89TH CONGRESS
2d Session

SENATE

REPORT
No. 1073

DEVELOPMENTS IN AGING
1965

A REPORT

OF THE

SPECIAL COMMITTEE ON AGING
UNITED STATES SENATE

PURSUANT TO

S. RES. 12, FEBRUARY 8, 1965
89TH CONGRESS

RESOLUTION EXTENDING THE TERM OF EXISTENCE OF THE SPECIAL COMMITTEE ON AGING AND DIRECTING IT TO STUDY AND INVESTIGATE PROBLEMS OF THE AGED AND AGING

TOGETHER WITH

MINORITY VIEWS

March 15, 1966.—Ordered to be printed

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LETTER OF TRANSMITTAL

U.S. SENATE,
March 15, 1966.

Hon. HUBERT H. HUMPHREY,
President, U.S. Senate.

DEAR MR. PRESIDENT: I have the honor of submitting to you the report of the Special Committee on Aging in compliance with the requirements of Senate Resolution 12, adopted February 8, 1965.

This document reports the activities and accomplishments of our committee and reviews developments in the field of aging since our last committee report "Developments in Aging, 1963 and 1964" (S. Rept. No. 124, Mar. 16, 1965).

We believe that the activities and achievements of our committee, as set forth in this report, fulfill the expectations of the Senate in approving the above-mentioned resolution that it would make a worthwhile contribution in pointing the way toward wise, effective action to meet the challenges of aging in our Nation.

There is much remaining to be done by a committee such as ours. The Senate on February 17 unanimously passed Senate Resolution 189, which extends this committee until January 31, 1967. During the coming year, we shall continue our strenuous efforts to be a useful arm of the Senate.

On behalf of the other members of our committee and its staff, I should like to express to you and to the other officers of the Senate our appreciation for the cooperation and courtesies that have been consistently extended to us.

Sincerely,

GEORGE A. SMATHERS,
Chairman, Special Committee on Aging.

SENATE RESOLUTION 12, 89TH CONGRESS, 1ST SESSION

Resolved, That the Special Committee on Aging established by S. Res. 33, Eighty-seventh Congress, agreed to on February 13, 1961, as amended and supplemented, is hereby extended through January 31, 1966.

SEC. 2. It shall be the duty of such committee to make a full and complete study and investigation of any and all matters pertaining to problems of older people, including but not limited to, problems of maintaining health, of assuring adequate income, of finding employment, of engaging in productive and rewarding activity, of securing proper housing, and, when necessary, of obtaining care or assistance. No proposed legislation shall be referred to such committee, and such committee shall not have power to report by bill or otherwise have legislative jurisdiction.

SEC. 3. The said committee, or any duly authorized subcommittee thereof, is authorized to sit and act at such places and times during the sessions, recesses, and adjourned periods of the Senate, to require by subpena or otherwise the attendance of such witnesses and the production of such books, papers, and documents, to administer such oaths, to take such testimony, to procure such printing and binding, and to make such expenditures as it deems advisable.

SEC. 4. A majority of the members of the committee or any subcommittee thereof shall constitute a quorum for the transaction of business, except that a lesser number, to be fixed by the committee, shall constitute a quorum for the purpose of taking sworn testimony.

SEC. 5. For purposes of this resolution, the committee is authorized (1) to employ on a temporary basis from February 1, 1965, through January 31, 1966, such technical, clerical, or other assistants, experts, and consultants as it deems advisable: *Provided,* That the minority is authorized to select one person for appointment, and the person so selected shall be appointed and his compensation shall be so fixed that his gross rate shall not be less by more than $2,100 than the highest gross rate paid to any other employee; and (2) with the prior consent of the executive department or agency concerned and the Committee on Rules and Administration, to employ on a reimbursable basis such executive branch personnel as it deems advisable.

SEC. 6. The expenses of the committee, which shall not exceed $213,000 from February 1, 1965, through January 31, 1966, shall be paid from the contingent fund of the Senate upon vouchers approved by the chairman of the committee.

SEC. 7. The committee shall report the results of its study and investigation, together with such recommendations as it may deem advisable, to the Senate at the earliest practicable date, but not later than January 31, 1966. The committee shall cease to exist at the close of business on January 31, 1966.

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DEVELOPMENTS IN AGING, 1965

March 15, 1966.—Ordered to be printed

Mr. SMATHERS, from the Special Committee on Aging, submitted the following

REPORT

together with

MINORITY VIEWS

INTRODUCTION

On March 15, 1965, the Special Committee on Aging filed a report entitled "Developments in Aging, 1963 and 1964" (S. Rept. No. 124).[1] This fulfilled the report requirements of Senate Resolution 23 (Mar. 14, 1963) and Senate Resolution 260 (Jan. 30, 1964), which resolutions extended the special committee for the additional years ending January 31, 1964, and January 31, 1965, respectively. The report which is now filed fulfills the report requirements of Senate Resolution 12 (Feb. 8, 1965), which extended the special committee for an additional year until January 31, 1966.

This document reports action taken during 1965 and early 1966 to meet the challenge of aging in the United States today. It reviews not only the activities of our special committee to this end but also other major legislative and executive actions affecting senior citizens.

During 1965, the special committee was organized into standing subcommittees to reflect the major areas of concern in the field of aging. The titles of the chapters of this report correspond with the titles of these subcommittees and their jurisdictions. The membership of each subcommittee appears at the beginning of the chapter on its area of concern.

[1] For information on obtaining copies, see app. A.

CHAPTER I. DEVELOPMENTS IN HEALTH OF THE ELDERLY

SUBCOMMITTEE ON HEALTH OF THE ELDERLY

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Edward V. Long
Frank E. Moss
Ralph W. Yarborough
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Everett McKinley Dirksen
Frank Carlson
Hiram L. Fong
Jack Miller

(Ex officio: George A. Smathers)

Legislation enacted during the 1st session of the 89th Congress will significantly enhance the capacity of older people to secure and finance necessary health care. The principal legislative accomplishment in this regard was establishment of the medicare program.

A. MEDICARE

Medicare culminates years of extensive and comprehensive effort at the congressional level. The Special Committee on Aging was a major participant in that long struggle to develop a health insurance program for the elderly consistent with both medical needs as well as independence and dignity. Over the years, the committee produced documented and detailed reports indicating the need for and urging enactment of a program of hospital insurance for the elderly financed through the social security system.

A summary of the provisions of the comprehensive health costs financing mechanism known as medicare is included as appendix B of this report. Medicare, however, has implications extending considerably beyond that revealed by a review of its benefits and financing structure. The legislation holds positive potential apart from relieving the elderly of what has been a virtually intolerable burden for so many millions of them. The program will, hopefully, result in considerably more than a simple exchange of dollars for services rendered.

It is anticipated that medicare will affect the organization, distribution, and patterns of health care. This is not to suggest, however, the socialization of medical practice. The shibboleth of socialized medicine is not realized or inherent in the new program. There is no question concerning the fact that the physician will continue to control the treatment of his patient. Indeed, one of the positive effects of medicare will be a strengthening of the doctor-patient relationship by removal, in large part, of financial problems from what is essentially a medical situation. The physician will now be able to select the most appropriate type of care and setting for his older patient—with both patient and physician knowing that the care required will be paid for, in the main, by medicare.

Meaningful financing will be available for a broad and comprehensive range of services—both institutional and noninstitutional. The

availability of benefits for home health services will, for example, enhance the physician's ability to organize his patient's care in the most effective and appropriate manner.

MAINTENANCE OF HIGH STANDARDS

Realistically, there are insufficient qualified home health programs and extended care facilities [1] at the present time to meet the anticipated needs of beneficiaries. However, the availability of adequate reimbursement for care provided under the program will, undoubtedly, lead to new growth and upgrading of these necessary services.

Pending the development of new programs and the necessary facilities, there will probably be great pressure from vested interests to relax standards during the interim. We cannot emphasize too strongly the need to maintain high standards of qualification for institutions and home health programs seeking to serve medicare beneficiaries. Substandard and marginal facilities and programs cannot be tolerated—even for a so-called interim period. Experience has shown that, all too often, interims are extended, extended again, and eventually provisional acceptance becomes permanent. If we meet demand by permitting substandard institutions and organizations to participate, we will be building in a deterrent to the establishment, expansion, and construction of programs and facilities capable of meeting high professional standards.

PREVENTIVE HEALTH SERVICES

Medicare was not envisaged by the Congress as the complete answer to financing the health care needs of the elderly. Private health insurance and public assistance programs are expected to offer complemental benefits and protection. One vital area where private insurers and the States can meaningfully backstop medicare and contribute to the well-being of our older citizens is in offering benefits and payments for services related to preventive care and health maintenance. The social security program affords its benefits during periods of illness or recuperation only. However, it is obviously more humane, as well as economic, to prevent or minimize the effects of illness rather than to deal solely with its consequences. In this context then, it is to be hoped that the States and private insurers will employ some of the funds saved as a result of medicare's assumption of a large portion of their present payments for health care to finance preventive services such as screening programs, regular physical examinations, and so forth.

ADMINISTRATION OF MEDICARE

We are concerned that the administrative arrangements established to implement this multibillion-dollar program be completely consistent in all respects with the public interest including the principles of public responsibility and public accountability.

In a speech to the Senate on July 8, 1965, Senator Wayne Morse, a member of this committee, presented an articulate and reasoned case

[1] An extended care facility is one which provides postacute convalescent care immediately following hospitalization. The term "extended care facility" *should not* be considered as referring to nursing homes in general.

for delegating to the greatest extent possible administrative functions under the basic hospital insurance program to State and local health agencies. Among the statements made by Senator Morse to which we subscribe are the following:

> * * * Obviously, to the extent that the administrative functions of medicare are rendered by Federal, State, and local governmental agencies, the overriding public interest is well served. Conflicts of interest may arise, however, where administrative responsibilities may be delegated or assigned by the Secretary of Health, Education, and Welfare to nonpublic agencies. These are nongovernmental agencies whose basic commitment is not to the beneficiaries of the program but to whom medicare is an incidental, profitable, and subordinate supplement to other business.
>
> There are at least two solid reasons why State and local health agencies should receive preference in any assignment of administrative responsibility. First, the requirements of public responsibility and public accountability in a program financed with tax funds would be met. The New York Academy of Medicine, a distinguished organization of some 2,000 physicians, articulated this point succinctly in a recent policy statement which said:
>
> "When Federal and/or State and local tax funds are available for purchase of health care, whether for public assistance, social security, or other categories of public program beneficiaries, it is the official health agencies alone, to which should be delegated responsibility for the administration of such funds. The official health agency is the only unit of the Government that can coordinate all governmental health programs and combine public responsibility and accountability and the other functions of public administration with the professional skills, concern, and consultation required for setting standards, and for continuous evaluation of program quality and effectiveness."
>
> Use of State and local health agencies would serve to sharpen their skills and develop their expertise—all of which would benefit the total population and not solely the elderly. This position is consistent with the policy of the highly respected American Public Health Association which urges "that public health departments and personnel within State and local health departments be utilized wherever possible to constantly increase and elevate the quality of health care provided to the citizens of this Nation."
>
> The second reason for giving preference to State and local health agencies in all cases where administrative functions are to be delegated, is avoidance of conflict-of-interest issues.
>
> As a practical matter, the principal competitor vying with the State and local health departments for these administrative functions is Blue Cross. Blue Cross has testified before both the Finance Committee and Ways and Means Committee as to its very keen—almost hungry—interest in the administration of the program.
>
> As I have indicated, Blue Cross is essentially a creature of the hospitals. The American Hospital Association owns and

franchises use of the Blue Cross symbol, and sets the standards which must be met by Blue Cross plans. The majority of Blue Cross plan directors are either directly or indirectly affiliated with hospitals. Thus, while Blue Cross can legitimately serve as the agent of the hospitals in dealing with the Government, it cannot possibly serve as the agent of the Government. Blue Cross simply cannot meet the requirement that it "deal at arm's length." * * *

* * * "it is crystal clear that a purely public program such as part A of medicare must be administered to the greatest extent possible by public agencies at the Federal, State, and local levels. Preference should be given in every instance to public agencies willing and capable of performing necessary administrative functions * * *."

We would also urge that the Health Insurance Bureau of the Social Security Administration make every effort to see to it that private health insurers do not exploit their relationship with medicare for competitive advantage. A fiduciary or agency status in the medicare program should not be used as a U.S. Government seal of approval by participating private insurers in pursuit of their nonmedicare sales efforts. Many reputable and sound health insurance organizations will not, for one legitimate reason or another, function as agents under medicare, and they should not be made to suffer competitively for that decision.

The reconciliation of conflicting views is an essential element of our political system. We, therefore, believe that normal attempts by the Social Security Administration to accommodate differing viewpoints and develop rational and workable mechanisms and regulations for the medicare program are appropriate. On the other hand, an obsession with the need for consensus—a concern that every party at interest be catered to, can lead to indecision, paralysis, and worst of all, sacrifice of the public interest and congressional intent to the satisfaction of what is sometimes self-seeking private interest.

Further, what might appear as a general consensus of all views and interests emerging from the efforts of assorted advisory groups may in fact represent only the conclusions of the particular groups represented. Those groups do not necessarily include organizational representatives of the public. We trust that the Social Security Administration will recognize the appropriate times to yield and, of even greater importance, those times when it should stand firm.

B. Other Health Legislation

In addition to medicare, other health legislation was enacted which meaningfully affects our older population. These new laws include: Amendments to the medical care sections of the public assistance titles of the Social Security Act; amendments to the Community Mental Health Centers Act; and the Heart Disease, Cancer, and Stroke Amendments of 1965.

AMENDMENTS TO THE MEDICAL CARE SECTIONS OF THE PUBLIC ASSISTANCE TITLES OF THE SOCIAL SECURITY ACT (TITLES II AND XIX OF PUBLIC LAW 89–97)

The Social Security Amendments of 1965 include some basic and salutary changes in the medical care sections of the public assistance titles, apart from providing for increased Federal payments. The Subcommittee on Health of the Elderly documented the need for and recommended a number of important changes that were made. Among those recommended changes included in the new law are:

1. Limitation of the family responsibility provision to the spouse of the applicant. Previously, the family responsibility provisions had frequently imposed hardships upon the children and grandchildren of elderly applicants for aid and often served to deter otherwise qualified individuals from seeking help.

2. The new law requires the States to relate their income tests for determination of eligibility to the expenses incurred by the applicant. Many States had employed "in-or-out" income tests which had the effect of denying eligibility to many needy elderly. For example, a State with an income limit of $1,500 might exclude from coverage a person with $1,501 in income despite the fact that that individual might be incurring thousands of dollars in expenses. At the same time, the State might afford its benefits to an older person with income of $1,499 and only $100 or $200 in expenses.

3. The legislation authorizes the Federal Government to match vendor payments to providers of health services in behalf of recipients of old-age assistance without limit on the amount to be matched. Previously, the Federal Government would match only up to $15 monthly, while no maximum was applicable to those older persons covered under Kerr-Mills medical assistance for the aged (MAA). It seemed highly unfair to provide less in matching funds for those elderly most in need—those on old-age assistance. The new law also specifies that the States may not provide less in health benefits for one category of recipients than it does for another.

4. Subsequent to July 1, 1967, Title XIX requires that the States must include inpatient and outpatient hospital services, other laboratory and X-ray services, skilled nursing home care, and physicians' services in their vendor payment programs.

5. Another significant change in the public assistance titles was the removal of the prohibition on Federal sharing in assistance payments for older people in tuberculosis and mental hospitals. This amendment will, it is hoped, result in improved care of the elderly in such institutions.

These changes in the public assistance titles require, in almost all cases, action by each State to meet the conditions established by the Congress in order to assure that increased Federal payments will not simply be used by the States to reduce their present expenditures. Title XIX may be employed by the States effective January 1, 1966. The new title is mandatory for States effective January 1, 1970, if they are to continue to receive Federal matching funds.

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C. Amendments to the Community Mental Health Centers Act (Public Law 89–105)

The Community Mental Health Centers Act provides Federal grants toward the costs of construction of comprehensive community mental health centers. The principal amendment, enacted during 1965, authorizes Federal matching payments toward the costs of staffing the centers during their first 51 months of operation. These centers are envisaged, among other things, as settings for continued treatment of persons returning from periods of extensive hospitalization. They are conceived of as a major alternative to care in mental hospitals.

In view of the prevalence of mental illness among the aging and the extent to which the mental hospital population consists of older people (they comprise some 30 percent of those in such institutions) this legislation should prove of definite value both in terms of the care provided as well as in enabling the older person to remain in the community.

D. Heart Disease, Cancer, and Stroke Amendments of 1965 (Public Law 89–239)

The new legislation authorizes $340 million over a period of 3 years for the establishment of centers specializing in the treatment of heart, cancer, stroke, and related diseases. The original bill included provision for some 400 community units which would concentrate on the same problems and serve as "feeders" for the regional centers. This provision was not included in the final version of the measure.

The three diseases are major killers and disablers of the elderly. We cannot predict, of course, the extent to which the present older population will benefit from this legislation. Obviously, they will derive some good. But, the younger generations of today will undoubtedly find their old age substantially bettered as a result of the work done by the regional centers.

CHAPTER II. DEVELOPMENTS IN EMPLOYMENT OF THE ELDERLY AND RETIREMENT INCOMES

SUBCOMMITTEE ON EMPLOYMENT AND RETIREMENT INCOMES

Jennings Randolph, *Chairman*

Frank Church	Winston L. Prouty
Alan Bible	Hiram L. Fong
Edward V. Long	James B. Pearson
Frank E. Moss	

(Ex officio: George A. Smathers)

A. OASDI CASH BENEFITS FOR THE ELDERLY

There are several provisions in the Social Security Amendments of 1965 (Public Law 89–97) which affect old-age, survivors, and disability insurance ("social security") cash benefits:

1. Section 301 provides a 7-percent across-the-board increase in monthly cash benefits, effective retroactive to January 1, 1965, with a minimum increase of $4 for retired workers aged 65 and older. As a result, the minimum monthly benefit for workers retiring after reaching 65 became $44.
2. Section 333 continues entitlement to benefits of widows who remarry after age 60 and widowers who remarry after age 62. Such an individual is now entitled to either one-half the retirement benefit of the former spouse or a spouse's benefit based upon the earnings of the present spouse, whichever benefit is larger.
3. Section 307 made widows eligible for reduced benefits at age 60. Previously, they could not begin receiving cash benefits before reaching age 62.
4. Section 309 reduces the number of quarters of coverage required for eligibility for cash benefits for certain very elderly workers and their widows. A special benefit can be paid beginning at age 72. As a result, eligibility can be based upon as few as three quarters of coverage.

