

existing capabilities and develop new alternatives, we must also move to take advantage of ways and means with which we are already familiar, such as group practice, to reduce unnecessary hospital utilization.

One of the chief obstacles to the development of prepaid medical care plans and the group practice of medicine and dentistry is the difficulty in securing financing on reasonable terms to meet the cost of constructing facilities needed for group practice and the cost of providing the equipment needed for essential services, such as laboratory and X-ray services.

Some physicians who wish to establish a group practice arrangement are able to obtain the necessary loans for doing so. This may be the case when the physicians are well established in the community. Most often, and especially for groups associated with prepayment plans, there is no such history; and the lack of adequate long-term financing may prevent a community from obtaining the benefits which accrue from group practice. A number of instances in which this has happened will be found in the record of last year's hearings before the Interstate and Foreign Commerce Committee at pages 313-317. We believe that by making Federal assistance available to encourage the long-term financing of group practice facilities, a major obstruction to the initiation of group practice will be removed.

As you know, the President in his message on rural poverty, has expressed his concern that we are not providing sufficient incentives to attract medical students to settle in rural medical practice. He has proposed to extend loan forgiveness for student financial aid to medical students who choose to practice in poor rural areas. Moreover, this bill as stated in the enacting clause and in section 302(a) would give priority to group practices in smaller communities. These two incentives taken together—loan forgiveness for student financial aid and mortgage insurance for the construction of modern group practice facilities—could work together to improve the adequacy and availability of medical care in rural areas. However, I would have to admit that much more will have to be done to bring the miracles of modern medicine within the financial ability of our people in smaller and medium-sized communities.

Beneficial byproducts of the legislation before you would be the stimulation of additional valuable prepayment plans under which high quality comprehensive medical or dental care or both would be made available at premium cost within the means of persons with moderate incomes.

Consumer groups wishing to organize such plans, instead of having to depend on extensive fund-raising programs, in advance of enrollment of members in the plans, could, under the bill, borrow funds for capital outlay on terms that would permit them to repay the principal and interest out of current premiums.

In brief, title I of the bill would authorize the Federal Housing Commissioner to insure mortgages secured for the purpose of financing the construction costs of group practice facilities. Title II of the bill would authorize direct loans for this purpose if funds are not available from private sources on terms and conditions as favorable as those applicable to loans insurable under title I.

The bill also provides that the Federal Housing Commissioner and the Housing and Home Finance Administrator—Secretary of Housing