMENTS - MEDICAID

Administration (H.R. 5710)

House of Representatives
(H.R. 12080)

1. Limitation on Federal Matching Funds

No Federal matching for families whose income exceeds 150% of the highest state cash standard

No Federal matching for families whose income is more than 133% of the highest cash assistance payment ordinarily made to family or AFDC

2. Required Services

No provision - maintains schedule of required services

Removes graduated services requirement and allows states to provide any 7 of the 14 medical services listed in the Act.

Comment: The House amendments raise eligibility requirements and lower service standards. By setting eligibility at cash payment levels instead of required services levels, the bill denies coverage to those marginal poor who are functioning as independent economic units except for medical care support. This increases the probability of their going on welfare roles at the time of their first medical crisis. By removing current service requirements, the bill allows elimination of such items as physician services and in-patient hospital care. This means that cities and states that already offer these services are penalized for their progress by forcing them to carry the full cost of such services. Although the Federal government would save by these amendments, the cities would still have to provide adequate medical services. The reduction in Federal funds and required supplement through city funds in New York City alone would be \$70 million in fiscal '69. Communities penalized in other progressive states would include those in California, Connecticut, Delaware, Illinois, Iowa, Kentucky, Maryland, Michigan, Nebraska, Oklahoma, Pennsylvania, Rhode Island and Wisconsin.