B. THE WAR ON POVERTY AS IT AFFECTS OLDER AMERICANS

As its major project of 1965, the full committee began an inquiry into the activities of the Office of Economic Opportunity and other Federal agencies assigned roles in the national war on poverty.

In his opening statement on June 16, 1965, Chairman George A. Smathers summarized, in the following excerpts, reasons for the committee action.

> Our over-65 age group numbers some 18 million Americans. Families headed by individuals age 65 and over constitute only about 14 percent of all families, but they amount to 34.5 percent of all families with less than $3,000 annual income. In the same age group, individuals living alone or with nonrelatives constitute only about 38 percent of all such individuals.

Yet they account for more than 53 percent of all such individuals with less than $1,500 annual income.

In brief, of all our citizenry, our elderly are among the hardest hit by poverty. And in human terms, we know what this means. All too frequently, the conditions of poverty lead to a breakdown of personality, a frustration of the individual which ultimately leads to a greater degree of public dependency; health problems of ever-increasing severity, and finally a slump into bleak twilight years, devoid of meaning or hope.

* * * * *

The OEO should recognize, before it begins its second year of work, that neglect of the elderly now will lead only to costly, hastily improvised crash programs later on.

It should be clear to the OEO and to the press that this committee has not decided to declare war on the war on poverty. I personally regard the OEO as the greatest effort ever made by a democratic government to destroy this enemy which is as old as man.

But the OEO has a long way to go before it exhausts all the possibilities it has to be of service to all low-income Americans. The committee may, in fact, find that additional authority should be given to the OEO for greater service to the elderly; and it will seek testimony on the question.

At the moment, however, as these hearings begin, it appears that the OEO has given only minimal attention to our older citizens. The OEO is still young enough to adjust its approach to the elderly; and it is the purpose of this hearing to make certain that it does.

To carry out its assignment, the committee:

1. Conducted hearings in Washington, D.C., on June 16 and 17, 1965.
2. Asked for and received statements from Federal agencies working with the Office of Economic Opportunity on antipoverty programs.
3. Sent questionnaires to State agencies on aging for information about the extent of participation by the elderly in antipoverty programs and the amount of service given to the elderly by such programs.
4. Wrote to national organizations and individuals for statements and information.
5. Conducted a field hearing in Newark, N.J., on July 10, 1965.
6. Studied reports gathered as the result of staff field trips in six States in late 1965.
7. Conducted final hearings in Washington, D.C., on January 18 and 19, 1966.

Findings and recommendations based on the committee studies will be submitted in a report to be issued early in 1966. A brief summary of events since the inquiry began can be given, however, for this report.

DEVELOPMENTS SINCE JUNE 1965

Sargent Shriver, Director of the Office of Economic Opportunity, said in his initial testimony on June 17, 1965:

> I just want to make the firm point that we are not satisfied with what I am able to report to you and the other members of the committee today. However, we have done a few things.

He also said that two major programs concerning the elderly would be officially announced at an early date. Within the next few weeks, the following OEO actions were taken:

1. An OEO Task Force on Programs for Older Persons, established in March 1965, made its report in August and thus provided a comprehensive study of need and opportunity for action.

2. The National Council on the Aging, which had been awarded an OEO contract calling for model programs to help the elderly poor, began nationwide distribution of the models.

3. In a memorandum on July 9, the Director of the OEO community action program asked local community action planners to increase emphasis on the needs of the elderly in their planning.

4. On August 29, President Johnson announced funding of four projects in the amount of $41 million. Intended to help the elderly out of poverty, the programs called for: A program to employ older persons as foster grandparents in institutions for the young; hiring elderly persons as home health aids; and programs to provide care for children from broken homes and help for mentally retarded children.

Mr. Shriver, in his testimony at the January 18, 1966, hearing, reported the following programs and actions in behalf of the elderly:

1. Foster grandparents

> The first of these two stages is what we call the foster grandparents program. Under this program, needy men and women over 55 years of age are employed to help provide personal care and warm human relationships for some of the thousands of young children in the United States who are growing up in charity wards and in institutions for orphans. Child development experts have long known that the lack of this kind of human relationship during early childhood years has a serious effect on these institutionalized youngsters.
>
> Thus far, we have financed 21 foster grandparents projects which will employ approximately 1,000 older citizens to help 2,500 of these children living in orphanages and other institutions. In the coming months, this program will be expanded to give older citizens an opportunity to serve in institutions to help the mentally retarded, the physically disabled, and other disadvantaged youth. These projects have been planned and approved in cooperation with the Administration on Aging in the Department of Health, Education, and Welfare, and we could not have gotten these projects underway as rapidly as we have without their help.
>
> This foster grandparents program we would hope would at least double in size over what has been accomplished in

these first few months so that I think it is fair to say that the foster grandparents program is moving perhaps not as rapidly as we would ideally hope but, nevertheless, with some degree of success and results.

2. Home health aids

The second phase of the President's announcement in August was the home health aids program. Under this program, low income persons over 45 years of age are recruited and trained as members of health service teams, offering extended medical care in the home for the needy. Home health aids will help by performing unskilled nursing tasks and by keeping people who would otherwise be alone in touch with the world.

In addition, where the head of the household is incapacitated, home health aids will help in shopping, in the planning of meals, and in keeping the home clean and healthy and a safe place to live.

This fiscal year we have allocated $2½ million for this program. However, the implementation of the medicare program beginning in July 1966 will drastically expand the demand for home health aids, and our program for the calendar year anticipates an expenditure of an additional $3½ million for this program.

The Public Health Service has been extremely helpful in designing this program and will play a major role in helping communities to organize these programs.

3. Medicare Alert

A third program which stems from the report of the task force on aging which was set up to advise us, we call Medicare Alert. Under this program, which is already in operation, older citizens in hundreds of communities across the country will be incorporated in teams to help to inform the elderly poor in their communities about the new benefits available to the poor and to the elderly under the Social Security Amendments of 1965. Because of ignorance, illness, inertia, or communications barriers, many elderly poor do not know about these benefits. Many more do not know how to apply for them.

Now, although Medicare Alert was announced only last month, we already have more than 400 community action agencies which have told us that they intend to include Medicare Alert in their programs. More than half of these community action agencies have already submitted their applications. In fact, we have 205 such applications already in hand and it will cost approximately $5 million to finance them plus the others which we anticipate.

The 205 applications which are already in hand call for an expenditure of $2,971,128 to finance those programs. One of the most encouraging parts about Medicare Alert is the number of volunteers who have enlisted to work in Medicare Alert at no cost to the taxpayers.

For example, in Detroit, there are 1,500 persons who have already registered to work in Medicare Alert. In a particular

town in South Carolina, all the high school kids have volunteered 4 hours to go out as part of Medicare Alert, again at no cost to the taxpayer.

So I think that this particular program seems to have caught on extremely well and in view of the demand for it will probably be twice as large as we thought it would be when we first announced it.

We hope actually that Medicare Alert will do far more than just bring the story of medicare to older persons who are poor. That is an important message, of course, but we think we can do a little bit more. We believe that Medicare Alert can constitute a new bridge between community action agencies and older people.

As the elderly persons are contacted and their special problems are identified, we think that communities will develop new ideas and new programs for benefiting the elderly poor. This would be completely in keeping with our efforts under the community action title of the economic opportunity program. We want local communities to come forward with new programs of their own creation and we believe that Medicare Alert, by awakening them to the needs of the older poor people, will inspire them to come forward with more and with newer programs designed to help the old.

Once again I would like to stress the fact that we have had extremely good cooperation in Medicare Alert from Commissioner Robert M. Ball, of the Social Security Administration and from Commissioner William Bechill, of the Administration on Aging.

4. Project Green Thumb

Now, another major effort which we have recently announced was a project we call Project Green Thumb. Under this grant, older rural residents—that is, people over 55—will be employed on highway beautification projects in four States: Arkansas, New Jersey, Oregon, and Minnesota. Through this employment and through other special training, they will gain skills in the areas of landscaping, nursery work, gardening, and so on. Now, we made an initial grant of $768,000 for this program, and that will provide employment and new income for 2,800 family heads in these four States.

The Economic Opportunity Act of 1964 was amended effective October 9, 1965, by adding a new section entitled "Programs for the Elderly Poor":

> SEC. 610. It is the intention of Congress that whenever feasible the special problems of the elderly poor shall be considered in the development, conduct, and administration of programs under this Act.

This was added to H.R. 8283 (which was eventually enacted as Public Law 89–253) when that bill was in the Senate.

New Jersey Office of Economic Opportunity on October 1, 1965, sponsored a conference on community action programs and the older poor. A similar conference was conducted in Hartford, Conn., in February 1966.

Although substantial progress on programs for the elderly poor has been made since the first hearing last June, criticisms of the OEO effort continued at the final hearings in January. A summary of the criticisms will appear together with other information and recommendations and findings in the committee's report entitled, "The War on Poverty As It Affects Older Americans," which is scheduled to be issued during March 1966.

C. Employment of the Elderly

1. Appropriation for Older Worker "Program Increase"

In the fiscal 1966 budget there was a request for $750,000 for a "program increase" for the older worker program of the Bureau of Employment Security, and this amount was appropriated as an item in Public Law 89–156, the appropriation act of the Departments of Labor and Health, Education, and Welfare, and related agencies.

The Bureau of Employment Security plans to use these funds to allocate 100 additional staff positions to State employment services for improving service to older workers. Thirty-three of these positions will be used to provide full-time older worker specialists in the central offices of State agencies which now lack such positions. The remaining 67 positions will be used to staff demonstration projects in 5 metropolitan areas, tentatively designated as Rochester, N.Y.; Detroit, Mich.; Kansas City, Mo.; Houston, Tex.; and Minneapolis-St. Paul, Minn.

There is a request in the budget for the fiscal year beginning July 1, 1966, for $2,500,000 for an additional older worker program increase. If this amount is appropriated, tentative plans are to add older worker specialists and other supporting personnel for improved older worker services in approximately 20 metropolitan areas.

2. Age Discrimination

On June 30, 1965, the Secretary of Labor issued a report entitled "The Older American Worker—Age Discrimination in Employment." The report was prepared and issued pursuant to section 715 of the Civil Rights Act of 1964 (Public Law 88–352) which directed the Secretary to "make a full and complete study of the factors which might tend to result in discrimination in employment because of age and the consequences of such discrimination on the economy and individuals affected * * * [with] recommendations for legislation to prevent arbitrary discrimination in employment because of age."

In the report, action was recommended in four general areas to prevent age discrimination in employment and increase employment opportunities for older workers. The first type of action recommended was "action to eliminate arbitrary age discrimination in employment." As to this, the Secretary commented:[1]

> The elimination of arbitrary age limits on employment will proceed much more rapidly if the Federal Government declares, clearly and unequivocally, and implements so far as is practicable, a national policy with respect to hiring on the basis of ability rather than age.

[1] "The Older American Worker—Age Discrimination in Employment," pp. 61 and 62.

> Such implementation should emphasize the role to be played by persuasion and education, both in general and in individual cases of alleged violations of policy, and should provide for action in the event that persuasion and education fail.

Second, the report recommended "action to adjust institutional arrangements which work to the disadvantage of older workers." Among such adjustments recommended were wider adoption of vesting provisions in private pension plans, a system of portable pension credits, encouragement of new forms of private annuity coverage for older workers not covered by present private pension arrangements, undertaking a comprehensive formal review of the gaps and inadequacies of present systems of workmen's compensation and disability insurance, and developing methods of assisting private parties in collective bargaining to work out procedures which would open opportunities for hiring unemployed workers with long industrial service, while protecting seniority rights of workers who are already employed.

The third type of action recommended was "action to increase the availability of work for older workers." This encompassed recommendations for:

—additional intensive individual counseling and group counseling with specially trained counselors available for older workers;
—the organization of new job-finding community activities, including self-help groups;
—the development of part-time employment opportunities;
—referral to appropriate retraining projects and basic education courses, or to other facilities and services, such as vocational rehabilitation;
—organization of community efforts to change employers' attitudes toward rigid age restrictions;
—intensification of programs for dealing with mass layoffs from plant shutdowns;
—larger provision for training and retraining opportunities for older workers, especially through on-the-job training;
—development of new and more effective methods of training adult workers;
—more opportunities for basic education and income supplements to make this education practicable.

As one approach toward increasing the availability of work for older workers, the report makes an eloquent plea for a service corps for older workers similar to that proposed in Senator Smathers' S. 3049, the proposed Talented American Senior Corps (TASC) Act of 1966, and in S. 2877, introduced by Senator Harrison A. Williams, Jr., and others, to establish a National Senior Community Service Corps. It said:

> There are many community tasks on which older persons can be employed. There are substantial community needs that have not been met, and for which local authorities do not have funds. A great deal of this work can be done by older workers, and would be if Federal assistance were available in a form similar to the present financing of the Neighborhood Youth Corps. Community work would recapture and preserve human abilities, utilize manpower,

provide satisfying occupation, and forestall additions to the mounting welfare case load.

* * * * * * *

There are, and are likely to continue to be, tens of thousands of workers with inadequate sources of income and no employment prospects, who are over 55, have exhausted unemployment compensation, and are not yet eligible for retirement benefits. It is not right or reasonable that those whom the economy has displaced at ages between 55 and 65 in the course of technical progress, and whom it will not take back into productive employment, should suffer because of the unavailability of work opportunity.

Finally, the report recommends "action to enlarge educational concepts and institutions to meet the needs and opportunities of older age." It urges consideration of arrangements such as "educational sabbaticals" whereby workers can cure educational deficiencies which make them vulnerable to long-term unemployment in their middle and older years. It suggests that such an arrangement—

* * * can lead to the innovations and economic growth that new combinations of experience and modern education can provide, can furnish a basis for a new type of economic activity, and can be a constructive form of distributing reduced hours of active work in our society and can also open new job opportunities for others while older workers are on "educational sabbaticals."

3. LIBERALIZING EARNINGS LIMITATIONS

Section 310 of the Social Security Amendments of 1965 (Public Law 89–97) liberalized the amount of earnings which can be received by a social security recipient under the age of 72 without loss of benefits. Under the law previously in effect, benefits were withheld from a beneficiary under 72 (and from any beneficiary drawing on his record) at the rate of $1 in benefits for each $2 of annual earnings between $1,200 and $1,700 and $1 in benefits for each $1 of annual earnings above $1,700. Under the new law, there is no withholding of social security benefits from such a beneficiary unless he has at least $1,500 of annual earnings. One dollar of benefits is withheld for each $2 of annual earnings between $1,500 and $2,700, and $1 in benefits for each $1 of annual earnings above $2,700.

Section 403(a) of that act liberalized the amount of income which a State may disregard in determining the need of a recipient of old-age assistance. Previously, of the first $50 per month of earned income, the State was permitted to disregard the first $10 plus one-half of the next $40 of earned income. Under the new law, the State is permitted to disregard not more than $5 per month of any income and, of the first $80 per month of additional income which is earned, the State may disregard the first $20 plus one-half of the next $60.

4. DEMONSTRATION PROJECTS

Demonstration projects on enhancing employability of older workers, which had been carried out in South Bend, Ind., and Milwaukee, Wis., were completed late in 1965. These projects were conducted by the National Council on Aging with demonstration funds from the Department of Labor. Also being conducted under the same auspices were projects in Boston, Mass.; Cleveland, Ohio; Asheville, N.C.; and Baltimore, Md.; which had not been completed by the end of 1965. Two other projects at San Francisco, Calif., and Atlanta, Ga., under different sponsors, were begun but not finished during 1965. A project in Lansing, Mich., is expected to begin early in 1966.

5. SECRETARY'S ORDER NO. 29–65

On October 15, 1965, Secretary of Labor W. Willard Wirtz issued an order delegating authority and assigning responsibility to the Manpower Administrator for the overall operation and coordination of the Department's older worker program. A copy of the order appears in Appendix C, on p. 63).

D. Old-Age Assistance

Section 401 of Public Law 89–97 increased Federal payments for old-age assistance effective January 1, 1966, from 29/35 of the first $35 of monthly payments to 31/37 of the first $37. Section 405 required the States to give recipients the benefit of this increased Federal participation instead of merely reducing State welfare contributions by the amount of the Federal increase.

E. Private Pensions

On January 31, 1965, the President's Committee on Corporate Pension Funds and Other Private Retirement and Welfare Programs issued a report entitled "Public Policy and Private Pension Programs." The report culminated a study extending over almost 3 years.

Hearings were held in Washington, D.C., on March 4, 5, and 10, 1965, by our committee's Subcommittee on Employment and Retirement Incomes. As a result, a report including recommendations for extending private pension coverage was subsequently approved by the subcommittee.

The report's findings:

1. Action by the Federal Government to extend private pension coverage to more of its citizens and to increase the amount of private pension income received in retirement is unquestionably constitutional and is well within the traditional Federal role in the American scheme of government.

2. Private pension plans are advantageous from a number of standpoints as a means of providing adequate retirement incomes.

3. The revenue loss resulting from private pensions, if it is proper to consider it a revenue loss, is a wise investment in the material well-being of America's elderly and in the prosperity and health of the Nation's economy as it affects Americans of all ages.

4. The Federal Government is not doing all it can do and should do to encourage and stimulate the extension of private pension coverage.

The report's recommendations:

1. That the Internal Revenue Code be amended to eliminate the 50-percent limit on deductibility of contributions to qualified pension plans by self-employed persons for their own benefit in their capacity as employers.

2. That the Internal Revenue Code be amended to provide that a self-employed person who has employees is not bound by the 10 percent or $2,500 limits on pension contributions for his own benefit, but may exceed those limits under a formula which does not discriminate against any of his employees.

3. That the Internal Revenue Code be amended to eliminate or liberalize the provision specifying that where both capital and personal services are material income-producing factors in a trade or business, not more than 30 percent of the self-employed taxpayer's net income from the trade or business may qualify as "earned income" (Internal Revenue Code, sec. 401(c)(2)(B)).

