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THE WHITE HOUSE
WASHINGTON

September 2, 1975

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR:

JIM CANNON
JIM LYNN

FROM:

JIM CONNOR 

SUBJECT:

Proposed HEW and DOD Amendments to
the Physician Bonus Regulations

The President has reviewed the memorandums submitted on the above subject and made the following decision:

"Disapprove HEW and DOD amendments"

Please follow-up with appropriate action.


cc: Don Rumsfeld

THE WHITE HOUSE
WASHINGTON

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Please follow-up with appropriate action.

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THE WHITE HOUSE

WASHINGTON

ACTION

August 29, 1975

MEMORANDUM FOR: THE PRESIDENT
FROM: JIM CANNON *Jane*
SUBJECT: Proposed HEW and DOD Amendments to
the Physician Bonus Regulations

This is to present for your reconsideration and decision amendments to the Physician Bonus Regulations proposed by HEW and DOD. A memorandum from Jim Lynn is attached at Tab A.

BACKGROUND

As you know, Members of the Military and Public Health Service (PHS) have a financial incentive to retire before October 1, 1975, because of the retired pay inversion problem. Under current law, they receive a year's worth of cost of living annuity adjustments--up to \$2,500 per year--which they would not receive if they retire after October. HEW requested an amendment to the PHS physician bonus regulations to remove the bonus repayment penalty if a physician retires before completing the full year of service required by the bonus contract.

The decision you made in early August on our recommendation to approve the HEW amendments was not acted on because two things happened:

- Defense proposed a similar amendment; and
- Congress agreed to legislation -- in an amendment to the Defense Procurement Authorization Bill -- to remove the pre-October 1 retirement incentive.

The Defense Procurement Authorization Bill is almost certain to be enacted soon after the Congressional recess.

ISSUE

The issue is whether to approve or disapprove the HEW and DOD amendments. The pending legislation will remove the need for the proposed HEW and DOD amendments since retiring military and PHS physicians will no longer have to choose between a lower retirement annuity and repaying their full annual bonuses.

RECOMMENDATIONS

Lynn	<u>Disapprove</u> the HEW and DOD amendments "the legislation will encourage. . . officers to remain. . . approval of the amendments now would be undersirable since it would. . . [encourage] early retirements. . . ."
Cannon	<u>Disapprove</u> the HEW and DOD amendments
Buchen	No objection to <u>disapproval</u>
Greenspan	No strong reason to approve amendments
Marsh	Disapprove
Friedersdorf	Disapprove
Seidman	No Comment

DECISION

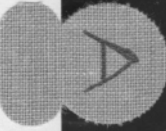
1. Approve HEW and DOD amendments

_____ Agree

2. Disapprove HEW and DOD amendments

MAC Agree

(Lynn, Cannon, Buchen, Greenspan, Friedersdorf, Marsh)





EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

AUG 15 1975

ACTION

MEMORANDUM FOR: THE PRESIDENT
FROM: JAMES T. LYNN *Ohnes*
SUBJECT: Proposed DOD and HEW Amendments to
the Physician Bonus Regulations

Members of the military and Public Health Service (PHS) have a financial incentive to retire before October 1, 1975 because of the retired pay inversion problem. Under current law, they receive a year's worth of cost of living annuity adjustments -- up to \$2,500 per year -- which they would not receive if they retire after October 1.

As you know, HEW requested an amendment to the PHS physician bonus regulations to remove the bonus repayment penalty if a physician retires before completing the full year of service required by the bonus contract. Normally, military and PHS physicians must repay their entire annual bonus if they serve less than one year. Since the bonus plan began last October, no physician would have completed a full year of service before a pre-October 1, 1975 retirement. Initial implementation of the bonus was delayed several months before last October by administrative problems.

On our recommendation, you approved the HEW amendment last week. We have not yet communicated your decision to HEW, however, and two developments have occurred since we submitted the amendment for your consideration:

- ° Defense has proposed a similar amendment, and
- ° Congress has agreed to legislation -- in an amendment to the Defense Procurement Authorization Bill -- to remove the pre-October 1 retirement incentive.

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The Defense Procurement Authorization Bill is almost certain to be enacted soon after the Congressional recess.

The pending legislation will remove the need for the proposed HEW and DOD amendments since retiring military and PHS physicians will no longer have to choose between a lower retirement annuity and repaying their full annual bonuses. In effect, the legislation will encourage military and PHS officers to remain on board. Moreover, approval of the amendment now would be undesirable since it would have the effect of encouraging early retirements, i.e., the physicians could break their bonus contracts without penalty. In view of the need for physicians in DOD and HEW, it would not seem sensible to encourage any of the physicians now on board to retire.

Accordingly, we recommend that you disapprove the proposed DOD amendment and reconsider and disapprove the proposed HEW amendment, on the grounds of the expected Congressional action.

Decision

Approve the DOD and HEW amendments

Disapprove the DOD and HEW amendments (OMB recommendation)