4. That Congress enact legislation clarifying and reaffirming congressional intent that professional service corporations and associations are "corporations" within the meaning of that term as used in the Internal Revenue Code.

5. The subcommittee made no recommendation on the adoption or rejection of the recommendations in the report of the President's Committee, since most, if not all, those recommendations are outside the scope of this inquiry. However, it did recommend that each of those recommendations be considered in the light of its possible effect upon extension of private pension coverage, and that recommendations expected to have an adverse effect upon such extension be implemented only if there is reasonable expectation that the resulting improvements to the Nation's private pension system substantially outweigh their adverse effect upon such extension.

6. That the President direct his Committee on Corporate Pension Funds and Other Private Retirement and Welfare Programs to conduct a study on extending private pension coverage and to report on this subject with recommendations for sound, effective Federal actions to bring such coverage to more Americans.

F. Railroad Retirement Annuities

Enactment of a 7-percent increase in social security cash benefits as a provision of the Social Security Amendments of 1965 resulted in an automatic increase in some railroad retirement cash benefits. This resulted from the guarantee provision of the Railroad Retirement Act, which guarantees each beneficiary under that act a cash benefit of at least 110 percent of the social security benefit he would have received if credit for his railroad employment had been under social security rather than under railroad retirement.

Section 1 of Public Law 89–212 (Sept. 29, 1965) eliminated the provision which had previously reduced the railroad retirement annuities of spouses of retired railroad employees by the amount of certain social security benefits received by them.

Public Law 89–212 also increased the wage base and decreased the tax rate, which will result in more liberal benefits for rail employees who pay in on the increased tax base and retire later.

G. Military Retirement Annuities

The Military Pay Increase Act (Public Law 89–132, approved Aug. 21, 1965) amended the automatic cost-of-living increase system for retired military personnel by providing an immediate increase to reflect the rise in the Consumer Price Index since 1962 (which increase amounted to 4.4 percent) and by providing that future cost-of-living increases will be given whenever the Consumer Price Index advances by 3 percent or more for 3 consecutive months after a previous increase.

H. Civil Service Retirement

H.R. 8469, a bill to increase civil service annuities, was passed by the House on August 3, 1965, and by the Senate on September 8, 1965. The House agreed to the Senate amendments on September 9, 1965, and the bill was signed into law on September 27, 1965 (Public Law 89–205).

The three principal provisions of the new law:

1. An 11-percent increase in all annuities having a commencing date prior to October 1, 1956.
2. A 6-percent increase in all annuities having a commencing date after that date and before December 1, 1965.[2]
3. A revision of the method of determining cost-of-living increases. Whenever the Consumer Price Index shows an increase of at least 3 percent over the index for September 1965 for each of 3 consecutive months, all annuities must be increased by the highest percentage (to the nearest tenth) shown in the 3-month period.

[2] Public Law 89–314 (Nov. 1, 1965) permits those retiring before Dec. 31, 1965, to receive this increase.

CHAPTER III. DEVELOPMENTS REGARDING FRAUDS AND MISREPRESENTATIONS AFFECTING THE ELDERLY

SUBCOMMITTEE ON FRAUDS AND MISREPRESENTATIONS AFFECTING THE ELDERLY

Harrison A. Williams, Jr., *Chairman*

Maurine B. Neuberger
Wayne Morse
Frank Church
Edmund S. Muskie
Edward V. Long
Edward M. Kennedy
Ralph W. Yarborough

Hiram L. Fong
Gordon Allott
Jack Miller
James B. Pearson

(Ex officio: George A. Smathers)

A. GENERAL CONSIDERATIONS

Early in 1965, the Subcommittee on Frauds and Misrepresentations Affecting the Elderly issued a report which made recommendations for action in five major areas:[1] health frauds and quackery, interstate mail order land sales, deceptive or misleading methods in health insurance sales, preneed burial services, and more effective action by Federal regulatory agencies.

These recommendations are based on two major findings:

1. Elderly buyers in this nation, however small individual incomes may be, now have a purchasing power estimated to be between $38 and $40 billion.

2. There is good reason to believe that the elderly have become a major target of those who are looking for new markets to victimize. The elderly, attempting to make every dollar go as far as possible, often are tempted to believe unscrupulous promoters who prey upon their fears, unique needs, and their desire for security in retirement years.

In the months since the report was issued, several of its recommendations have been incorporated in legislative proposals; and discussion on proposals for administrative action are underway.[2]

In its search for information about exploitation of the elderly, the subcommittee is investigating several other areas of direct concern; and it is paying special attention to problems of Federal-State regulation.

[1] Frauds and Deceptions Affecting the Elderly, Investigations, Findings and Recommendations; A Report of the Subcommittee on Frauds and Misrepresentations Affecting the Elderly, Jan. 31, 1965.

[2] Senator Harrison A. Williams, subcommittee chairman, has introduced the following bills: S. 2350, calling for premarket testing of therapeutic, diagnostic, and prosthetic devices; S. 2672, to require Federal regulation of interstate land sales; and S. 1364, to amend the postal administrative mail fraud statute. In addition, talks are underway for an interdepartmental study on attitudes that contribute to the growth of quackery, and Federal representatives are conferring about a proposal for a community education program against health frauds and quackery. The project, now described as a health fads and fallacies survey, would receive multiagency sponsorship. The following agencies were represented at a meeting on December 7, 1965:

Administration on Aging, Department of Agriculture, Department of Health, Education, and Welfare, Department of Commerce—Bureau of Census, Veterans' Administration.

In addition, several Federal agencies are giving technical assistance and advice to potential sponsors of a consumer education project in the San Francisco Bay area.

B. Division of Responsibility: Federal and State

Again and again, the subcommittee has heard assertions that Federal agencies cannot provide the manpower and resources for scrutiny and action against all fraudulent and deceptive schemes. A sensible division of responsibility between Federal and State resources, the subcommittee has been told, is essential.

Some progress toward that goal has been reported:

1. *Federal Trade Commission.*—On April 8, 1965, Federal Trade Commission Chairman Paul Rand Dixon announced that the Commission intended to establish an Office of Federal-State Cooperation in order to provide more comprehensive and effective action against deceptive practices.

A Federal-State Relations Division was established on October 14, 1965.[3]

The Federal Trade Commission has also authorized two other actions intended to help the elderly. A new booklet, describing ways in which older buyers are often cheated, is now under preparation. In addition, the Commission on July 19 opened a special consumer complaints office in Washington, D.C. Commission attorneys will be on duty in this office from 9 a.m. to 4 p.m. to receive complaints by telephone or in person. The Commission is primarily concerned about deceptive trade practices that victimize the poor, and special emphasis is given to practices that prey upon the aged.

2. *Food and Drug Administration.*—In 1955, the Food and Drug Administration received the full text of a comprehensive survey—prepared by the Public Administration Service of Chicago—of the relationships between State and Federal laws in broad areas of mutual interest, including regulation of foods, drugs, and therapeutic devices.

The principal conclusion of the report was that: "the interdependency and community of purpose among Federal, State, and local agencies must be expanded and further coordinated through a balanced State-Federal relationship".

The survey is under study by the subcommittee staff, and a decision will soon be made on whether the study findings and the recent Federal Trade Commission actions will call for hearings or other action by the subcommittee.

C. Consumer Education

In its findings and recommendations, the subcommittee has expressed special concern about the need for consumer education. Regulatory action, while necessary in some areas, is not the total answer. Clear recognition of this principle has been expressed by representatives of Government and private organizations.

1. *Federal agencies*—President Johnson, in his message to his Consumer Advisory Council on October 15, said that "One of the greatest contributions this Consumer Advisory Council can make will be to identify the needs of consumers, now and in the years ahead, and to recommend programs to fill their needs." He asked the Council to give special attention to the elderly who, he said, deserve adequate solutions for their particular problems.

[3] Press releases issued by the FTC give the details (See appendix p. 66).

Mrs. Esther Peterson, the Special Assistant to the President for Consumer Affairs, gave additional comments in a statement submitted to the Special Committee on Aging for its hearing this year on the War on Poverty as it Affects the Elderly. In her description of cooperative ventures with the Office on Economic Opportunity, Mrs. Peterson said:

> As you know, those in the later years of life frequently find themselves at or near the poverty line. For one reason or another, many aged people have great difficulty living within their limited incomes. Their problems are made even more acute by their dependence on relatively fixed incomes, such as retirement payments and insurance annuities. Although social security and other programs have improved rapidly in recent years many of the aged still have incomes below the poverty level.
>
> It follows that any program to help alleviate the problems of the poor must pay particular attention to the proportion of the population over 65 years of age.
>
> We are constantly reminded that the proportion of elderly in the ranks of the poor is much higher than in the general population. We see this daily in the heart rending letters to this office from older persons. We also see it in many other ways.
>
> Your Subcommittee on Frauds and Deceptions Affecting the Elderly, for example, heard one county prosecutor say that 7 out of 10 victims of medical fraud were over the age of 60. Aged people are especially prone to become victims of consumer fraud, deceptive selling schemes, and just plain wasteful buying practices. The last mentioned is often the result of buying in small uneconomical quantities.
>
> The retail revolution—symbolized by the replacement of the friendly corner grocer by an impersonal package on the shelf—has thrown older persons into an unreal world where they simply get lost in the maze of the modern marketplace.

I. REGIONAL CONFERENCE REPORT

Mindful of these special problems of the poor, President Johnson last year directed this office to hold a series of regional conferences to discuss the problems of consumer information in order to form the basis for possible remedial action.

The result was a series of four conferences and the attached report on them to the President. The principal conclusion was that American consumers of all ages need much more information than they get from either Government or business. Discussion at the conferences showed that this need is especially apparent among older people. They are so often unable, for example, to read the small print disclosing a package's net contents or the fine print in a sales contract or personal loan.

One of the five recommendations of the conference report was that Government agencies dealing with consumers create

more and better informational materials for the poor, the elderly, the illiterate, and other special groups.

This recommendation specifically called for:

(1) Development of new means of reaching these people, including mobile exhibits, movies on consumer fraud, and the establishment of information centers—in cooperation with business, labor, and other interested groups—in low-income neighborhoods.

(2) Translation of existing informational material into Spanish for use in some sections of the country.

(3) The inclusion, where appropriate, of consumer education and information projects in community action programs under the Economic Opportunity Act.

A priority of our committee is to work for implementation of these recommendations.

Other Federal agencies have, in their publications and news releases, paid special attention to the consumer problems of the elderly. A description of regulatory and educational activities of the Food and Drug Administration, prepared by the FDA, appears in the appendix at p. 67.

Another agency, the Social Security Administration, worked with the subcommittee to issue warnings when canvassers, posing as social security agents, tried to confuse victims about the provisions of medicare. One of the most comprehensive descriptions of schemes directed at the elderly was given on October 12, 1965, by Chief Postal Inspector Henry B. Montague.[4]

2. *Private organizations*—Many individual organizations, such as the American Medical Association and the National Better Business Bureau, have continued to issue timely and informative warnings against new efforts to bilk the elderly. Several of these organizations—the AMA, the NBBB, the National Health Council, and the Arthritis Foundation—are working with the Federal Trade Commission, the Food and Drug Administration, and the postal inspectors in coordinating a Conference on Health Information. This informal group is studying ways and means of combating medical and health quackery in the United States. Among projects considered are methods of measuring and determining extent of quackery and the nature of the problem the development of a educational and informational materials for professional organizations, schools, colleges, and consumer groups; and techniques for commenting on and criticizing health materials and health literature which do not fairly represent current scientific opinion; and plans for meetings to combat pseudoscience and medicine. A third National Conference on Quackery, to be held late in 1966, is now under discussion.

[4] See Appendix p. 69.

CHAPTER IV. DEVELOPMENTS IN HOUSING FOR THE ELDERLY

SUBCOMMITTEE ON HOUSING FOR THE ELDERLY

Frank E. Moss, *Chairman*

Harrison A. Williams, Jr.
Frank Church
Edmund S. Muskie
Stephen M. Young
Wayne Morse
Edward M. Kennedy
Frank Carlson
Winston L. Prouty
Gordon Allott

(Ex officio: George A. Smathers)

The importance of satisfactory housing and a suitable living environment to the well-being of elderly people has been fully recognized by the Congress and, since 1961, by the administration. Congress has enacted several programs designed to stimulate the construction of new housing suitable and specifically designated for the elderly. These programs have been actively utilized during the past 4 years, and in 1965 important improvements and additions were made to them.

Despite this progress, it is fair to say that we are still at the beginning of the long and difficult task of assuring all older people the availability of appropriate housing within their financial means. We have made only modest inroads into the housing need revealed by the 1960 census of housing. According to this 1960 data, nearly 2,750,000 households where the head was 65 or over were deficient; that is, dilapidated, deteriorating, or lacking some or all plumbing facilities. Nearly half a million of these units occupied by elderly households were classified as dilapidated. Moreover, it should be borne in mind that many of those recorded as living in standard housing may be living in dwellings which are structurally sound but which may be too large or too difficult and expensive to maintain. Some also are, in effect, trapped in dwellings which are isolated from friends and social contacts and remote from needed services.

There are other areas of housing need among the elderly which have not been measured. Some proportion of the more than 2 million persons and couples 65 and over who were living with their children or other relatives are not living in arrangements acceptable to them. While some older persons may desire to live in the households of their children, it is safe to say that in a great many cases the arrangement is not satisfactory to either generation and is dictated by lack of alternatives rather than freely chosen.

Many older people live in rental housing for which they pay more than they can afford. At least 31 percent of all two-or-more-persons households in nonfarm rental units with occupants aged 60 and over paid a third or more of their incomes for rent in 1960. For one-person households, the proportion paying a third or more was twice as high—62 percent. Thousands of older people who pay high pro-

portions of their often meager incomes for rent are forced to limit severely their purchase of other necessities, such as food, medical care, and recreation.

We have a large backlog of need. Federal housing programs have assisted in creating 110,000 new units for the elderly at various rent levels, and an additional 55,000 are under construction or under commitment. However, apart from the backlog of need we are striving to meet, we are creating through urban renewal and other public projects an immediate rehousing need. The subcommittee has called attention to this problem in previous reports.

A recently published study by the Institute for Environmental Studies of the University of Pennsylvania confirms the subcommittee's earlier conclusions that negative effects of forced relocation on the elderly from urban renewal, highway, and other public works construction are, on the whole, more numerous and more severe than those on the younger population. According to the study, approximately one-fifth of all households relocated by urban renewal in 20 cities were headed by persons 60 years of age or over, although the range of percentages found in these cities was from 10 to over 30 percent. In rooming house areas over 50 percent of the relocatees were 60 or over.[1] These figures correspond closely to the findings of the subcommittee.

It is estimated that elderly households will enter the relocation workload of redevelopment agencies at the rate of about 20,000 per year during the next 5 years. By 1970 we will have displaced a quarter of a million elderly households through urban renewal alone since the beginning of the program; about twice that many through all public programs combined. If we measure the performance of our programs to add new housing against those which are removing housing now occupied by the elderly, we are losing ground.

A. The Basic Housing Programs for the Elderly

The several programs enacted by the Congress in recent years to help increase the supply of housing for senior citizens are administered by the Department of Housing and Urban Development and by the Department of Agriculture.

1. PUBLIC HOUSING FOR THE ELDERLY

The low-rent public housing program authorized by the Congress in the Housing Act of 1937, was amended in 1956 to authorize the design and construction of public housing units especially for the elderly and to make single elderly persons as well as families eligible to occupy public housing. In 1961 the Congress increased construction cost limitations on units especially designed for the elderly and authorized an additional annual subsidy of up to $120 for each elderly family housed.

The Housing Act of 1961 authorized 100,000 units of public housing for all ages. By 1964, this authorization had been exhausted, and 37,500 additional units for all ages were authorized in the Housing Act of 1964, as a stopgap measure to continue the program for an additional year.

[1] Paul L. Niebanck and John B. Pope. The Elderly in Older Urban Areas, pp. 6, 14-15. Institute for Environmental Studies, University of Pennsylvania, Philadelphia, 1965.

The Housing and Urban Development Act of 1965 provided an additional authorization for an estimated 240,000 units for all ages; 60,000 units for each of the next 4 fiscal years. This authorization includes new construction, purchasing and rehabilitation of existing housing, and leasing of existing housing from private owners for occupancy by low income families.

By the end of 1965 the Public Housing Administration had approximately 58,000 public housing units designated for the elderly under contract, under construction, or completed. Almost half of all public housing authorized since 1961 had been developed for occupancy by the elderly, and in view of the continuing need and demand in this age group, it may be expected that a similar proportion of the newly authorized public housing will be devoted to housing for the low income elderly.

2. DIRECT LOAN PROGRAM

Section 202 of the Housing Act of 1959 authorized the Housing and Home Finance Administrator to make long-term, low interest loans to nonprofit organizations, consumer cooperatives, and public bodies (except public housing authorities) to build rental housing for the elderly. Loans may be made for up to 50 years. This program is now a function of the Department of Housing and Urban Development.

In this committee's report to the Senate of March 1965,[2] we called attention to the impact on rent levels of the steadily rising interest rate under the section 202 program. As originally enacted, the interest rate charge for a direct loan to a nonprofit sponsor was determined by a formula based on the interest on outstanding Government borrowings. At the time of that report the interest rate had risen to 3¾ percent.

We noted that this increasing rate was adversely affecting the program and recommended that the Congress reconsider the interest rate formula with a view to restoring it to a level which would give nonprofit sponsors a substantial advantage in cost of financing. We are pleased that the Housing and Urban Development Act of 1965 amended this program by placing a ceiling of 3 percent on the interest rate. In addition, the amount authorized for direct loans was increased by that act from $350 to $500 million.

As of December 31, 1965, projects providing a total of more than 7,000 units were in operation. Loan reservations had been made for over 200 projects which are planned to provide about 25,000 housing accommodations for the elderly.

3. FHA MORTGAGE INSURANCE OF RENTAL HOUSING FOR THE ELDERLY

Under section 231, which was added to the National Housing Act in 1959, the Federal Housing Administration is authorized to insure lenders against losses on mortgages used for construction or rehabilitation of rental housing for the elderly. The program provides mortgage insurance for 90 percent of replacement cost in the case of profit-making sponsors and 100 percent of replacement cost for nonprofit sponsors. The mortgage terms may be for up to 40 years, and the maximum interest rate is currently 5¼ percent plus a half percent

[2] "Developments in Aging, 1963 and 1964," S. Rept. 124, 89th Cong., 1st sess., p. 34.

mortgage insurance premium. This program is a major source of assistance in financing for the traditional role of church and denominational groups in the provision of residential care for the aging.

FHA's mortgage insurance program for rental housing for the elderly under section 231 exceeded half a billion dollars in commitments for insurance among both nonprofit and profit-motivated sponsors by the end of 1965. This major program, which can serve a higher-income group than the elderly eligible for low-rent public housing or for housing financed under direct loans, has made net commitments totaling over 42,000 units through 1965, of which nearly 3,200 were committed during 1965. Nearly 41,000 units have been placed under construction, with over 5,200 units started during this past year. About 200 projects containing nearly 29,000 units had been completed and finally endorsed by the FHA by the end of 1965, of which over 7,300 units had been completed during the year.

Enactment of the rent supplement provisions of the Housing and Urban Development Act of 1965 have made the mortgage insurance authorization for market rate mortgages under section 221(d)(3) a major potential source of assistance for financing rental housing for the elderly. It is understood that this program will, in operation, be substantially identical to the section 221 program discussed above, insofar as it is used to finance rental housing for the elderly.

4. HOUSING FOR THE RURAL ELDERLY

Although the senior citizen housing programs of the Housing and Home Finance Agency were available in all parts of the country, their administrative mechanisms did not reach effectively into the rural communities. Therefore, the Senior Citizens Housing Act of 1962 added similar programs to the authorization of the Farmers Home Administration.

While tailored to smaller projects, the provisions of these programs are substantially similar to the direct loan and mortgage insurance programs of the Housing and Home Finance Agency. Initially they were available in communities with populations of 2,500 or less. The Housing and Urban Development Act of 1965, however, amended the definition of a rural area to include communities not in excess of 5,500 in population if "rural in character."

As of December 31, 1965, the Farmers Home Administration of the Department of Agriculture had made or insured 104 loans totaling approximately $6,639,000. Of these, 67 mortgages were insured for projects providing 486 dwelling units in rural areas. Direct loans were made for 37 projects providing 455 dwelling units.

The dwellings constructed in these projects are primarily one-bedroom apartments, although a few are efficiencies and two-bedroom apartments. The average rental for housing developed under the mortgage insurance program is $73 per month, and under the direct loan program $62 per month. Housing for rural elderly under these authorizations has been created in 30 States and Puerto Rico.

B. New Programs Established by the Housing and Urban Development Act of 1965

In addition to extension and improvement of the existing housing for the elderly programs, the Housing and Urban Development Act of 1965 (Public Law 89–117, approved August 10, 1965) established three new programs which should result in expanding housing choices and improving the living conditions of many older Americans.

1. THE RENT SUPPLEMENT PROGRAM

The act authorized the Administrator of HHFA (the function is now vested in the Secretary of Housing and Urban Development) to enter into contracts with nonprofit, cooperative, or limited-dividend sponsors of housing under which elderly and other eligible tenants would pay only 25 percent of their income toward rent and the Department would pay the difference between that amount and established fair market rents. The elderly is one of the groups specifically enumerated as eligible for assistance under this section, along with the disabled, persons living in substandard housing, and those displaced by governmental action.

The housing for which rent supplementation will be available will be built primarily under the section 221(d)(3) market rate of interest program of FHA. Rent supplements also will be available on a limited basis to housing built under the section 221(d)(3) below market interest rate program; the FHA section 231 housing for the elderly program; and the section 202 direct loan program for housing for the elderly. Rent supplements in housing under each of the last three programs will be limited to 5 percent of the aggregate amount of rent supplement contracts authorized.

This new program can become the most important new instrument for expanding on a massive scale the development of specially designed housing for America's senior citizens. Rising construction costs and higher land values have made it increasingly difficult for the Federal direct loan and mortgage insurance programs to meet the huge need for low- and moderate-income housing. But the addition of rent supplementation to these programs will provide older people of low income suitable housing within their means. It will bring demand into an effective relationship with need and enlarge the housing choices which older people can make. Rent supplementation will thus be a major complementary program to low-rent public housing in meeting the needs of the low-income elderly.

The act authorized $30 million in rent supplement contracts for all eligible groups for fiscal year 1966, the increase of this limit by $35 million for fiscal 1967, by $40 million for fiscal 1968, and by $45 million for fiscal 1969, making the limit $150 million during the fourth fiscal year, 1969. The Department estimates that about one-fourth of these, or nearly 94,000 units, will be serving the elderly.

However, this program is not yet in operation. The President's supplemental budget request, submitted on August 26, 1965, included $30 million in contract authority and $900,000 in liquidating cash to fund the program for the remainder of fiscal year 1966. An amendment adopted on the floor of the House of Representatives deleted these items. The Senate restored this item at the reduced level of

$12 million in contract authority and $400,000 in liquidating cash; however, the House position prevailed in conference.

The Congress has just received a supplemental budget which again requests the full amounts authorized by the Housing and Urban Development Act of 1965. The subcommittee strongly urges favorable action on this request so that this important program which has been enacted by the Congress may be implemented.

2. GRANTS FOR HOME REHABILITATION

Our Housing Subcommittee has pointed out in the past that elderly homeowners may be severely disadvantaged by requirements that they invest substantial amounts in the improvement of their homes to meet standards in rehabilitation areas. Because of low and fixed retirement incomes this group has been particularly subject to displacement as a result of their inability to finance needed improvements. Yet it is this group which might be especially well served through improvement of their homes and neighborhoods if they were able to participate.

The program of low interest rehabilitation loans established by the Housing Act of 1964 was directed to this problem; however, the monthly cost of amortizing a loan even at below-market interest can be an insurmountable problem to the many elderly people whose incomes are sufficient for food and clothing only if they own their homes and do not have to pay currently for housing.

In the Housing and Urban Development Act of 1965 the Congress therefore authorized the use of urban renewal capital grant funds to owner-occupants of homes in urban renewal areas to enable them to make repairs required by codes or urban renewal standards. Grants up to a maximum of $1,500 are available to homeowners whose incomes do not exceed $3,000 per year. For homeowners whose incomes are more than $3,000 per year, grants can be made to meet rehabilitation costs in excess of an amount which could be amortized without requiring more than 25 percent of their monthly incomes to be devoted to housing expenses. However, in no case may a grant exceed $1,500.

While this grant program is for all age groups, our Housing Subcommittee hopes that in its administration, emphasis will be given to enabling low-income elderly homeowners to improve their housing while remaining in their own homes in familiar and convenient neighborhood surroundings.

3. NEIGHBORHOOD FACILITIES

Section 703 of the Housing and Urban Development Act of 1965 established a program of grants to local public bodies and agencies to finance projects for neighborhood facilities. Projects may be undertaken directly by local public agencies or through nonprofit organizations approved by such local public agencies. Among the types of facilities which would be eligible are neighborhood center facilities serving low-income elderly persons. Grants would be for two-thirds of the development cost except in areas designated under the Area Redevelopment Act which may receive grants up to three-fourths of the development cost.

In the committee's report of March 16, 1965, the subcommittee noted that most housing projects for the elderly recently built under Federal programs contain space and facilities for various social and recreational activities. Often these are, in effect, senior activity centers, many of which are used by the elderly of the general community as well as by the tenants; yet the cost of these facilities is borne by the tenants through their rents.

Some sponsors do not feel free to open the common facilities of the project to nontenants, and most sponsors keep such facilities to a minimum because of the impact of their cost on rent levels. However, it is generally agreed to be desirable to include in housing for the elderly ample common space, space for meeting rooms and recreation, as well as facilities for counseling and referral and other services. At the same time it is desirable for the elderly of the community to be encouraged to avail themselves of these facilities and services not only for their benefit to them but to integrate the housing in the project with the surrounding community and promote a wide variety of social contacts outside the project for the tenants.

As originally introduced, the bill proposed to provide grants for neighbothood facilities only to public bodies or agencies. In view of the subcommittee's earlier recommendation, members of the subcommittee advocated the inclusion of nonprofit organizations as eligible to receive such grants especially in connection with the development of senior activity centers in conjunction with housing for the elderly. The language of the section as enacted permits grants to be made for projects of nonprofit organizations approved by the local public body or agency.

The subcommittee recognizes that the senior center is only one of the types of neighborhood facilities contemplated by this section. However, it is hoped that in the administration of the program the Department will give due consideration to the need for senior centers and to the possibilities for their development in conjunction with housing for the elderly. The subcommittee notes that the language of section 703 would permit, for example, a grant for the inclusion, by an approved sponsor, of a neighborhood senior center in a project developed under the section 202 direct loan program if the project were so located that a substantial number of elderly persons of limited income in the surrounding area would be served. The inclusion of the sponsor's share in the development cost of the housing project would be permissible under the provisions of the section and would be entirely appropriate since the amortization of this share through their rents would represent a substantial contribution by the tenants toward the facilities they would share with the community.

C. The Department of Housing and Urban Development

Public Law 89–174 (approved September 9, 1965), established a new Department of Housing and Urban Development. Housing programs for the elderly, except those for the rural elderly, were vested by that act in the Secretary of Housing and Urban Development. Decisions affecting the organization and operation of programs of particular interest to the elderly have not yet been announced. The subcommittee plans to follow closely the decisions made with respect

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to these programs and hopes that in the new organizational context their effectiveness will be further enhanced.

Since 1961 the Housing and Home Finance Agency has had an Office of Housing for Senior Citizens headed by an Assistant Administrator. This has provided a coherence to policy with respect to the operation of the three major senior citizen housing programs and top level attention to their implementation and coordination. However, with the initial organization of the new department it may be timely to review the mission of this office with a view to increasing its scope and effectiveness.

The Department might give consideration to the establishment of a similar office of special assistant to the Secretary, but as a special assistant for problems of the aging rather than the more limited responsibility for senior citizen housing programs. Few programs of the Department of Housing and Urban Development are without effect, at least potentially, on the elderly urban citizen. As noted earlier in this chapter, elderly residents of urban areas are affected in disproportionate numbers by redevelopment programs. Older people who have a vital stake in the future of the city as a place to live represent an important constituency to be considered in urban planning which seeks to control and direct the course of urban growth and redevelopment.

An assistant for aging in the Office of the Secretary would perform a great service by interpreting and asserting the interests of the elderly wherever urban programs affect their housing and living arrangements, not only within the Department, but throughout the community of planners, developers, and administrators who will in the years ahead profoundly alter the urban environment.

CHAPTER V. DEVELOPMENTS IN NURSING HOMES AND LONG-TERM CARE OF THE ELDERLY

SUBCOMMITTEE ON LONG-TERM CARE

Frank E. Moss, *Chairman*

Pat McNamara
Harrison A. Williams, Jr.
Maurine B. Neuberger
Wayne Morse
Frank Church
Edmund S. Muskie
Edward V. Long
Ralph Yarborough
Stephen M. Young
Edward M. Kennedy

Everett McKinley Dirksen
Frank Carlson
Hiram L. Fong
Winston L. Prouty
Gordon Allott
Jack Miller

(Ex officio: George A. Smathers)

The Subcommittee on Long-Term Care had its origins in a joint undertaking by the Subcommittee on Housing for the Elderly and the Subcommittee on Health of the Elderly begun late in 1963. The subcommittees acting as a joint subcommittee embarked on a comprehensive study of the facilities and services available to infirm aged persons needing some continuing care on a long-term basis. The Special Committee on Aging established the Subcommittee on Long-Term Care as a full and permanent subcommittee by resolution adopted at the committee meeting of February 23, 1965.

The subcommittee has given a great deal of emphasis in its work to conditions and problems in nursing homes, since they represent at the present time the major sector of the long-term field, the sector in which Federal activities are most deeply involved, and the sector in which some of the most serious and urgent problems are found. However, the subcommittee inquiry included also all types of institutions devoted to care of the long-term patient as well as ambulatory and noninstitutional services for such patients. In addition to a review of the facilities and services available and the needs and problems which exist, it was the subcommittee's purpose to evaluate the policies and programs of the Federal Government relating to long-term care and assess their responsiveness to developments and new needs in this changing field. The subcommittee held three series of public hearings developing over 1,300 pages of testimony from which its findings are being drawn.

The initial hearings held in Washington, D.C., on December 17 and 18, 1963, developed an inventory of all Federal programs and activities affecting long-term care of the aged, and inquired into the purposes of the programs and the policies and standards of the responsible departments and agencies in their administration. Three days of public hearings were held in May of 1964 at which national organizations representing institutions interested in or engaged in rendering long-term care as well as other authorities on health care of the aged were heard. In these hearings the subcommittee at-

tempted to gain a national picture of the adequacy of facilities and services for the long-term patient, identify the areas of unmet need, and discern the trends in the development of the long-term care field which must be anticipated and understood in order that Federal policies and programs be made responsive and contribute effectively to the improvement of care available to older Americans.

During the past year the subcommittee has conducted public hearings in seven cities throughout the country. These hearings were as follows:

Part 1.—Indianapolis, Ind., February 11, 1965.
Part 2.—Cleveland, Ohio, February 15, 1965.
Part 3.—Los Angeles, Calif., February 17, 1965.
Part 4.—Denver, Colo., February 23, 1965.
Part 5.—New York City, N.Y., August 2 and 3, 1965.
Part 6.—Boston, Mass., August 9, 1965.
Part 7.—Portland, Maine, August 13, 1965.

In these field hearings the subcommittee took testimony from administrators and owners of nursing homes, representatives of State and local regulatory agencies, community health and social agencies, physicians, nurses, and others directly concerned with serving the aged long-term care patient.

PRELIMINARY FINDINGS OF THE SUBCOMMITTEE

Although there are specific problems encountered in the course of these studies on which investigation is continuing, and which may be found to warrant hearings at some time in the future, the point has been reached at which the general survey phase of the committee's work can be concluded and a report presented. During April 1966, the subcommittee expects to issue such a report compiling the observations and conclusions of the subcommittee and offering specific recommendations. Many of the specifics of these findings still are subject to subcommittee consideration and approval; however, the following briefly outline some of the major areas to which the subcommittee is addressing its attention:

1. *The Federal Government is heavily involved in the long-term care field, especially in the area of nursing homes, and has a clear responsibility to assure that its programs contribute to sound development of the field and provide proper and safe care of their beneficiaries.*

Three separate Federal agencies have programs which stimulate the construction of nursing homes. The Hill-Burton program administered by the Public Health Service provides grants, under a special facilities category, to nonprofit sponsors for the construction of nursing homes as well as certain other types of facilities. Grants usually are for one-third of the development cost and are made for institutions affiliated with or actually sponsored by nonprofit or public hospitals as determined by the individual State plan. The Federal Housing Administration is authorized by section 232 of the National Housing Act to insure mortgages up to 90 percent of replacement cost to finance nursing home construction. From 1959 until 1964 mortgage insurance under this program was available only to profit-motivated nursing home sponsors. The section was amended by the Housing Act of 1964 to extend the mortgage insurance benefit also to nonprofit sponsors of nursing homes; however, the

use of this program by nonprofit sponsors has so far been insignificant. The Small Business Administration makes direct loans to profit-motivated nursing home sponsors for construction, expansion or renovation of nursing homes facilities and for operating capital.

The care of approximately 60 percent of the patients in nursing homes in the United States is now being financed by public assistance vendor payment programs. Public assistance vendor payments for nursing home care have now reached a level of about $425 million per year and approximately half of this amount is Federal matching funds.

Although not a long-term care program, the medicare program may be expected to have a considerable impact on the long-term care field. Nursing homes are eligible to be providers of the post-hospital extended care benefit and to be reimbursed on the basis of reasonable cost. The manner in which this phase of the program is administered, as well as the substantial market which the program underwrites for home health services, will have important bearing on the future development of the long-term care field in this country.

2. Available statistics on nursing home bed needs do not provide a reliable picture of actual facilities needs or a reliable measure of the market for such facilities.

The nursing home bed deficit in the United States usually is said to be on the order of half a million beds. This is based on a compilation of unmet bed need figures in the individual State plans plus those beds termed "unacceptable" by the States' Hill-Burton agencies. Generally speaking, the bed need figures in State plans are based on population and empirically derived utilization rates. Thus, they often do not take into account changes in the pattern of available health facilities and services within the several communities in the State nor the economic ability of the communities to support added facilities. Beds termed "unacceptable" are so classified on the basis of physical characteristics without regard to the services available or the part which the services of a particular institution play or fail to play in the total health care resources of its immediate community. Thus, considerably more refined planning techniques applied at the community level with respect to the total pattern of providers of long-term care services are needed to develop reliable data on actual needs.

The certificate-of-need procedure required by the Federal Housing Administration and Small Business Administration for nursing home assistance has not been successful in preventing speculative overbuilding, to say nothing of success in directing resources into the areas of greatest need.

3. State licensing and State enforcement of standards and regulations is not successfully assuring quality of care and safety of nursing home patients.

Under present law the Welfare Administration relies upon State licensing and enforcement of standards in nursing homes, and all States have nursing home regulatory laws. However, State regulatory statutues for nursing homes vary widely both in scope and stringency, and there also is great variation in the enforcement efforts of the State agencies. As far as is known to the subcommittee, no State licensing official is entirely satisfied with the quality of nursing homes within his jurisdiction and there are few jurisdictions which do not have

serious problems relating to substandard facilities or inadequate services.

There are a number of reasons for the existence of this situation which do not at all reflect upon the competence or dedicated efforts of State health authorities. In some jurisdictions the laws themselves do not give State officials sufficiently broad authority, and in some States grandfather clause exceptions permit the continued existence of unsafe conditions. Many State agencies do not have sufficient staff to make inspections as thoroughly and as frequently as needed. In some States the only sanction available for the enforcement of standards is revocation of license through procedures so lengthy, elaborate, and costly that it can be used only in the most flagrant cases. And not the least of the difficulties in obtaining adequate facilities and professionally oriented services is that so many States do not, and possibly cannot, reimburse nursing homes for the care of public assistance patients at rates which will support the cost of such facilities and services.

4. *Adequate reimbursement for the care of publicly assisted patients in nursing homes is essential to the development of an adequate inventory of good facilities and to providing high-quality services.*

Reimbursement rates to nursing homes vary among the States from a high of $355 per month to $40 per month. Typical reimbursement rates fall in the range of $100 to $150 per month.

A few States have developed systems of reimbursement which include a system of classification of homes and a graduated scale of payments related to the services provided in the homes. A few have made some approach to basing rates on a determination of the actual costs of rendering the level of care required. A majority of States, however, still use a single rate of reimbursement which is negotiated or administratively determined in which cost considerations play a part as well as considerations of past practice and of the limitations of State and county budgets.

Reimbursement rates and standards must be considered together. If new and improved facilities are to be provided, and professional staff and services are to be required, payments for care must be adequate to underwrite them. On the other hand, it would be unwise indeed to pay rates predicated upon higher standards without full and rigid enforcement of such standards.

5. *There is cause for apprehension that the character and quality of the extended care benefit as defined by the Congress in the Social Security Amendments of 1965 may be eroded.*

Many hospitalized illnesses involve a period of convalescence in which the full resources of the acute hospital no longer are needed but the patient is not ready to be discharged and sent home. This is especially likely to be true in the case of an elderly patient who may recover from illness more slowly and who may live alone or with an elderly spouse.

The medicare program embodied in title XVIII of the Social Security Act therefore provides that a hospitalized beneficiary may be transferred when medically indicated to an extended care facility. This provision enables the program to economize both on scarce acute hospital beds and on the funds of the program where such alternative facilities are available and adequate for the postacute

phase of an acute hospitalization. However, this provision has become known in common parlance as the nursing home benefit.

Nursing homes are certainly the most numerous of the several types of institutions in which extended care services may be rendered. However, the benefit is not nursing home care as this care is commonly understood, but a comparatively short-term, intensive service in which the nursing home serves, in effect, as an extension of the hospital. It must be recognized that most existing nursing homes are not extended care facilities as defined in title XVIII, and in all probability a majority will not find it feasible or desirable to make the changes necessary to become providers of this service.

In the development of standards and regulations for extended care and in the administration of this phase of the program, overemphasis on contracting with some institution wherever medicare beneficiaries may be eligible for this care could start a process of erosion of both the quality and the very nature of the benefit. The minimum that the Department is willing to label "extended care" and reimburse under this section will tend to become the maximum that can be obtained. In this connection the subcommittee notes with concern the introduction into the draft now under review of the conditions of participation for extended care facilities the highly elastic concept of substantial compliance.

The subcommittee has heard expressed the thought that it is the obligation of the program to deliver a benefit. The subcommittee agrees; but here it is important to refer to the precise language of the law and to avoid thinking and talking in terms of a nursing home benefit. If a patient is not receiving active convalescent and restorative services under continuing medical supervision in a setting having the characteristics and services recited in the law, he is not being delivered the benefit provided by the Congress even though he may be in an institution to which checks are being written on his account.

6. Considerable numbers of new extended care facilities will be needed in the near future to meet the needs of medicare beneficiaries.

In addition to the need for both new and replacement long-term care facilities, there will be a tremendous need, now readily predictable, for facilities designed to provide the intensive convalescent services contemplated by the medicare program. The creation of anything approaching the quantities of facilities which will be needed for posthospital extended care by the time this benefit becomes available to medicare beneficiaries will require Federal assistance allocated in the most effective way.

Federal programs of assistance for the construction of health facilities should concentrate in the immediate future on the development of facilities designed to render posthospital extended care. Maximum effectiveness in meeting these needs might be obtained by encouraging general hospitals throughout the Nation to develop these facilities as additions to their existing plant.

CHAPTER VI. DEVELOPMENTS IN SERVICES

SUBCOMMITTEE ON FEDERAL, STATE, AND COMMUNITY SERVICES FOR THE ELDERLY

Edward M. Kennedy, *Chairman*

Alan Bible
Ralph W. Yarborough
Stephen M. Young
James B. Pearson
Everett McKinley Dirksen

(Ex officio: George A. Smathers)

A. OLDER AMERICANS ACT OF 1965 (PUBLIC LAW 89-73)

The principal sponsors of this legislation were Senator Pat McNamara, of Michigan, and Representative John Fogarty, of Rhode Island.

Favorable reports on it were issued by—

1. House Education and Labor Committee (Rept. No. 145, Mar. 9, 1965); and
2. Senate Labor and Public Welfare Committee (Rept. No. 247, May 26, 1965).

The House passed the measure (H.R. 3708, as amended) on March 31, 1965. The Senate unanimously passed the bill (with amendments) on May 27, 1965. The House agreed unanimously to the Senate amendments on July 6, 1965. It was signed into law by the President on July 14, 1965.

1. SUMMARY OF OLDER AMERICANS ACT

Following is a summary of the provisions of the new public law:

Title I.—In keeping with the traditional American concept of the inherent dignity of the individual in our democratic society, the act sets forth a 10-point declaration of objectives for older Americans. These objectives are—

1. An adequate income.
2. The best possible physical and mental health.
3. Suitable housing.
4. Full restorative services.
5. Opportunity for employment without age discrimination.
6. Retirement in health, honor, and dignity.
7. Pursuit of meaningful activity.
8. Efficient community services when needed.
9. Immediate benefit from proven research knowledge.
10. Freedom, independence, and the free exercise of individual initiative.

Title II.—1. Establishes an operating agency known as the "Administration on Aging" in the Department of Health, Education, and Welfare.

2. Creates a new position of Commissioner on Aging to be head of the Administration on Aging, who is appointed by the President and confirmed by the Senate. (William D. Bechill, of California, was

appointed Commissioner by the President on October 1, 1965, was confirmed by the Senate on October 22, and was sworn in on November 2.)

3. Functions of the Administration: (*a*) Serve as a clearinghouse of information on problems of the aged and aging; (*b*) assist the Secretary in all matters pertaining to the aging; (*c*) administer grants provided by the act; (*d*) develop, conduct, and arrange for research and demonstration programs in the field of aging; (*e*) provide technical assistance and consultation to State and local governments; (*f*) prepare and publish educational materials dealing with welfare of older persons; (*g*) gather statistics in the field of aging; (*h*) stimulate more effective use of existing resources and available services.

Title III.—Authorizes grants to the States by the Secretary, amounting to $5 million for the fiscal year ending June 30, 1966, $8 million for the fiscal year 1967, and such sums as may be appropriated by the Congress for each of the 3 succeeding fiscal years, for projects for (*a*) community planning and coordination of programs for older citizens; (*b*) demonstration programs or activities relating to aging; (*c*) training of specialized personnel needed to carry out such programs and activities; and (*d*) other programs to carry out the purposes of the act, including centers for older persons, exclusive of construction costs. Funds are to be allocated to States based on a standard percent and on a formula considering each State's population aged 65 and over. State plans for projects grants must be approved by the Secretary.

Title IV.—Authorizes grants by the Secretary to public or nonprofit private agencies, organizations, institutions, or individuals, for study, development, demonstration, and evaluation projects relating to the needs of older persons.

Title V.—Authorizes grants to organizations and individuals for the specialized training of personnel.

For purposes of carrying out the functions in titles IV and V above. the act authorizes $1.5 million for the fiscal year ending June 30, 1966, $3 million for the fiscal year 1967, and such sums as may be appropriated by the Congress for each of the 3 succeeding fiscal years.

Title VI.—Establishes an Advisory Committee on Older Americans consisting of the Commissioner as Chairman, with 15 citizen members who are experienced in or have demonstrated particular interest in special problems of the aging.

2. APPOINTMENT OF ADVISORY COMMITTEE

On December 9, 1965, the President announced that HEW Secretary Gardner had appointed the 15 citizen members to serve with Commissioner Bechill on the Advisory Committee, as follows:

William C. Fitch, executive director, American Association of Retired Persons and National Retired Teachers Association, Washington, D.C.

Rubin M. Hanan, Alabama League of Aging Citizens, Inc., Montgomery, Ala.

Garson Meyer, president, National Council on the Aging, Rochester, N.Y.

Mrs. A. M. G. Russell, chairman, California Citizens Advisory Committee on Aging, Atherton, Calif.

Mrs. Margaret Schweinhaut, chairman, Maryland Coordinating Commission on Problems of the Aging, Baltimore, Md.
James F. McMichael, executive director, Wisconsin Commission on Aging, Madison, Wis.
Edward T. Ximenes, M.D., general practitioner, San Antonio, Tex.
I. P. Davis, D.D.S., dentist and community leader, Miami, Fla.
Harold Sheppard, Ph. D., staff social scientist, W. E. Upjohn Institute for Employment Research, Washington, D.C.
Zalmen Lightenstein, executive director, Golden Ring Council of Senior Citizens, New York, N.Y.
Arnold M. Rose, Ph.D., professor of sociology, University of Minnesota, St. Paul, Minn.
Jay Roney, director, Project on Aging, American Public Welfare Association; former director, Bureau of Family Services, Social Security Administration, Chicago, Ill.
Mrs. Wilma Donahue, Ph. D., chairman, Division of Gerontology, Institute for Human Adjustment, University of Michigan, Ann Arbor, Mich.
Charles E. Odell, director, Older and Retired Workers Department, United Auto Workers, Detroit, Mich.
James C. O'Brien, executive director, United Steelworkers Committee on Older and Retired Workers, United Steelworkers, Washington, D.C.

The Advisory Committee held its first meeting in Washington, D.C. on February 17 and 18, 1966.

3. OLDER AMERICANS ACT FUNDS

By March 1, 1966, 22 State plans for development of comprehensive programs for the elderly had been approved. The allotments to these States for the remainder of fiscal 1966 are: Arkansas, $76,500; California, $247,500; Colorado, $72,000; Connecticut, $83,500; Florida, $136,000; Georgia, $90,500; Hawaii, $54,500; Louisiana, $83,500; Maryland, $82,000; Massachusetts, $127,500; Michigan, $139,000; Nebraska, $72,500; New Jersey, $129,500; New Mexico, $57,500; Oklahoma, $84,000; Pennsylvania, $203,500; Rhode Island, $62,000; Tennessee, $92,500; Texas, $156,500; Utah, $58,500; Vermont, $56,000; and Wisconsin, $106,000.

In appendix F are two tables regarding funding the Older Americans Act:

Table 1.—Authorizations, Appropriations, and Budget Requests, p. 71.

Table 2.—State Allotments for Fiscal Year Beginning July 1, 1965, under Title III of the Older Americans Act of 1965, p. 72.

B. Services to the Elderly on Public Assistance

On August 18 and 19, 1965, the Subcommittee on Federal, State, and Community Services of the Committee on Aging held hearings in Washington, D.C., on "Services to the Elderly on Public Assistance." As a result of the testimony at those hearings and other information received from State welfare commissioners and others,

the subcommittee issued a report, with recommendations, on this subject during March 1966. The report's findings:

1. A wide variety of services have been rendered to the elderly on public assistance since enactment of the Public Welfare Amendments of 1962.

2. Despite the growth of services programs in the States since 1962, the States are not approaching full development of services for the elderly on public assistance, and there remains much potential for growth.

3. The inadequacy of old-age assistance cash grants is a source of continued concern and is a basic drawback to better service programs.

4. There is a substantial body of informed opinion in favor of contributions from Federal general revenues to make possible more adequate OASDI cash benefit levels.

5. There is an acute shortage of trained social workers in the United States today; this shortage seriously impedes the development of service programs for the elderly on public assistance.

The recommendations in the report:

1. The subcommittee recommends that the Welfare Administration review its administratively established requirements (in connection with services programs) for keeping records, filing reports, and performing other paperwork chores, to determine whether these requirements can be made less burdensome and time consuming.

2. The subcommittee recommends that the services provisions of the Public Welfare Amendments of 1962 be amended to permit 75-percent Federal matching for the purchase from private nonprofit organizations of nonmedical services by State and local welfare agencies, with appropriate safeguards.

3. The subcommittee recommends that the Social Security Administration study the various proposals that would authorize contributions from Federal general revenues to the OASI program, and that it report to Congress its conclusions and recommendations resulting from the study of this issue.

4. The subcommittee recommends that Congress appropriate funds for "training grants for welfare personnel" as authorized by section 705 of the Social Security Act.

5. The subcommittee recommends that the National Defense Education Act of 1958, as amended, be further amended to provide some degree of forgiveness of higher education loans to students who later serve in social work.

6. The subcommittee recommends that the Welfare Administration, in cooperation with the Office of Education and representatives of the social work profession and institutions of higher learning, develop standards and curriculums for training subprofessionals who can be assigned appropriate tasks in the public welfare services under the supervision of professionals.

C. Grants for Senior Centers

Section 703(a) of the Housing and Urban Development Act of 1965 (Public Law 89–117) authorized grants to local public bodies and agencies to assist in financing specific projects for neighborhood facilities. One of the types of facilities for which such grants might be used is senior centers. (For details, see Chapter IV, B–3, on p. 30).

D. "You, the Law, and Retirement"

During April 1965 the Office of Aging published a booklet, "You, the Law, and Retirement," written by an attorney, Virginia Lehman. Its purpose is to inform retired and other older individuals why, how, and when to consult a lawyer. Copies are for sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C., 20402, at 25 cents per copy.

E. Retirement Planning Booklet

During the autumn of 1965, the Administration on Aging published a retirement planning booklet entitled "Are You Planning on Living the Rest of Your Life?" Regarding it, the Administration on Aging said:

> Developed by the Mayor's Commission for Senior Citizens, Chicago, it is a sort of "do-it-yourself planner," that can be used comfortably at home.

Copies are for sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C., 20402, at 30 cents per copy.

F. Senior Citizens' Month

By proclamation signed April 10, 1965, President Johnson designated May 1965 as Senior Citizens' Month.

MINORITY VIEWS OF MESSRS. DIRKSEN, CARLSON, PROUTY, FONG, ALLOTT, MILLER, AND PEARSON

The No. 1 problem among older Americans is achievement and maintenance of adequate living income.

The No. 1 impediment to income for the elderly, because it strikes almost all regardless of economic status, is inflation.

The No. 1 obligation of the Federal Government to older persons should be protection against loss of purchasing power resulting from inflation-created erosion of the dollar. This Federal obligation should be met both indirectly and directly through vigorous efforts to prevent loss of dollar values and to provide relief from hardship which inflation produces.

Second only to this obligation for justice to all older Americans is provision of economic assistance as needed to those who, through no fault of their own, have been unable to achieve living incomes in their old age by their own efforts.

While we favor appropriate action in special problem areas, such as housing and long-term illness, the major thrust of Federal action on behalf of the aged should be centered on income. The right of every American to dignity and maximum independence in his old age impels such orientation, because only through personally controlled income does the individual have complete freedom of choice.

Recommendations for fair treatment of all older Americans as well as adequate help to the economically disadvantaged elderly and to aged persons with special problems are presented in these minority views in the hope they will be given careful, thoughtful consideration, not only by the Congress, but by the entire Nation.

While specifics are discussed subsequently in this statement, enumeration at this point of some immediate approaches to problems of the elderly appears appropriate. They include:

(1) Provision of automatic cost-of-living increases in OASDI (old-age, survivors, and disability insurance) monthly benefits under social security in the same manner provided retired civil service employees under the law passed by Congress in 1962. (It should be noted that an amendment to the medicare bill, offered last year by Senator Miller, of Iowa, would have met this need. However, it was defeated due to administration opposition.)

(2) Increases in minimum OASDI benefits.

(3) Elimination or liberalization of the present restriction on how much an OASDI beneficiary may earn without penalty.

(4) Extension of OASDI cash benefit program to more people, both young and old.

(5) Provision for actuarially sound increases in monthly OASDI benefits to persons choosing deferment of participation until an age subsequent to 65.

(6) Increase in aged widow's OASDI monthly cash benefits to 100 percent of spouse's primary benefit.

(7) Assurance of adequate old-age assistance programs.

(8) Provision of adequate "sheltered care" for the aged whose infirmities require such service.

(9) Encouragement of States to make full use of Federal assistance available for them to help older people.

Some, but not all, of the foregoing proposals have been cited by the minority in previous reports of the Committee on Aging. We recommend that appropriate legislative committees of the Congress give them productive consideration.

IMPORTANCE OF INCOME

The greatest single, universal need among older Americans, as among persons of all ages, is the need for income.

While income does not provide all the answers to all human wants, its absence affects the abilities of individuals and families to meet specific needs with which they may be confronted, not excepting those thought of as being primarily social, psychological, and spiritual.

Satisfaction of requirements for food, clothing, shelter, and other physical necessities obviously requires income.

Money alone may not solve problems of loneliness, lack of purpose, social isolation, and similar challenges facing many senior citizens. Lack of personal income, however, can seriously impede abilities of individuals to cope with them. It can also impose handicaps on society in its efforts to help.

Many older people have special psychological and social needs directly related to income adequacy. They have an understandable hunger for independence. Lives devoted to responsibility for others and contributions to society's growth have made them self-reliant. They fear and resent loss of freedom, dignity and social status in their closing years.

Most older Americans recognized, while young, that it was appropriate for each, in the way he deemed best, to prepare for his own old age so he could meet it in self-sufficiency. Some, often through no fault of their own, have failed in this purpose. Many have succeeded.

Public recognition of individual responsibility for one's later years is attested by numerous developments, both governmental and private. Use of the social security system as a mechanism to provide a floor of protection is the most widespread of many devices available to our citizens. Few, if any, responsible persons question the contribution it has made or advocate its abolition. However, there are inequities in the system which we are still trying to remedy after 25 years of operation.

We believe that every effort should be made to improve social security so it can better serve the people.

Private pensions and annuities, both group and individual, have been growing rapidly and provide another major source of income adequacy in later years. The life insurance industry, business, labor, and individuals have provided leadership in development of this distinctly American approach to the economics of aging.

Personal savings of all types, including use of savings and loan associations, banks, home acquisition free of encumbrance, and purchase of securities of all types have also been used widely to

achieve independence. For many older people who want to continue work, these savings are supplemented by current earnings.

The extent to which these efforts have accomplished their purpose is indicated by the 1964 Census Bureau reports on cash income among persons past 65. Median average 1964 income for families headed by persons past 65 was $3,376 per year. Median annual income for unrelated individuals was $1,297.

It is generally accepted that lowest current incomes for older people occur most commonly among women and after age 75. This is reflected in median incomes for unrelated individuals referred to above. Part of this results from more common occurrence of widowhood after 75. This view is reinforced by 1960 census data which showed that men aged 75 and over had a 39 percent lower median income than those age 65 to 74. For women the unfavorable differential after 75 was 10 percent.

There are reasons for this which will be commented on subsequently, but this variation is worthy of note here.

Regardless of the level or the combination of sources used to provide income in later years, one characteristic predominates: Most older people live on fixed incomes. This gives them, as a group, special vulnerability to erosion of dollar values due to inflation, which has been worsening.

Inflation always poses a serious threat to persons on fixed incomes, especially if they are limited in their ability to supplement them through earnings.

Paul A. Samuelson, professor of economics, Massachusetts Institute of Technology, an economics adviser to President Kennedy and a consultant to the Council of Economic Advisers which reports to the President, says in his book, "Economics": "Modern research suggests that the greatest redistribution of income from inflation is from older people to younger people. The dollars one puts aside at 25 for retirement at 70: if prices rise at an average rate of about 3 percent per year, the real purchasing power of a dollar held for 45 years will halve and halve again in that period."

Inflation should be singled out as the most serious problem facing older people.

INFLATION: HIDDEN TAX ON AGED

No one who has entered the marketplace recently as a buyer can escape the conclusion that the consequences of inflation are serious. While this hidden sales tax affects all, none feel it more sharply than the elderly.

A simple review of the facts shows what has happened in the past 6 years and more seriously in the year just completed:

> The purchasing power of a 72-year-old person with a fixed income has been reduced by $330 a year since 1957–59. This is based on the December 1965 consumer price index which was 11 percent above the 1957–59 base used for such calculations. Food prices rose 10.6 percent in this period; other commodity prices rose 5.7 percent; rents, 9.5 percent; and other services, 21.6 percent. Between December 1964 and December 1965, the consumer price index rose 2.2 percent.

A loss of purchasing power by the aged in excess of $700 million during 1966 may be expected if present trends continue without acceleration.

Assuming accuracy of estimates that current total income of persons past 65 is about $35 billion, and making no adjustments for increases resulting from new people coming into the group, a 2-percent annual increase in living costs would produce a purchasing power loss to older Americans by 1971 in excess of $3.5 billion a year.

To an older man with the reported 1964 individual male income of $2,037, an inflation of 11 percent represents a purchasing power loss of $224. The loss to an aged woman with reported median female individual income would be over $105. The aged couple with median income of $3,376 would lose over $370.

INFLATION: LOW INCOME HIT HARDEST

That inflation strikes most severely at persons with lower incomes has long been recognized. This is true whether one is in the work force or retired. Those with greatest wealth, in part because they have greater defensive resources at their disposal, are little victimized by erosion in dollar values. Studies of wealth distribution clearly show the great capacity of the wealthy to protect themselves.

As one descends the economic ladder, requiring use of increasing percentages of income and ultimately assets to meet demands of ordinary consumption, the greater becomes the impact of inflation. For those in the lowest income brackets, rises in the cost of living can become unbearable.

That the current danger to low-income older people is real is shown by the various price indexes. Other information confirms it and suggests that further losses may be expected.

In the February 14 issue of the Wall Street Journal, a significant example was cited: one of the Nation's largest direct-to-consumer, mail-order firms reported that costs are "up for many of the 130,000 products the big retailer buys." For this firm "and most national chain retailers, this means upward pressure on prices for the fall season." That independent merchants could resist similar pressures appears doubtful.

It may be true that some incomes rise during the inflationary process. It is likewise true that, even for those still engaged in gainful employment, the individual increases in income vary sharply. Evidence suggests that, with few exceptions, such income adjustments for low-income people fall far behind price rises. Tax increases at Federal, State, and local levels often eat up much of even these paper increments in earnings.

Rising costs of Government serve as both cause and effect in the inflationary spiral, especially when billion-dollar deficits are run up year after year by the Federal Government.

It is regrettable, as inflation becomes more severe that so much of the pressures by Government—actual and contemplated—are those against labor, agriculture, business, and taxpayers generally, while there is resistance to reasonable requests for reductions in unnecessary Federal spending.

In the face of costs of the Vietnam war, the need is to halt proliferation of new domestic programs, many of which are of questionable value, and expansion of bureaucracy which has seen a 5-year increase of 200,000 Federal civilian employees and 300,000 military personnel. Nor should the Nation fail in its responsibility to be certain that all foreign expenditures are fully justified in the people's interest.

With farm prices still below parity, with many low- and middle-income members of the labor force being ignored in wage increases, it appears the primary efforts at control of inflation should be directed by government at government.

Of all groups who suffer from loss in dollar values none feel it more than older people. An illustration of what happens is offered in the minority report of this committee's Subcommittee on Federal, State, and Community Services just released. The report is primarily concerned with older people on public assistance. The special problems of these 2 million persons past 65 affords an example of what is happening in lesser or greater degree to all older Americans.

In 34 States, as of 1960, reported incomes of old-age assistance recipients fell below the minimum subsistence standards set by the State; in 9 States this "unmet need" was more than $5 a month per person. Despite price rises in the 5 years since, six States have lowered their subsistence standards and five have remained unchanged.

As the subcommittee minority report observes, these 2 million people presumably are those to whom even a shortage of a dollar a month can be serious.

It is axiomatic that old-age assistance recipients and others with very low income are incapable of modifying spending patterns to adjust for price increases.

INFLATION: HURTS OLDEST MOST

Just as inflation aggravates the already serious problems of low income people, so does it impose the greatest quantitative losses on the oldest retirees, regardless of income level.

There are approximately 6,700,000 people in the United States who are over 75. An undisclosed but large additional number are age 72 to 75. Each of these people who retired at 65 on a fixed income has felt the full force of the 11 percent increase in the consumer price index since 1957–59. Even those few who might be described as sufficiently affluent to absorb declines in dollar values have suffered losses. For many, however, it has been necessary to change actual living patterns because of measurable losses in purchasing power.

The man or woman who reached age 65 and retired in 1965 hopefully did so with expectation of a higher income than did the man or woman retiring in 1959. Validity of this assumption is shown by the average incomes enjoyed by persons aged 65 when compared to those of more advanced age.

The simple fact is most persons past 72 have been subjected to living cost rises without an offsetting inflation in their income.

Earlier in these views, it was reported that in 1959 average incomes for persons age 75 and over ranged from 10 to 39 percent below those of people age 65 to 74. Unfortunately, no meaningful data is available for a more recent period. There is no evidence, however, to suggest that the pattern has changed. As the pressures of inflation have grown, it may well be that the differential has increased in the past 5 or 6 years.

Nothing shows more strikingly the ultimate impact of inflation on the aged than bare statistics of this type. Nor can the reduced status of these oldest Americans be attributed to any factor more clearly than to rising living costs. The net result is a reduced share in the fruits of our Nation's productivity.

That people who have contributed so much to America's growth should, in their twilight years, be denied participation in a rising national product is hardly fair. That they should be forced to accept a reduced share is inexcusable.

The responsibility is on the administration and its controlled Congress for the failure to stop indulging in multibillion-dollar deficit spending.

From 1961 through 1965, our Federal Government went $33 billion deeper in the red, and this was accompanied by inflation of $51 billion.

INFLATION: SOCIAL SECURITY INCREASES BUT PART OF ANSWER

It is true that efforts have been made by the Congress to afford relief to older people for losses they have suffered through inflation.

The 7-percent increase in social security benefits adopted in 1965 is to be commended. But even with this increase our social security pensioners do not have, as a result of inflation, as much purchasing power as they had in 1958.

At best, actions such as this afford only partial answers to the problems created for older Americans by inflation.

Approximately 30 percent of older people's income reportedly comes from old-age and survivors insurance payments under the social security system. What of the other 70 percent?

What of the loss in value of savings accounts? Private pensions and annuities?

What of older persons who receive no social security payments?

These questions emphasize that social security benefit increases only meet part of the inflation problem of older Americans.

The fact that social security rises have even now but compensated partially for the 11 percent rise in living costs shows how actions of this type, under present policy, inevitably lag behind real needs.

While a number of specific proposals suggest themselves for changes in our national policy, some of which are discussed below, the truth remains that answers to the inflation problem deserve highest priority.

Nothing will be of greater help to older Americans than reasonable price stability. Achievement of this goal may not be attainable overnight, Federal spending policies, growth of Federal bureaucracy and other factors all combine to create an admittedly complex and difficult problem.

The difficulties, however, should not permit complacency.

The Joint Economic Committee of the Congress has taken note of the dangers of inflation.

We believe and hope that the legislative committees of the Congress will likewise give weight to these dangers as they act on proposals for burgeoning Federal programs and expenditures.

Every effort should be made to assure all taxpayers and especially the aged who suffer the hidden tax of inflation most that necessary Federal programs are well conceived, and money is spent with efficiency and minimum inflationary results.

There has been widespread criticism of many recently enacted Federal schemes, even including some which directly affect the elderly. Questions have been raised both as to validity of purpose and manner of administration.

The obvious implication is that the Congress should exercise increased care in efforts to control improper Federal spending.

A halt should be called to unnecessary Federal spending and waste. This is the first step in reducing further erosion of dollar values.

ELDERLY NEED HELP NOW

Recognition of inflation as the No. 1 problem of the aged should not blind us to the need for action to provide relief for losses already suffered.

The goal of new congressional action on behalf of older Americans should be related to income adequacy.

Achievement of this goal should ignore neither the income losses suffered by almost all older Americans nor absolute income deficiencie of those in lowest income brackets.

OASDI COST-OF-LIVING INCREASES

Since there appears to be no immediate prospect of containing inflation, it appears most appropriate that serious consideration be given to an amendment to the Social Security Act which would provide for automatic cost-of-living increases in benefits.

According to information received from the Social Security Administration actuaries, adoption of such a measure would require no increase in the social security tax rates paid by employer, employee, and the self-employed. Rising earnings which are presumed to accompany the living cost increase would provide the necessary funds.

An automatic cost-of-living social security benefits increase would have a twofold beneficial effect. It would provide necessary relief for the injury sustained by those now past 65 as a result of inflation. It would also give reassurance to those of all ages, whose social security taxes now support the program, that their own real equity would not be subject to the whims of the future.

Senator Jack Miller, of Iowa, and other Members of the Congress have already introduced legislation to accomplish this purpose. These bills deserve constructive attention by appropriate legislative committees.

IMPROVEMENT IN OASDI MINIMUMS

Another matter that deserves careful review is the minimum benefits level now payable under the social security program.

There is serious doubt that the primary benefit of $44 a month, which is the current minimum, is compatible with the accepted concept that social security should provide a realistic floor of protection below which no older person should fall.

It is true that other income and resources of older people are taken into consideration in arriving at this floor of protection.

It is further true that the "average older person" may have an income which meets this standard. We are not concerned, however, with just the "average older person."

To the extent that the Government commits itself to meeting the needs of older people, it must be concerned with all, and the evidence strongly indicates that particularly for most of those aged with minimum social security benefits the probability of separate meaningful supplementary income is remote.

Most of the recipients of minimum payments have had low incomes throughout their lives. This is a major reason why their benefit levels are so low. These people, for the most part, have been confronted with limited capacity to participate in private pension programs or other savings devices necessary to economic independence. They are the people usually hit most severely by inflation.

Senator Winston L. Prouty has introduced a bill which has attracted considerable interest to provide minimum primary benefits of $70 a month. Other proposals for increases in minimum benefits have also been made. They deserve most careful scrutiny with full recognition of the needs of older people.

ADEQUATE OLD-AGE ASSISTANCE

Many older persons receiving minimum or no benefits under the old-age, survivors, and disability insurance provisions of the Social Security Act have found it necessary to avail themselves of supplementary income and services under old-age assistance programs of the States created with the help of Federal grants-in-aid.

Previous minority reports of this comiittee have expressed deep concern about these OAA programs and urged action to assure their adequacy. Both majority and minority views of the recent Subcommittee on Federal, State, and Community Services report repeated this concern.

As already mentioned, most States are failing to meet the minimum subsistence standards which they, themselves, set up as necessary for older people.

We reiterate our recommendation of years past that action be taken by the States, and if necessary by the Federal Government, to see that needs of these 2 million people are met.

We also believe that the States should make adequate use of Federal resources available to them to assure that older people who need special services in addition to cash payments receive them in proper measure.

EXTENSION OF OASDI TO MORE PEOPLE

Wherever practical, income affording freedom to use it with dignity is the preferred method of helping America's older people. Cognizance of this is expressed in the minority views of the Subcommittee on Federal, State, and Community Services which raised a question regarding the extent to which individual investigation is employed to certify people for the old-age assistance programs.

These views suggested that, since most of the 2 million OAA recipients just need money, a careful review of the welfare approach to their problems is in order. We concur with this position.

One approach is to extend old-age and survivors benefits under social security to more people. Previous minority reports have urged consideration of blanketing in all persons past 72.

Senators Winston L. Prouty, Hiram L. Fong, and others introduced a bill during the current Congress to extend social security benefits to all over 70. It was adopted by the Senate as an amendment to an administration-supported $6 billion tax increase bill. Changes in conference with the House of Representatives included provision of OASDI benefits only to persons over 72. Its adoption would not, however, meet the whole problem. Consideration should also be

given to extending social security to categories of currently employed and self-employed not now covered.

This action has long been advocated by the U.S. Chamber of Commerce. The AFL–CIO and others have also traditionally supported extending social security to the broadest possible base.

Extension of old-age, survivors, and disability insurance to virtually all people, both the present aged and those who will come after them, might reduce the need for welfare programs such as old-age assistance which many older people feel carries an undesirable stigma.

As observed by the Subcommittee on Federal, State, and Community Services minority report, every effort should be made to achieve the best possible balance between responsibilites of Government to the taxpayer and the human needs of older people. Social security expansion might well provide part of this approach.

INCREASE IN OASDI WIDOW BENEFITS

Earlier in these views note was taken of the lower incomes available, on the average, to older women than men. Part of this differential is attributable to provisions in the Social Security Act which discriminate against widows of primary beneficiaries.

When both are alive, a beneficiary couple under social security receive 150 percent of the calculated primary benefit. If the primary beneficiary dies, the surviving spouse receives 82½ percent. If the reverse occurs, the primary beneficiary receives 100 percent. While this provision can apply to widowers as well as widows, its normal effect is to give reduced income to the latter.

Apparently this policy reflects the view commonly held in the 19th century and earlier that the breadwinner should receive preferment. To some extent, when this practice is found in private annuity programs, it may be attributable to differences in life expectancy for males and females.

There is serious question, however, whether such point of view should prevail in social security, considering its basic purpose. It can hardly be argued, per se, that a woman's needs in later life are so much less costly than a man's. Nor does justification appear in current American thinking about the family and its relationship to the individual, be he breadwinner or not.

A growing participation of wives in the breadwinning role but serves to emphasize changes in public attitudes since 1900.

It would appear most appropriate that legislative committees give productive consideration to correction of this inequity.

LIBERALIZATION OF OASDI WORK TEST

Another improvement in social security that appears warranted by all of the evidence at hand relates to elimination or liberalization of present earnings limitations on beneficiaries.

At present earnings in excess of $1,500 a year by OASDI recipients may result in reduction of cash benefits. From $1,500 to $2,700, the penalty is half of earnings. Above $2,700, the reduction in benefits is dollar for dollar.

The present unpenalized earnings limitation of $1,500 a year is unrealistic. It discourages many who would like to supplement their pension funds with income from part-time work. In time of inflation

this can be most important. It virtually prohibits gainful full-time employment by others, often including those whose incomes are lowest and those who derive their greatest satisfaction from work.

The provision that a social security beneficiary will only lose half of his earned income between $1,500 and $2,700 a year, is awkward and cumbersome. In actual practice, it only gives lipservice to the concept that the $1,500 limitation is too severe.

Evidence has been heard in this committee's hearings that the limitation sometimes serves only to reduce earnings of older persons who insist on working. Without it, they would be paid more for the same work.

Unquestionably this social security provision should be changed. Whether it should merely permit higher unpenalized earnings, or be completely eliminated, should be the object of careful study.

As suggested in previous minority views, one possible way of meeting the older person's need would be to provide that there would be no reduction of old-age and survivors insurance benefits unless earnings and benefits "combined" exceeded a specified amount (i.e., $3,600 per year).

Congressional action to accomplish these changes to provide higher benefits and greater flexibility under title II of the Social Security Act will vastly strengthen the independent economic position of older Americans.

There is need, as we have observed in previous years, to make the old-age and survivors insurance program more flexible. Without flexibility, it is difficult for individuals to tailor social security benefits to the personal situations they confront in later years of life.

Some flexibility has been achieved in recent years by changes which permit persons to elect receipt of benefits before age 65. When such election is made, lower monthly benefits are received. On the other hand, when a person elects to defer benefits until age 66 or 68 or 70, he gains nothing. Indeed, without increasing his benefits, he may actually be required to pay additional social security taxes. The inequity of such an arrangement is obvious.

A social security amendment to permit actuarily sound increases in monthly benefits for each year an individual elects to defer them after age 65, deserves serious study.

SHELTERED CARE

Among the special service needs among the aged, the one which cries most loudly for action—despite its impact on only a minority of the elderly—is the need for sheltered care.

Most older people are capable of caring for themselves. There is a small percentage, however, who need relatively constant and special care on a continuing basis. Sometimes the disability of an individual who needs such care springs from physical problems, sometimes psychological and sometimes social. Whatever may be the cause, we reiterate our long-held position that the need for provision of adequate sheltered care for those needing it deserves a high priority.

This need is often the source of serious financial problems for the individual and his family.

While typically encountered only with advanced age, sheltered care may be required by some for a number of years.

Viewed through the eyes of an individual or family, the possibility that such care may eventually be needed poses a financial threat which creates a most serious specter for older people. That it does not strike most people, in no way diminishes the fear.

We believe that older Americans who require sheltered care should have it fully available to them (1) in a manner which assures highest quality of service, and (2) in an environment which affords them dignity and honor.

This calls (1) for facilities that are safe and attractive, (2) for individual services that are adequate to needs, and (3) above all else, for loving care.

For some the need will be for constant nursing service and medical supervision of a type most appropriate in a nursing home. For many others, the need will be for decent food and shelter in safety, and for essentially nonmedical personal services such as those offered in homes for the aged operated by churches, fraternal orders, and other philanthropic voluntary groups.

Present sheltered care programs do not meet this need adequately; nor do those relating to housing or those recently created for health care.

Individual projects afford excellent examples of what can be done. No one denies, however, that they but scratch the surface of existing need.

Ways to finance sheltered care service without undue hardship on individual and family must be found.

We urge, again, that the best possible answers to this problem be developed and acted upon without delay.

There are other special needs affecting part of our aged, such as housing, to which we have directed our attention in previous minority reports of the Committee on Aging.

We reiterate the positions we took then calling for efficient administration and necessary legislative improvements.

The fact remains, however, that for most older people the primary need is for income.

NEED MORE INFORMATION

Whether we direct our attention to special services for the minority of the aged or to income adequacy for all older Americans, it is clear that the Nation needs more accurate, more complete information about older people and application of the best thinking available to their problems.

The social, psychological, spiritual, and economic needs of the millions past 65 are as varied as individual circumstances can be. Certain broad patterns apparently, however, do emerge.

If we are to meet the needs of today's aged now, and if we are to maintain a national policy which will also serve the millions of aged yet to come, better data and use of penetrating wisdom is needed.

Despite the millions of words written about the elderly and the dozens of studies made, meaningful facts about the aged are absent more often than present.

Senators George A. Smathers and Thomas H. Kuchel have introduced legislation calling for more frequent collection of census data.

The remarks of Senator Smathers at the time they introduced the bill deserve repetition.

Senator Smathers said: "For instance, as chairman of the Senate's Special Committee on Aging, I have a particular interest in the problems of our elderly citizens. We know that, daily, 3,800 people reach the age of 65 in the United States, and that today approximately 18 million of our citizens are 65 or older.

"And, we also know that our current methods for counting these people between census years are totally inadequate. Yet, without good census data, the administration of such programs as medicare is made more difficult, and the conception of new programs must be based on conjecture."

As urged in previous minority reports of this committee, we need more information about many things including budgetary requirements of older couples and individuals. This information is required for rural areas and small towns as well as the great metropolitan centers.

How economically can older people live in comfort and dignity? What is the effect on their dollar needs of where they live? What is the relationship between individual need and cultural patterns created through a lifetime?

To these questions, and a myriad of others, we have but partial answers at best.

Equally important to national policy capable of standing the test of time are intelligent estimates of the future.

Will life expectancy in 1995 be closer to 70 years, or will it approach 90 or 100? Will technological and health improvements permit a social and economic role for the 80-year-old comparable to today's 60-year-old? Will social, spiritual, psychological, and economic needs of the future justify earlier or later retirement?

Exploration of questions such as these by the Nation's best minds is called for if our policies on aging are to be durable.

The young of today, from whose productive efforts current support of the elderly must be drawn, deserve assurances that their needs too, will be met in later years.

In short, the field of aging is highly complex. Well-conceived approaches to it require a study in depth which has not yet been brought to it. Such study would not and should not, however, interfere with action now to protect older Americans.

CONCLUSION

Most Americans, young and old, have committed themselves to a belief that the best way to prepare for later years is through personal effort using such mechanisms as savings, private pension plans, and social security, each designed to help produce adequate income.

Congress has a responsibility to respond effectively to this long-standing mandate from the people, and to take action to create and expand a favorable climate for old age accompanied by dignity and independence. Such action should assure income adequacy for older people now. It should, additionally, include broad recognition that individual efforts will fail, today and tomorrow, without stable dollar values.

EVERETT MCKINLEY DIRKSEN
FRANK CARLSON
WINSTON L. PROUTY
HIRAM L. FONG
GORDON ALLOTT
JACK MILLER
JAMES B. PEARSON

APPENDIX

Appendix A. Committee and Subcommittee Publications During 1965 and Early 1966 [1]

Single copies of the following publications beside which no asterisk appears are available free of charge from the Senate Special Committee on Aging while the supply lasts. Publications indicated by an asterisk are available for purchase only from the Superintendent of Documents, Government Printing Office, Washington, D.C., 20402.

COMMITTEE PRINTS AND REPORTS OF 1965

Developments in Aging, 1963–64 (S. Rept. 124), March 1965 (Catalog No. 89/1: S. Rept.:124, 25 cents)

Extending Private Pension Coverage, a committee print, report of the Subcommittee on Employment and Retirement Incomes, June 1965 (Catalog No. Y4.Ag 4: P38/2, 15 cents).

*Major Federal Legislative and Executive Actions Affecting Senior Citizens, 1965, a staff report, November 1965 (Catalog No. Y4.Ag 4: L52/965, 15 cents).

[2] War on Poverty as It Affects the Elderly, March 1966.

[2] Services to the Elderly on Public Assistance, a committee print, report of the Subcommittee on Federal, State, and Community Services, March 1966.

[2] Conditions and Problems in the Nation's Nursing Homes, a committee print, report of the Subcommittee on Long-Term Care.

Health Insurance and Related Provisions of Public Law 89–97, the Social Security Amendments of 1965, committee print, October 1965 (Catalog No. Y4.Ag 4: H34/8, 35 cents).

HEARINGS

Conditions and Problems in the Nation's Nursing Homes: (Y4.Ag.4: N93/2/parts):

Part 1, Indianapolis, Ind., February 11, 1965 (25 cents).
Part 2, Cleveland, Ohio, February 15, 1965 (35 cents).
Part 3, Los Angeles, Calif., February 17, 1965 (30 cents).
Part 4, Denver, Colo., February 23, 1965 (25 cents).
Part 5, New York, N.Y., August 2–3, 1965 (60 cents).
Part 6, Boston, Mass., August 9, 1965 (40 cents).
Part 7, Portland, Maine, August 13, 1965 (45 cents).

[1] Complete list of committee publications issued during previous years available upon request.
[2] Scheduled for publication in near future.

Extending Private Pension Coverage: (Catalog No. Y4.Ag.4:P38/ parts):
Part 1, Washington, D.C., March 4, 1965 (25 cents).
Part 2, Washington, D.C., March 5–10, 1965 (20 cents).
Services to the Elderly on Public Assistance: (Catalog No. Y4.Ag.4: Se 6/2):
Part 1, Washington, D.C., August 18–19, 1965 (35 cents).
Part 2, Appendix (_____).
War on Poverty as it Affects Older Americans: (Catalog No. Y4.Ag.4: P86/ parts):
Part 1, Washington, D.C., June 16–17, 1965 ($1.00).
Part 2, Newark, N.J., July 10, 1965 (35 cents).
Part 3, Washington, D.C., January 19–20, 1966 (_____).

Appendix B. Summary of Provisions in Social Security Amendments of 1965 Relating to Health Insurance for the Aged [1]

HEALTH INSURANCE FOR THE AGED

Public Law 89–97 adds to the Social Security Act a new title XVIII establishing two related health insurance programs for persons aged 65 and over: (1) A hospital insurance plan providing protection against the costs of hospital and related care, and (2) a medical insurance plan covering payments for physicians' services and other medical and health services to cover certain areas not covered by the hospital insurance plan.

The hospital insurance plan is financed through a separate earnings tax and a separate trust fund. Benefits for persons who are currently aged 65 and over who are not insured under the social security or the railroad retirement systems will be financed out of Federal general revenues.

Enrollment in the medical insurance plan is voluntary, and the plan is financed by a small monthly premium ($6 a month initially—$3 paid by enrollees and an equal amount paid by the Federal Government from general revenues). The premiums for social security and railroad retirement beneficiaries and for civil service retirement annuitants who enroll will be deducted from their monthly benefits. Uninsured persons desiring the medical insurance plan will make the periodic premium payments to the Government. State welfare programs may arrange for uninsured assistance recipients to be covered.

Hospital insurance

Protection, financed by means of an earnings tax, is provided against the costs of inpatient hospital services, posthospital extended care, posthospital home health services, and outpatient hospital diagnostic services for beneficiaries under the social security and railroad retirement systems when they attain age 65. The same protection, financed from general revenues, is provided under a special transitional provision for essentially all persons who are now aged 65 or who will reach aged 65 before 1968, but who are not eligible for social security or railroad retirement benefits. Together, these two groups make up virtually the entire aged population.

The persons not protected are Federal employees who are covered under the Federal Employees Health Benefits Act of 1959 or who, if they were retired after February 15, 1965, were covered or could have been covered under that act. Others excluded are aliens who have not been residents of the United States for 5 years, aliens who have not been admitted for permanent residence, and certain subversives.

Benefits will be first available on July 1, 1966, except for services in extended-care facilities, which will become available January 1, 1967.

Benefits.—The services for which payment is to be made under the hospital insurance plan include:

[1] Reprinted from Social Security Bulletin of September 1965.

(*a*) Inpatient hospital services for a maximum of 90 days in each spell of illness. The patient will pay a deductible amount of $40 for the first 60 days, plus a coinsurance payment of $10 a day for each day in excess of 60 during each spell of illness. Covered hospital services include almost all those ordinarily furnished by a hospital to its inpatients. Payment will not be made, however, for private-duty nursing or for the hospital services of physicians (including radiologists, anesthesiologists, pathologists, and physiatrists) except those provided by interns or residents in training under approved teaching programs. Inpatient psychiatric hospital services are covered, but a lifetime limitation of 190 days is imposed. Inpatient services in Christian Science sanatoriums are covered as inpatient hospital services, but only under such conditions and limitations (in lieu of or in addition to those applicable to hospitals) as are provided by regulations.

(*b*) Posthospital extended care (in a qualified facility having an arrangement with a hospital for the timely transfer of patients and for furnishing medical information about patients and meeting certain other requirements) after the patient is transferred from a hospital (after at least a 3-day stay) for a maximum of 100 days in each spell of illness. After the first 20 days of care, the patient will pay $5 a day for the remaining 80 days of extended care in a spell of illness. Under a special provision, extended care in Christian Science sanatoriums is covered for a maximum of 30 days, with the patient paying $5 a day.

(*c*) Outpatient hospital diagnostic services, with the patient paying a $20 deductible amount and making a 20-percent coinsurance payment for each diagnostic study (that is, for diagnostic services furnished to him by the same hospital during a 20-day period).

(*d*) Posthospital home health services for as many as 100 visits, after discharge from a hospital (after at least a 3-day stay) or from an extended-care facility and before the beginning of a new spell of illness. The person must be in the care of a physician and under a plan calling for such services that was established by a physician within 14 days of the patient's discharge, and the services must be provided by a qualified home health agency. These covered services include intermittent nursing care and physical therapy. The patient must be homebound except that payment may be made for services furnished at a hospital or extended-care facility or rehabilitation center that requires the use of equipment that cannot ordinarily be taken to the patient's home.

No service is covered as posthospital extended care or as outpatient diagnostic or posthospital home health services if it is of a kind that could not be covered if it were furnished to a patient in a hospital.

A spell of illness is considered to begin when the individual enters a hospital and to end when he has not been an inpatient of a hospital or extended-care facility for 60 consecutive days.

The deductible amounts for inpatient hospital and outpatient hospital diagnostic services will be increased if necessary to keep pace with increases in hospital costs, but no increase will be made before 1969. For administrative simplicity, increases in the hospital deductible will be made only when a $4 change is called for, and the outpatient deductible will change in $2 steps.

Basis of reimbursement.—Payment of bills under the hospital insurance plan will be made to the providers of service on the basis of the "reasonable cost" incurred in providing care for beneficiaries.

Administration.—Basic responsibility for administration rests with the Secretary of Health, Education, and Welfare. The Secretary will use appropriate State agencies and private organizations (nominated by providers of services) to assist in administering the program. Provision is made for the establishment of an Advisory Council that will advise the Secretary on policy matters in connection with administration.

Financing.—Contributions to finance the hospital insurance plan, paid by employers, employees, and self-employed persons, are to be placed in a separate hospital insurance trust fund established in the Treasury. The earnings base—the amount of annual earnings subject to the new tax—is the same ($6,600) as the earnings base for purposes of financing the cash benefits. The same contribution rates apply equally to employers, employees, and self-employed persons and are as follows:

1966	0.35
1967–72	.50
1973–75	.55
1976–79	.60
1980–86	.70
1987 and thereafter	.80

The schedule of contribution rates is based on cost estimates that assume that the earnings base will not be increased above $6,600. If Congress, in later years, should increase the base, the contribution rates established can be reduced under the cost assumptions underlying the law. The cost of hospital insurance benefits for persons who are not beneficiaries under the social security or railroad retirement systems will be paid from general funds of the Treasury.

Medical insurance plan

A package of benefits supplementing those provided under the hospital insurance plan is available to all persons aged 65 and over. Individuals who enroll initially will pay $3 a month (deducted, where possible, from social security, railroad retirement, or civil service retirement benefits). The Government will match this amount with $3 paid from general funds. Since the minimum increase in cash social security benefits for workers who are aged 65 or over when the benefit increase is effective for them is $4 a month ($6 a month for man and wife receiving benefits based on the same earnings record), the benefit increase fully covers the amount of monthly premiums.

Enrollment.—For persons aged 65 before January 1, 1966, an enrollment period will begin September 1, 1965, and end March 31, 1966. Persons attaining age 65 after December 31, 1965, will have enrollment periods of 7 months beginning 3 months before they attain age 65. In the future, general enrollment periods will be from October 1 to December 31, in each odd year, beginning in 1967. No person may enroll more than 3 years after the close of the first enrollment period in which he could have enrolled. Persons who are in the plan but drop out will have only one chance to reenroll, and reenrollment must occur within 3 years of termination of the previous enrollment. Coverage may be terminated by the individual, who must file notice during a general enrollment period, or by the Government for nonpayment of premiums. A State can provide the medical insurance protection for its public assistance recipients who are receiving cash assistance if it chooses to do so. Benefits will be available beginning July 1, 1966.

Benefits.—The medical insurance plan covers physicians' services, home health services, and numerous other medical and health services in and out of medical institutions.

The plan covers 80 percent of the patient's bill (above an annual deductible of $50) for the following services:

(*a*) Physicians' and surgeons' services, whether furnished in a hospital, clinic, office, in the home, or elsewhere.

(*b*) Home health services under an approved plan (with no requirement of earlier hospitalization) for a maximum of 100 visits during each calendar year.

(*c*) Diagnostic X-ray and laboratory tests, and other diagnostic tests.

(*d*) X-ray, radium, and radioactive isotope therapy.

(*e*) Ambulance services.

(*f*) Surgical dressings and splints, casts, and other devices for reduction of fractures and dislocations; rental of durable medical equipment, such as iron lungs, oxygen tents, hospital beds, and wheelchairs used in the patient's home; prosthetic devices (other than dental) that replace all or part of an internal body organ; and braces and artificial legs, arms, eyes, etc.

There is a special limitation on outside-the-hospital treatment of mental, psychoneurotic, and personality disorders. Payment for such treatment during any calendar year is limited, in effect, to $250 or 50 percent of the expenses, whichever is smaller.

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Appendix C. Materials Referred to in Chapter II

U.S. Department of Labor,
Office of the Secretary,
Washington, October 15, 1965.

Secretary's Order No. 29–65

Subject: Delegation of authority and assignment of responsibilities under the Department of Labor's older worker program.

1. *Purpose.*—To delegate authority and assign responsibility for performing functions under the Department of Labor's older worker program.

2. *Authority and directive affected.*—This order is issued pursuant to the act of March 4, 1913 (37 Stat. 736; 5 U.S.C. 611) R.S. 161 (5 U.S.C. 22) and Reorganization Plan No. 6 of 1950 (15 F.R. 3174; 64 Stat. 1263, 5 U.S.C. 611, note). All orders, instructions, and memorandums of the Secretary of Labor or other officials of the Department of Labor are superseded to the extent that they are inconsistent herewith.

3. *Background.*—Maximum national growth depends on the maximum utilization of all manpower resources. The Department of Labor, historically, has been deeply concerned about the employment and utilization of older workers. This concern has been translated into a multifaceted action program involving direct service, information, education, research, and legal considerations. We have sought to create a climate of acceptance of the principle of employment based on individual ability to meet responsible performance standards without regard to age.

Despite these efforts the problem of employment of the older worker remains a serious one. In 1964 about 3½ million workers 45 years old or older were involuntarily unemployed at one time or another. A critical aspect of the unemployment of older workers is the length of time they are likely to remain unemployed. The duration of unemployment among older workers has grown relatively worse in recent years. Also the problem area is increasing significantly because the absolute number of older persons, and therefore the number of persons who may be victims of age discrimination in employment, is growing rapidly.

The problem demands continued, intensive, and coordinated activity on the part of all organizational elements of the Department, including the affiliated State employment security agencies. Recent Federal legislation and Executive orders, such as the MDTA, Civil Rights Act of 1964, and Executive Order No. 11141 (establishing a public policy against discrimination because of age by Federal contractors and subcontractors) have focused attention on the need for an older worker program that is fully integrated with the total manpower programs of the Department of Labor, hence this order which defines organizational relationships and operational responsibilities.

4. *Delegations of authority and assignment of responsibilities.*

(*a*) The Manpower Administrator is hereby delegated authority for the overall operation and coordination of the Department's older worker program. This delegation includes the coordination of all departmental activities related to the older worker program, including those specifically noted below. The Manpower Administrator will utilize the services of the Women's Bureau, the Bureau of Labor Standards, the Wage and Hour and Public Contracts Divisions, the Office of the Solicitor, and the Office of Information, Publications and Reports to advise him concerning ways in which they can assist in achieving older worker employment. The Manpower Administrator shall also be the Department's representative to interagency councils or committees relating to the older worker.

(*b*) The Commissioner of Labor Statistics shall have responsibility for:

(1) Gathering and evaluating statistical data relating to the older worker in the labor force.

(2) Developing and conducting older worker studies and surveys in such areas as employment, training, mobility, and effects of automation and technological change.

(3) Conducting other appropriate research suggested by and worked out as part of the manpower research program.

(*c*) The Administrator of the Labor-Management Services Administration shall have responsibility for:

(1) The development and promotion of legislation and administrative actions to assure older workers greater protection of their private pension rights and to relate public policy considerations in the private pension plan field to the particular problems of older workers.

(2) Facilitating exploratory discussions in the labor-management community to enhance the occupational opportunities for older workers, with particular attention paid to problems of seniority, mobility, and entry or reentry into the workforce.

(3) Review of the collective bargaining process with a view toward identifying and alleviating impediments to the employment of older workers occasioned by agreement provisions or labor management arrangements.

5. *Effective date.*—This order is effective immediately.

W. WILLARD WIRTZ,
Secretary of Labor.

APPENDIX D. MATERIALS REFERRED TO IN CHAPTER III

ITEM 1—MATERIALS RECEIVED FROM FEDERAL TRADE COMMISSION

[PRESS RELEASE ISSUED BY THE FEDERAL TRADE COMMISSION, APR. 8, 1965]

WASHINGTON, D.C., April 8.—Federal Trade Commission Chairman Paul Rand Dixon today announced that the Commission is actively attempting to establish an Office of Federal-State Cooperation to develop programs of effective cooperation between the FTC and State agencies responsible for enforcing State antitrust, antideceptive practice, and consumer protection laws.

Chairman Dixon stated the Commission is seeking funds this year to establish this operation under the General Counsel's Office of the FTC.

The new office will compile a manual of existing State laws pertaining to these fields of trade regulation, with a description of the enforcement programs of the individual States, said Dixon. The office will also maintain a reference system of complaints which may involve violations of State laws with an indication of effective actions taken by State agencies; receive from State agencies requests for Federal or other action with respect to possible violations of Federal law; and maintain a central record system for the accumulation of information pertaining to migratory trade law violators with appropriate reference of information and materials to interested State agencies.

The proposal drew an immediate comment from U.S. Senator Harrison A. Williams, chairman of a U.S. Senate subcommittee investigating frauds affecting the elderly. The Senator described the proposal as potentially "one of the most far-reaching suggestions made yet for greater protection of consumers."

Chairman Dixon and Senator Williams have exchanged correspondence since January on this subject when the Williams subcommittee issued a report recommending that a citizens advisory committee be established to evaluate Commission practices to prevent or combat deceptive advertising. The subcommittee also raised the question of gaps or duplications in Federal and State enforcement activities.

The proposal for a citizens advisory committee is still under study, but Chairman Dixon said today that he is inviting discussions with various organizations concerned with the Commission's deceptive practice program.

Personnel of the proposed Office of Federal-State Cooperation, under supervision of the General Counsel of the FTC, will participate by invitation in general conferences of State government agencies, and in individual conferences with attorneys general and other officers charged with responsibility for trade law enforcement.

The office will also participate in gatherings of professional and other interested persons for the purpose of devising new legislation, revising

existing legislation, dispensing educational information to consumer groups, and in such other gatherings or conferences, or committee hearings, as may appear conducive to greater understanding and effectiveness of the laws administered or proposed to be administered by the FTC or State agencies.

* * *

STATEMENT BY U.S. SENATOR HARRISON A. WILLIAMS, CHAIRMAN, SUBCOMMITTEE ON FRAUDS AND MISREPRESENTATIONS AFFECTING THE ELDERLY, U.S. SENATE SPECIAL COMMITTEE ON AGING, APRIL 7, 1965

"The proposal described today by Chairman Dixon is potentially one of the most far-reaching suggestions made yet for greater protection of consumers.

"In the course of its inquiries in 1964, the subcommittee encountered many fine examples of Federal-State cooperation in the protection of consumers against deceptive advertising practices. Unfortunately, however, we also discovered that the flood of such advertising is so great that the FTC can direct its resources and manpower only to a limited number of cases in any one year. It is obvious that more effective State action would be encouraged by the kind of proposal Mr. Dixon has made today."

The Williams subcommittee conducted hearings last year on health frauds and quackery, interstate mail-order land sales, deceptive practices in the sale of health insurance, and preneed burial service. Its report, issued on January 31, reported that the elderly are prime targets for unscrupulous promoters and quacks.

* * *

[PRESS RELEASE ISSUED BY THE FEDERAL TRADE COMMISSION, OCT. 14, 1965]

GOTSCHALL NAMED ASSISTANT GENERAL COUNSEL AT FTC

WASHINGTON, D.C., October 14.—Chairman Rand Dixon, Federal Trade Commission, today announced the appointment of Gale P. Gotschall as Assistant General Counsel in charge of the Federal-State Relations Division. Gotschall previously was Assistant to the Director of the Bureau of Deceptive Practices.

"This is a newly created office," Dixon said, "which is to develop programs of effective cooperation between the FTC and agencies of the 50 States responsible for enforcing State antitrust, antideceptive practice, and consumer protection laws."

* * * * * * *

The Commission has broad responsibility to protect consumers from unfair and deceptive trade practices and a substantial portion of its efforts is directed toward the discharge of this responsibility.

Since 1964, Gotschall has served as liaison between the FTC and the President's Committee on Consumer Interests, and the office of Mrs. Esther Peterson, the President's Special Assistant for Consumer Affairs.

Gotschall has been a key official in the establishment and operation of the Consumer Complaints Office for the District of Columbia. This is a pilot enforcement program designed to develop improved

techniques for cooperation between FTC and local agencies concerned with rooting out unfair and deceptive practices which victimize the aged, uneducated, and the poor.

ITEM 2—STATEMENT BY THE FOOD AND DRUG ADMINISTRATION

REGULATORY ACTIONS IN PAST 6 MONTHS INVOLVING PRODUCTS PROMOTED TO THE ELDERLY (OCT. 25, 1965)

Many regulatory actions have been initiated against products of special concern to the elderly during the past 6 months.

In the drug area, actions have covered simple liniments and ointments recommended for arthritis, bursitis, rheumatic pains and the aches and pains affecting the elderly; trial for practically the entire 6-month period of the charges against the promoters of Krebiozen; the entry of an injunction against Pasco Products Co. for their sale of neo-biotics consisting of simple nutritional substances offered for the treatment of cancer (Pasco Products was also enjoined against the sale of alfa-lite, a simple alfalfa product for the treatment of arthritis); injunction against the Krebs prohibiting the distribution of laetrile for cancer.

In the device area, a number of actions have been taken against sauna baths and air purifiers with representations for the relief of arthritis, rheumatism, aches, pains, and allergies; several expensive devices used principally by nonmedical practitioners for the treatment of the elderly have been seized on charges that the devices are incapable of producing the promised benefits.

In the dietary food and vitamin area, prosecution was recently terminated against LeLord Kordel and associated individuals and firms. He is a well-known lecturer whose principal appeal is to the elderly and to whom he had promised relief from essentially all of the unhappy consequences of advancing age by the use of simple and ineffective nutritional products. Conviction was obtained, but imposition of sentence has not been passed by the judge. Actions have been taken against various combinations of vitamins, minerals, and other nutritional constituents that were being represented for rheumatoid arthritis, hypertension, coronary disease, liver disorders, cirrhosis, obesity, as a geriatric tonic for tissue wastage, for stimulation of cerebral metabolism and improvement in apathy, depression, mental fatigue, and confusion.

The FDA consumer education program directed to older Americans includes the following projects accomplished in the last few months as planned for the immediate future:

1. Participation in the observance of National Senior Citizens' Month in May of this year. FDA participation included:

(*a*) A special flyer "FDA Serves Older Consumers" was prepared to announce the availability of various FDA informational items of particular interest to older people. The flyer spotlighted the slide show "Dr. Quack's Clinic" and the regular and easy vision editions of the booklet "Your Money and Your Life." Flyers were widely distributed through the consumer specialists in the district offices and through such organizations as the American Association of Retired Persons, the National Retired

Teachers Association, the National Council of Senior Citizens, Inc., the American Library Association, Committee on Library Services to an Aging Population, and the National Association of Retired Civil Employees.

(*b*) An FDA newspaper feature story "The Quackery Trap," and three pages of newspaper filler were circulated to selected daily and weekly newspapers.

(*c*) A radio packet featuring spots for senior citizens was prepared for the special use of the consumer specialists in FDA field districts.

(*d*) A taped 1-minute special radio spot featuring Commissioner Larrick was distributed through the President's Council on the Aging, as well as by the consumer specialists.

(*e*) A taped 1-minute TV public service spot announcement on quackery also featuring Commissioner Larrick, was sent to all TV stations throughout the country.

(*f*) FDA sponsorship or cosponsorship (usually with the local and/or State medical society) of the following conferences on quackery:

St. Louis, Mo	Apr. 21, 1965.
Roanoke, Va	Apr. 28, 1965.
Cleveland, Ohio	May 5, 1965.
Baltimore, Md	May 18, 1965.
State of Utah, 7 conferences in different cities	May 17–20, 1965.

In addition, FDA participated (but not as a cosponsor) in the New York State Congress on Health Quackery, April 7, 1965, in New York City.

2. Planning of a 28½-minute motion picture on the subjects of quacks and quackery. This film is now under contract, and will be completed in the early winter or in the spring of 1966. It is oriented toward older Americans, and is to be made with the television audience in mind.

3. Cooperation with the National Institute of Mental Health in the planning of a national survey of older Americans to determine why they are susceptible to quackery, and what more might be done to protect this population group from medical fraud.

FDA staff is now working on a prospectus and questionnaire for such a survey, which hopefully can be carried out as a joint project between the Public Health Service, FDA, and other Government agencies having representatives in the field.

ITEM 3—MATERIAL ISSUED BY POST OFFICE DEPARTMENT

[PRESS RELEASE ISSUED BY THE INFORMATION SERVICE, POST OFFICE DEPARTMENT, WASHINGTON, D.C., OCT. 12, 1965.]

Senior citizens are increasingly becoming the object of fraud schemes, Chief Postal Inspector Henry B. Montague warned today.

"Our elderly, with time and a limited amount of capital to spare, have become a mark for fast-talking, high-pressure confidence men," Mr. Montague said. "The postal inspection service has noted this increased emphasis in recent years and has moved quickly to thwart these frauds."

Mr. Montague noted a number of fraud schemes designed to bilk the elderly: phony insurance plans, some tied in with the recently passed medicare law; land sales, in which worthless subdivision lots are offered for sale to persons seeking a place for retirement; sales of worthless stocks and bonds and oil and gas leases; business franchise promotions; chain referral schemes, in which the victim is led to believe that he can work off the cost of an expensive purchase; and work-at-home plans.

"Promoters of these swindles make the oldtime pitchmen look like pikers," Mr. Montague said. "They use a glib tongue and gilded advertising copy to sell their worthless wares to the unwary. They are a disgrace to our economic system, to the thousands of legitimate businessmen who serve our elderly citizens."

Mr. Montague noted that the number of investigations by the inspection service of phony insurance schemes has shown a sharp increase in the past year. Brochures and advertisements promoting these plans often contain eye-catching phrases, such as: "no age limit," "preexisting conditions covered," "issued to all ages up to 100 years of age," "no medical examination required to qualify."

These phony firms may offer medical, health and accident, and surgical insurance, Mr. Montague said. A number are operated from other countries. Some are operated out of suitcases, Mr. Montague warned, with no assets other than stocks and bonds from paper corporations.

The Chief Postal Inspector advised prospective purchasers to check out the company with a State insurance department or a better business bureau.

Land fraud schemes are particularly aimed at the elderly, Mr. Montague said. Persons who have retired or are about to retire are often looking for a retirement community. But many conmen subdivide worthless land—it may be under water or in the middle of a desert—and then paint glowing pictures of the property.

Transactions are carried on through the mail, s that the buyer has no chance to examine his lot, Mr. Montague said. The inspection service became aware of this type of fraud as early as June 1962. To date, 79 persons involved in 29 promotions have been indicted; 33 persons have already been convicted.

Many elderly citizens have lost their life savings through investments in worthless stocks and bonds and oil and gas leases, Mr. Montague said. The victims are people who are looking for a little extra income to help them in their retirement years, he noted. In

the fiscal year completed June 30, 1965, 48 persons were indicted for the sale of these valueless securities. Half of them have already been convicted.

The desire for a little extra income and a way to help while away the retirement hours is also involved in two other schemes: business franchises and work-at-home plans, Mr. Montague said.

The franchise frauds are promoted through glowing advertisements under "Business Opportunities" or "Help Wanted" columns of newspapers. These ads offer extraordinary profits for part-time work. Victims are enticed to invest in the business, with promises of exclusive territories and trained personnel to assist them. But the victims soon find that the vending device they have purchased was overpriced and will not pay for itself, or that their business is to be run in a third-rate store or shop in a poor neighborhood.

Since 1958, postal investigations have led to the conviction of 143 persons for business franchise schemes. At present 199 suspected promotions are under investigation.

The work-at-home plans involving payment of a fee so that profitable employment can be carried on in the home addressing envelopes, clipping newspapers, or sewing pillowcases. The fee may only be $3. That was the amount charged by a New York City man for his service. He promised invalids, shut-ins, and others, profits of $75 a week for clipping newspaper items. It was estimated that he bilked 100,000 persons before he was sentenced to 18 months in prison this year.

At present 164 work-at-home operations are now under investigation. Twenty-seven persons have been convicted and 396 such promotions nipped in the bud by postal inspectors.

The chain referral schemes also have the appeal of picking up some extra money. Victims are led to believe that if they purchase the product they will become "equipment-owning representatives" of the seller and will reap rewards. But the victims have ended up with an overpriced item, and sometimes have even signed mortgages on their homes or steep conditional sales contracts. The scheme is used on a host of products—from vacuum cleaners to color TV sets to automobile.

Chain referral schemes were first brought to light by better business bureaus and other such organizations in January 1963. At that time, only 20 cases were under investigation by the inspection service. Today, 122 operations are being investigated. Thirty-six individuals are under indictment and seven have been convicted.

APPENDIX E. MATERIALS REFERRED TO IN CHAPTER VI

TABLE 1.—*Authorizations, appropriations, and budget requests for implementing Older Americans Act*

Older Americans Act provision	1966		1967	
	Authorization	Appropriation	Authorization	Budget request
Title III.—Grants for community planning, services, and training	$5,000,000	$5,000,000	$8,000,000	$6,000,000
Title IV.—Research and development projects, and title V—training projects	1,500,000	1,500,000	3,000,000	3,000,000
Title VI.—General (administration)	(1)	1,000,000	(1)	1,300,000
Total appropriation and budget request		7,500,000		10,300,000

[1] No limit.

TABLE 2.—*State allotments for fiscal year beginning July 1, 1965, under title III of the Older Americans Act of 1965*

State	Population 65 and over July 1, 1963 [1] (*Thousands*)	Percent distribution of allotments [2]	Amount of allotment fiscal year 1965–66 [3]	
			Total	Maximum for administrative costs [4]
Total, 55 "States"	17,708	100.00	$5,000,000	$859,850
Alabama	276	1.72	86,000	15,000
Alaska	6	1.02	51,000	15,000
Arizona	107	1.28	64,000	15,000
Arkansas	203	1.53	76,500	15,000
California	1,503	4.95	247,500	24,750
Colorado	166	1.44	72,000	15,000
Connecticut	257	1.67	83,500	15,000
Delaware	38	1.10	55,000	15,000
District of Columbia	73	1.19	59,500	15,000
Florida	657	2.72	136,000	15,000
Georgia	309	1.81	90,500	15,000
Hawaii	33	1.09	54,500	15,000
Idaho	62	1.16	58,000	15,000
Illinois	1,020	3.68	184,000	18,400
Indiana	460	2.21	110,500	15,000
Iowa	337	1.88	94,000	15,000
Kansas	250	1.66	83,000	15,000
Kentucky	303	1.80	90,000	15,000
Louisiana	256	1.67	83,500	15,000
Maine	109	1.29	64,500	15,000
Maryland	243	1.64	82,000	15,000
Massachusetts	589	2.55	127,500	15,000
Michigan	678	2.78	139,000	15,000
Minnesota	376	1.99	99,500	15,000
Mississippi	197	1.52	76,000	15,000
Missouri	517	2.36	118,000	15,000
Montana	66	1.17	58,500	15,000
Nebraska	171	1.45	72,500	15,000
Nevada	20	1.05	52,500	15,000
New Hampshire	71	1.19	59,500	15,000
New Jersey	605	2.59	129,500	15,000
New Mexico	58	1.15	57,500	15,000
New York	1,790	5.70	285,000	28,500
North Carolina	339	1.89	94,500	15,000
North Dakota	60	1.16	58,000	15,000
Ohio	929	3.44	172,000	17,200
Oklahoma	260	1.68	84,000	15,000
Oregon	196	1.51	75,500	15,000
Pennsylvania	1,169	4.07	203,500	20,350
Rhode Island	93	1.24	62,000	15,000
South Carolina	163	1.43	71,500	15,000
South Dakota	75	1.20	60,000	15,000
Tennessee	325	1.85	92,500	15,000
Texas	810	3.13	156,500	15,650
Utah	66	1.17	58,500	15,000
Vermont	44	1.12	56,000	15,000
Virginia	308	1.81	90,500	15,000
Washington	291	1.76	88,000	15,000
West Virginia	180	1.47	73,500	15,000
Wisconsin	425	2.12	106,000	15,000
Wyoming	28	1.07	53,500	15,000
Puerto Rico	137	1.36	68,000	15,000
American Samoa	2	.51	25,500	15,000
Guam	1	.50	25,000	15,000
Virgin Islands	1	.50	25,000	15,000

[1] Estimates for the 50 States and the District of Columbia from the Census Bureau's Current Population Reports, series P–25, No. 294, Nov. 5, 1964; estimates for the remaining "States" supplied by the Bureau of the Census.

[2] Sec. 302 of the act provides for allotment of ½ of 1 percent of the total appropriated under sec. 301 to American Samoa, Guam, and the Virgin Islands, 1 percent to the remaining 52 "States", plus an additional amount to each "State" equal to its proportion of the total 65 and over population in the 55 "States" applied to the remaining 46.5 percent of the appropriation.

[3] Sec. 302 of the act provides that allotments for this 1st fiscal year (1965–66) shall remain available to the States for the 2d fiscal year (1966–67). Allotments for the 2d and subsequent fiscal years apply to that fiscal year only.

[4] 10 percent of the allotment or $15,000, whichever is larger.

Source: Administration on Aging.

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